Evaluation of EU support to local authorities in enlargement and neighbourhood regions (2010-2018)

Final Report

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The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of the countries involved.

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List of acronyms and abbreviations

ALAs	Associations of Local Authorities
ALDA	European Association for Local Democracy
CBC	Cross-Border Cooperation
CoR	European Committee of Regions
CSF	Civil Society Forum
CSO	Civil Society Organization
EAMR	External Assistance Management Report
EC	European Commission
IPARD	EU pre-accession assistance for rural development
EQ	Evaluation Question
EU	European Union
EUD	EU Delegation
GDP	Gross Domestic Product
GIZ	Gesellschaft fur Internationale Zusammenarbeit
HQ	Headquarters
IFIs	Independent Fiscal Institutions
IPA	Instrument for Pre-Accession Assistance
JC	Judgement Criterion
JCC	Joint Consultative Committee
LA	Local Authority
LRCP	Local and Regional Competitiveness Project
LSGU	Local Self-Government Unit
MFF	Multi-Financial Framework
MLGS	Ministry of Local Self-Government
MS	Member States
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NIC	National Investment Committee
OFA	Orhid Framework Agreement
SIGMA	Support for Improvement of Governance and Management
SMEs	Small and medium-sized enterprises
SPP	Single Project Pipeline
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
TALD	Territorial Approach to local Development
UN	United Nations
UNDP	United Nations Development Programme
WBIF	Western Balkans Investment Framework
ZELS	Association of the Units of Local Self-Government of the Republic of Macedonia

Introduction

Country context

The former Yugoslav Republic of North Macedonia is a unitary state which gained independence in 1991. It is a landlocked country with an estimated population of 2.1 million inhabitants[1]. The demographic indicators show high disproportion in the territorial distribution of the population, with a huge concentration in the capital/region of Skopje and secondary cities with above 50,000 inhabitants. The majority are ethnic Macedonians (65%) with an important Albanian minority (25%). This ethnic divide led to a conflictual situation in 2001. With the help of the North Atlantic Treaty Organization (NATO), the EU and the UN a deal could be brokered under the Ohrid Framework Agreement (OFA). It included a commitment to engage in a devolution of political power[2] to 'local self-government units' (LSGUs) and to recognize the rights of the Albanian minority as full-fledged citizens (e.g. in terms of a fair representation and non-discrimination or in the use of their language). The fundamental idea behind the OFA was to avoid a Bosnia scenario and construct a multinational democracy.

Between 2002 and 2007, the core legislation was passed to shape the framework for the decentralization reform and related policy on regional development:

- The 2002 Law on Local Self-Government defined the competencies of the Local Authorities (LAs): primary and secondary education, primary and secondary health care, culture, social protection, sports development, urban planning, environmental protection, local economic development, communal activities, maintenance and reconstruction of local streets and other infrastructure facilities. The law also spells out the good governance principles to which LAs have to adhere, particularly in terms of transparency, citizen participation and accountability.
- The 2005 Law on Local Government Finance foresaw a two-phase process for fiscal decentralisation. In the first phase, local government units were made the owners of social sector functions and were given earmarked grants to pay for the costs of maintaining these facilities. Under the second phase, local government units that met specific conditions would become responsible for maintaining these facilities but also for paying the wages of their employees.
- In 2007, the Law on Balanced Regional Development aimed at establishing policy linkages between decentralization and territorial development in response to the huge disparity in wealth, jobs, demographic growth and social cohesion between urbanized areas (particularly in the Skopje region) and the rest of the country.[3]

In the resulting decentralization system, there are two levels of governance: central and municipal. As of today, there are 84 Municipalities to which the City of Skopje is to be added, which is enjoying a special status and consists of 10 Municipalities (which are part of the overall number of 84 Municipalities). Moreover, there are 8 '*regions*' for planning purposes only. Municipalities obtain their finances from own revenue sources (approximately 40%) and from grants (approximately 60%).[4] Only 15% of their revenue is used for development initiatives, the remaining 85% are spent on administrative costs. These data reflect a high degree of centralisation and a lack of financial sustainability at the local level. Municipalities may borrow at home and abroad, with the consent of the Ministry of Finance.

There is a large consensus among actors consulted that the initial dynamics in favour of devolution, that could be observed in the 2000s, lost momentum over time resulting in a stagnating decentralisation process. This is reflected in major remaining challenges in terms of (i) granting effective autonomy to municipalities (through the *actual* transfer of competencies); (ii) ensuring effective fiscal decentralisation and financial stability of municipalities; (iii) building and retaining capacities at LA level (particularly in smaller municipalities in deprived regions) or (iv) empowering municipalities to take a lead role in local/regional development. This, in turn, has '*an adverse effect on the development of local participative democracy in which citizens would have the leading role of decision-makers in formulating policies and determining priorities with respect to budget spending*'. [5]

[1] Source: World Bank, 2019

[2] In this context, it is interesting to note that while the 1991 Constitution enshrined the principle of local self-government, the ruling élites around that period adapted the territorial organization of the country and reduced the powers/competencies of municipalities.

[3] For a good overview of the local/regional development challenges see: Penev e.a. 2016. *Policy on Balanced Regional Development in Macedonia – Goals, Challenges and Trends*.

[4] See the CoR overview on decentralization in North Macedonia.

[5] Minutes of the workshop: *Dialogue for Deepening Decentralisation,* Skoppje, 30 August-1 December 2019.

Furthermore, LAs are not functioning in vacuum. They are part and parcel of a state and public administration system with its own political economy conditions that also play out at local level (e.g. the patronage-based governance mechanisms, the political nominations and nepotism, the ethnic factor[6], corruption, etc.). In addition, the problem of regional imbalances is still acute. More than half of investments continue to be generated in the most developed region of Skopje. Population growth in most regions is negative. The three least developed regions (Northeast, Polog and Southwest) are facing high unemployment rates and have not improved their respective contribution shares in GDP in the last years.[7] The Regional Development Strategy, elaborated in 2009 through a consultative process with municipalities, has faced major implementation challenges including low levels of government funding, limited incentives for LAs to engage and major coordination deficiencies, reflecting limited ownership.[8]

Overview of the EU support to LAs

North Macedonia was the first among the Western Balkans accession candidates to sign a Stabilisation and Association Agreement with the EU (April 2001), which entered into force in April 2004. North Macedonia was granted candidate country status for EU membership in December 2005. Considering the significant progress made in required reforms, the EC first recommended in 2009 to open negotiations on accession with North Macedonia. In March 2020 the European Council gave the green light to formally open accession negotiations.

According to the Revised Indicative Strategy (2014-2020) for the country[9], financial assistance under IPA II pursues the following four specific objectives: (i) support for political reforms, including decentralization and local governance; (ii) support for economic, social and territorial development; (iii) strengthening the country's capacities to fulfil the obligations stemming from Union membership; and (iv) strengthening regional integration and territorial cooperation.

In this context, the EC built a portfolio of activities during the evaluation period (2010-2018) towards LAs mainly consisting of (relatively small size) projects targeting LAs either directly or indirectly (see **Error! Reference source not found.**). At that time, there was only limited EU interest to also engage in a structured manner on enhancing national framework conditions (e.g. regarding fiscal decentralisation or regional development), a choice which was linked to the stagnation of the decentralisation process.

As an EU institution, the European Committee of the Regions has provided valuable support to LAs in the country, particularly though structured forms of dialogue as well as by advocating for the application of the Treaty principle of subsidiarity in Enlargement countries.

Table 1 Overview of EU-financed interventions to the support of local authorities in North Macedonia selected for the country case study

D or C year	Title	Budget (mEUR)[10]	Typology	Implementing partner
2014	EC-IPA Rural Investment Trust Fund	16	A.2 LAs' political financial and administrative capacities	Development partner, Private companies
2015	Civil Society Facility North Macedonia Programme 2014 - Civic Participation for Local Democracy	0.22	A.2 LAs' political financial and administrative capacities	CSO - (I)NGO
2016	Civil Society Facility North Macedonia Programme 2015 - CSOs for Making Local Democracy work	0.29	A.2 LAs' political financial and administrative capacities	CSO - (I)NGO
2015	Alliance for Regional Development in North Macedonia	0.08	A.2 LAs' political financial and administrative capacities	CSO - (I)NGO

[6] Reflected, for instance, in the different political and management culture of respectively mayors from Macedonian and Albanian backgrounds.
[7] Penev e.a. (2016): *Policy on Balanced Regional Development in Macedonia – Goals, Challenges and Trends*.
[8] Source: complied form different interviews with domestic and international actors.
[9] European Commission. 2018. *Revised Indicative Strategy for North Macedonia*. Brussels, 3.8.2018, C (2018) 5024 final.
[10] Planned EU contribution.

D or C year	Title	Budget (mEUR)[10]	Typology	Implementing partner
2017	Improving Municipal Governance (this corresponds to a project of 2013 aimed at 'Consolidating Local Self-Government' that was delayed, reduced in scope and renamed)	2	A.2 LAs' political financial and administrative capacities	UNDP
2017	CSF Western Balkan - ReLOaD - Regional Programme on Local Democracy	8.5	A.2 LAs' political financial and administrative capacities	UNDP
2015	IPA CBC - Sustainable energy thematic network of cross-border local authorities (MKD)	0.2	A.3 Local infrastructure and related service delivery	LAs
2015	Local and Regional Competitiveness in North Macedonia	18	A.4 Local (Economic) Development	Development partner
2010	Twinning: Strengthening the central and local level capacities for environmental management in the area of air quality	0.93	A.4 Local (Economic) Development	EU MS
2017	Innovative practices in Environmental Protection phase II	0.37	A.4 Local (Economic) Development	CSO - (I)NGO
2017	Lake Ohrid region – Save Destination for Adventure travel	0.35	A.4 Local (Economic) Development	CSO - (I)NGO
2014	IPA CBC - Tourism - Open Door for Cross Border Cooperation (MKD)	0.21	A.4 Local (Economic) Development	LAs
2014	IPA CBC - Promotion of eco-products in the cross-border area (MKD)	0.13	A.4 Local (Economic) Development	LAs

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

Effective democratic decentralisation was a core pillar of the Ohrid Framework Agreement (2001) and became later a key component of the good governance and public administration reforms North Macedonia needed to carry out for accession to membership of the EU. The Macedonian political *élites* formally embraced the decentralisation agenda in 2001 and have put in place the key laws allowing to progressively move towards local self-government.

In the period 2000-2010, the EU displayed a keen political interest in supporting the ongoing decentralisation dynamics through different actions at national level. However, as the decentralisation process lost traction and stagnated, the EU also disengaged from supporting directly the reform from 2010 upwards, largely reverting to project approaches, with fairly limited budgets, targeting local governance challenges and regional development. Under IPA-II, the EU also supported cross-border initiatives in different sectors. These interventions were not primarily guided by EU policy frameworks addressing LA/ALAs, but rather by contextual realities in the partner country.

1.1.2 Involvement of LA/ALAs (JC1.2)

The IPA partnership is based on the political dynamics of enlargement / accession to the EU. This inevitably puts central governments in the driving seat and results in a centralised political dialogue. The EU acknowledges that the levels of inclusion and participation of LAs in North Macedonia have been limited so far, both in programming processes and in the design of EU interventions. This is also linked to the structural capacity constraints of many LAs. The absence of budget support operations also hampers LA participation in (sector) policy dialogues. At the more operational level, different approaches can be observed. Some EU interventions see LAs mere beneficiaries or as actors like any other party, while others seek to put them in the driving seat.

This lack of LA inclusive approaches has long been criticised in recurrent Opinions by the European Committee of Regions (CoR) when it comes to associating and training LAs in coping with the '*acquis communautaire'*. Pleas to apply the Treaty obligation of 'subsidiarity' also to Enlargement countries are systematically evoked in the Joint Consultative Committee between the CoR and LAs of the country. There is an ongoing national and sectoral dialogue between central and LAs -with the Association of the Units of Local Self-Government of the Republic of Macedonia (ZELS) taking an active role. However, the EU had no structured strategic partnership with ZELS during the evaluation period. In recent years, the EU has spearheaded the creation of various multi-actor 'Sector Working Groups' in the IPA framework, including on local/regional development (2019). These have already shown their potential in terms of dialoguing on sensitive issues (e.g. fiscal decentralisation), influencing national reforms (e.g. reinvigorating regional development) and providing a voice to LAs, also in the next programming cycle.

1.1.3 Adjustments to context change (JC1.3)

The EU has shown a capacity to adjust to change in North Macedonia in the past two decades: In the 2000s, it supported the implementation of the national decentralisation policy. As this reform got stalled, the EU reoriented its support towards the *local level* between 2010-2018 (40% of the overall envelope) and also provided targeted project support to municipalities. Based on interviews with EUD staff, since 2018 there has been an internal dynamic to upgrade the engagement towards LAs. The new strategy sees the local level as key to address the challenges of the country. To this end, the EU now seeks to both influence national policy framework conditions and pilot testing innovative approaches led by LAs (to demonstrate that '*the local level can deliver*'). This also implies much more regular visits to municipalities, more structured dialogues and new-style programmes aimed at directly funding LAs for implementing their own priorities.

This exposure to local realities since 2010, combined with the good research available on decentralisation and regional development issues, has provided a fairly conducive knowledge environment for the EC. However, internal learning processes seem largely based on project-related M&E systems, that focus more on technical / tangible outputs rather than political-institutional dynamics related to decentralisation and LA empowerment.

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

1.2.1 Appropriate EU engagement with LAs (JC2.1)

There have been longstanding concerns with the absorption capacity of IPA funds by LAs, which have hampered direct access so far. This is still the case for many (small and rural) municipalities who fail to tap EU and other donor funds – despite the need to do so considering the poor fiscal decentralisation. Capacities even tend to decrease in these LAs due to structured problems in the public administration (politicisation, unpredictable career development, limited incentives to reward performance, competition by the private sector, etc). The situation is different for major cities, particularly Skopje, which can ensure a properly staffed and competent local administration, have more credible local development plans and can find their way into EU funding (both IPA and other community programmes such as Horizon 2020).

While IPA-II privileged the move towards more sector-based approaches, including the use of budget support, the EUD has so far not opted to also mobilize the aid modality of budget support to promote the decentralisation, local governance or local/territorial development agenda. The CSO-LA thematic line in the MFF 2014-2020 did not cover the Western Balkans. There are a number of regional programmes intervening in North Macedonia such as the EU pre-accession assistance for rural development (IPARD) or the initiative to foster local democracy in the Western Balkans (ReLOaD). The former supports highly relevant thematic priorities (also from the perspective of regional development) but LAs are not a key target. By contrast, ReLOaD focuses on LAs and their way to manage funding available for CSOs. The 3-year project (2017-2020) aimed at fostering a more transparent culture of allocating these resources through joint decision-making processes at municipal level. There is no evidence that these regional initiatives have been integrated in a coherent manner into the bilateral envelope.

Regarding EU investments grants and TA, a first experience was gained with the EC-IPA Rural Investment Trust Fund (EUR 20.7 million), administered by the World Bank. It targeted selected (rural) LAs to finance investments in road infrastructure, water management and municipal facilities on a demand-driven basis. LAs were helped by a Project Implementation Unit (PIU) to prepare their proposals and the screening by the Steering Committee was limited to formal-procedural aspects (e.g. approval by the Council). The final evaluation report shows overall effectiveness in management and delivery of the 83 grants provided. Yet the project bumped into several wider 'system deficiencies' at both national and local level. It thus proved difficult to mobilize all relevant stakeholders around the project (ministries, state agencies, public companies) mainly due to weak government coordination, unclear distribution of roles and weak accountability mechanisms. At LA level, the projects put forward did often not respond to the priorities of communities and major challenges of supervision and maintenance could be noted in several places.

A second scheme is the Western Balkans Framework (WBIF), a blending facility combining grants, loans and beneficiary contributions for infrastructure development in various sectors. Since 2009, the WBIF has supported 23 projects with an estimated value of EUR 2.1 billion in North Macedonia. The country has benefited from 37 grants for TA and investment work with an overall value of EUR 181.8 million.[11] Though the rules of procedures foresee that projects may also be identified by LAs, these do not fit in the overall concept of the WBIF. The identification and prioritisation of projects takes place in the 'Single (National) Project Pipeline' (SPP) compiled within the remit of a National Investment Committee (NIC), where LAs have no say. Their participation at design and implementation level is furthermore hampered by i) limited ability of the Ministry of Local Self-Government to act as an advocate; ii) overlapping competences of core institutions and resulting lack of clarity on '*who is responsible for what'*; iii) political interference[12]; the limited ownership and drive behind regional plans and the lack of knowledge by municipalities of IPA processes and funding modalities.[13]

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Despite its relatively small size, several staff from the EUD are actively involved in the follow-up of LA projects. There is also support from top management. The EUD can further rely on an extensive body of knowledge on the decentralisation reform and national allies (such as ZELS). There is little support / guidance from HQ as it is unclear who in the *'thematic centres'* of DG NEAR is really in charge of the subject.

[11] Out of this envelope, EUR 153.7 million were for investment grants, EUR 28.1 million for TA.
[12] Source: Interview with World Bank
[13] Interview with EUD staff.

1.2.3 Measured performance informing planning (JC2.3)

There is no shortage of reporting on projects and activities. Yet there is limited strategic information available on how the various EU interventions (across sectors) impact on LAs as an institutional actor in its own right with distinct roles and added value. There are also few evaluations available on the key programmes supported in last decade.

1.3 Coordination and complementarity (EQ 3)

1.3.1 3Cs of EU support with other donors (JC3.1)

There are few donor agencies active in North Macedonia, which facilitates informal interactions and knowledge on '*what everyone is doing*'. However, on the whole, there is limited coordination of donor interventions in the areas covered by this evaluation. The government lacks the capacity/interest in steering the 'supply' of donor funding. The EU has triggered in 2019 the creation of a sector working group on local/regional development to exchange on the topic, involving municipalities. Available evidence does not indicate the existence of joint programming attempts in its various forms, including joint analysis. The division of labour is rather ad hoc, based on traditional areas of interest of the donors involved.

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

Good yet distant relations exist between the EUD and the national association of LAs (ZELS). There are frequent (informal) dialogue opportunities, the association is part of the EU-led donor working group and the EUD makes use of the analyses produced by ZELS to define its support towards the ongoing decentralisation reform and LAs. However, the EUD does not see the need and added value to deepen the relations and provide programmatic funding. The EU-supported regional programme ReLOaD (focused on local democracy) has been very effective at local level but had limited regional visibility and did therefor not trigger some global form of partnership among actors. The Covenant of Mayors initiative has done some inroads in North Macedonia, but not in an institutionalised form.

2 Effects of EU support to LAs

2.1 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

2.1.1 Roles and mandates of LAs (JC4.1)

While there is a formal political commitment to decentralise/empower LAs and some progress has been achieved over the past 15 years, most analyses concur to say that the decentralisation reform is stalled since years and the implementation gap (between stated policy ambitions and actual practice) remains huge. This has been compounded by the structural weakness of the Ministry of Local Self-Government (MLSG)[14] which is not in a position to act as 'champion' and catalyst of progress in terms of empowering LAs.

Various EU projects supported during the evaluation period have sought to (implicitly) address the issue of roles and mandates of LAs, yet these time-bound interventions had obvious limitations. The lack of commitment on the part of the EU to also influence national framework conditions in the past decade helps to explain why the overall profile of LAs has not been enhanced. The mainstreaming of LA participation in EU interventions has been pursued in a quite ad hoc manner in the past years and was not helped by the absence of budget support operations at sector level. As a result, the EUD actions towards LAs seem to exist as standalone interventions. Furthermore, there appears to be limited interaction with other policy domains or sector-oriented programmes – despite the fact that they touch upon issues (such as agriculture, tourism, environment) where LAs have legally ascribed competences and could therefore play a role.

2.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Several EU projects have sought to address the issue of strengthening LAs autonomy in political, institutional and financial terms. But the scale and scope of the interventions as well as the chosen modalities do not allow to have a real impact on this type of structural changes. There is equally no

[14] There has been prior to 2010 capacity development support from the EU to reinforce its role yet this was discontinued.

tradition of involving LAs directly in processes related to the accession process and adoption of the EU acquis.

2.1.3 LA's knowledge about EU (JC4.3)

Most LAs in North Macedonia are globally familiar with the accession process and with general aspects of EU support strategies. Their national association also makes systematic efforts to provide relevant forms of knowledge (beyond how to access EU funds). However, the degree of knowledge of the EU and IPA funding varies substantially across the 84 municipalities of North Macedonia – reflecting hugely diverging levels of LA capacity.

2.2 LAs' empowerment and capacities (EQ 5)

2.2.1 EU support to national framework conditions for LAs (JC5.1)

In the 2000s, the EU supported the implementation of core national policies affecting LAs such as the decentralisation process and regional development. Yet the limited progress achieved in both reforms induced the EC to re-orient its support to the local level and LAs. The aim to make decentralization work for development was pursued by the EUD through a rather disjointed set of programmes and projects. Some of these (e.g. 'Improving Municipal Governance' and 'Local and Regional Competitiveness') sought to address some systemic bottlenecks linked to fiscal decentralisation, yet their scope and size was too limited to influence this type of factors. The EU interventions in the area of decentralisation, local governance and local/territorial development were not underpinned by budget support operations, which may have given the EU a stronger leverage / influencing capacity on national policy processes.

2.2.2 LAs' strengthened institutional capacities (JC5.2)

Capacity development objectives were an integral part of the core projects targeting LAs, including those supporting the consolidation of local self-government, local and regional competitiveness or civil society involvement in making democracy work. Yet the available reports and M&E data are primarily '*activity-driven'* and do not allow to make a genuine assessment of more sophisticated institutional objectives such as the empowerment of LAs. An exception is the evaluation of ReLOaD, the regional initiative on local democracy, which zooms in on the effects achieved in changing mindsets, cultural norms and working methods between LAs and CSOs. In consultations with local actors, the risks of supply-driven approaches to capacity development were highlighted, as well as the extensive use of '*intermediaries'* as implementing agency (e.g. multilateral / bilateral agencies, private sector companies, CSOs) as this may disempower LAs). There is not much documentation available on how the EU sought to enhance capacities of LAs to adopt the relevant EU acquis. The EUD confirmed there has not been so far a dedicated strategy to incorporate LAs in the whole process of accession and responding to the EU's requirements.

2.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

In North Macedonia, the processes of decentralization and local/regional development have been intertwined from the outset. In this framework, successive governments have been pushing forward a *regional development / competitiveness agenda* which recognizes the need for integrated approaches, involving all the relevant public and private stakeholders at different levels of governance (local, regional, national) as well as the pivotal role of LAs. In 2014, the EU decided to contribute to the implementation of this national agenda through the programme on '*Local and Regional Competitiveness'* (EUR 18 million). The action aims at increasing competitiveness by supporting municipalities and regions in pursuing integrated approaches to territorial development with a view to stimulate growth and create jobs. The project has not been evaluated and available sources mainly focus on activities, outputs and some emerging results in *developmental* terms and much less on effects regarding LA autonomy, governance, resource base or capacities. The incentives for LAs to participate were quite limited as municipalities were seen as '*one actor among others'* or a '*beneficiary*'. It also requires entrepreneurial LAs to enter into integrated regional approaches to tourism development.

2.3 Accountability, participation and local democracy (EQ 6)

2.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Most of the EU-supported interventions targeting the local level or the municipalities examined in this evaluation, directly or indirectly sought to adopt inclusive approaches towards civil society and the private sector. Two bilateral interventions merit specific examination, respectively the programme

dealing with: (i) Consolidating Local Self-Government / Improving Municipal Governance[15] and (ii) '*Civil Society for Making Local Democracy Work*', implemented by ALDA (the European Association for Local Democracy) under the 2015 Civil Society Facility North Macedonia, focused on improving the transparency and accountability of LAs in allocating grants to civil society organisations. According to several actors consulted, these projects factored in the prevailing (often sobering) baseline conditions regarding local democracy and governance. They effectively applied a multi-actor approach and pioneered innovative practices of local democracy. The same applies for ReLOaD which focused on restoring trust in local institutions by making LA funding to CSOs transparent. All these interventions created space for more constructive state-society relations at local level. However, the weak point of these interventions is the sustainability as timid project gains are seldom taken further and institutionalised.

In the period under consideration, there are no specific EU interventions geared at reconciliation and stability (as these used to exist in the past). Yet, it could be argued that several EU programmes examined in this evaluation do contribute indirectly to reconciliation and stability. This holds particularly true for the civil society programmes that seek to promote inclusive and transparent local governance systems and processes as well as the programme on Local and Regional Competitiveness, which is all about enhancing socio-economic and spatial cohesion in a country with important disparities in levels of development.

2.3.2 Accountability of LAs (JC6.2)

There is no evidence on EU interventions aimed at strengthening upward and horizontal accountability (areas left respectively to USAID and the Swiss cooperation). There is more information available on the effects of EU projects on downward accountability. Several *dimensions* of local democracy have improved over time as a combined result of the country's own democracy path, national policies and external support (including from EU). These mainly concern the availability of information to citizens, the existence of formal channels facilitating dialogue or participation in local affairs, the existence of feedback mechanisms (e.g. citizen's satisfaction surveys on public services) and also certain progresses at the level of the transparent programming and budgeting of municipal resources. However, it is much more difficult to assess the level of transformation in '*democratic culture*' that is actually taking place in norms, attitudes and practices (e.g. the local patronage systems).

2.4 Service delivery and response to local challenges (EQ 7)

2.4.1 LAs delivering quality public services (JC7.1)

Enhancing the overall institutional capacity of LAs to deliver public services has been a key pillar of the comprehensive decentralization reforms of the government from the outset. The EUD sought to respond to this challenge primarily through the project ''Support to the Consolidation of Local Self-Government in North Macedonia', re-baptised later as the ''Improving Municipal Governance' project (2017-2020, with a contribution of EUR 2 million), to implemented by UNDP.

This project provides financial support through a procurement scheme for the small and rural municipalities to carry out the responsibilities transferred to them. According to the 2019 Narrative Report, there are 40 priority projects that are under implementation. Furthermore, 32 projects are directed to municipalities and 8 to the planning regions. It works specifically on enhancing the feedback from citizens and business on LA services received. The project has created the conditions for two citizen's satisfaction surveys to be conducted on these matters, respectively in 2017 and 2018. As per the 2018 Citizen's satisfaction survey.[16]

The three CBC projects in the selected portfolio had the *potential* to trigger interactions between citizens and businesses around the delivery of services and products *by* LA. However, two of the CBC interventions, dealing respectively with '*Innovative practices in Environmental Protection'* (2017-2019) and the '*Lake Ohrid region – Save Destination to Travel'* (2017-2019), do not give a central and explicit role to LAs in implementation. They are rather seen as secondary stakeholders, to be informed and consulted about the operations. The third CBC, which focused on the *'Promotion of eco-products in the cross-border area'* (2014-2016), took a different approach by choosing municipalities as contracting parties. This allowed to go beyond specific local economic development outcomes, but also incorporate a dimension of reinforcing the 'general mandate' of LAs (i.e. to take all initiatives needed to further the well-being of the citizens).

[15] It included a component with a number of quantitative progress indicators such as the number of (i) consolidated participatory bodies; (ii) supported CSOs networks; (iii) strengthened partnerships between CSOs and institutions and (iv) new partnerships between CSOs and institutions.

[16] Narrative Report (24.6.2019) of the project on Improving Municipal Governance, p. 2

The issue of maintaining facilities for services is a real issue, as evidenced in the evaluation of the Local and Regional Competitiveness Project.

2.4.2 LAs better respond to local challenges (JC7.2)

The EU portfolio has no interventions focusing explicitly on LA capacity to respond to specific challenges. Several programmes may have contributed *indirectly* to this (like the 'Consolidation of Local Self-Government/Improving Municipal Governance'). The EUD is currently setting-up a 10 million EUR programme that would focus specifically on LAs addressing local challenges. The programme would be directly managed by the EUD and function through Call for Proposals.

2.4.3 Sustainability is addressed in programming and implementation of EU interventions (JC7.3)

The decentralisation process and regional development policy have advanced in a non-linear way, with ups and down in terms of political momentum and speed of reform. The EU has consistently based its interventions on national plans and initiatives. While there is quite a good analysis in the action fiches on prevailing political and institutional conditions, some projects clearly had overoptimistic expectations as to the results that could be achieved in a given time frame (e.g. the project aimed at consolidating local self-government/improving municipal governance). The choice of the EUD to pursue the LA agenda mainly through 'standalone' projects raises major doubts as to the possibility of this type of projects for scaling up and sustaining innovative practices. This is compounded by the lack of an integrated EU response strategy, consisting of a coherent and interlinked portfolio of interventions (including the use of budget support as a possible vector for policy reforms at national level), underpinned by a systematic policy/political dialogue. Also, the effectiveness of innovative funding schemes (EC Rural Development Trust Fund or WBIF) is ultimately dependent on the existence of an effective institutional architecture, credible policies, a clear distribution of roles and responsibilities between central and local actors as well strategic coordination capacities.

Annex 1 - Evidence at indicator level

3 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

3.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

Effective democratic decentralisation was a core pillar of the Ohrid Framework Agreement (2001), brokered by the EU and UN, amongst other geared to reduce ethnic tensions with the substantial Albanian minority. It became later also a key component of the good governance and public administration reforms North Macedonia needed to carry out for accession to membership of the EU. The annual progress reports produced by the Commission systematically include references (of varying depth and length) to the progress achieved in this field. Thus the 2019 report highlights some of current concerns of the ongoing decentralisation reform process: *'The transition towards effective fiscal decentralisation to municipalities is still ongoing. The law on reporting and recording of public institutions' obligations was changed to allow the state to take over up to 51% of existing debts of municipalities as a one-off measure. At the same time, work on introducing sound fiscal rules for local government has begun. These measures aim to avoid a possible relaxation of financial discipline among municipalities".*[17]

As mentioned in the above context analysis, the Macedonian political élites formally embraced the decentralisation agenda in 2001 and have put in place various laws allowing to progressively move towards local self-government. Already under IPA-I (2007-2013) several projects addressed different parts of the new architecture required for effective decentralisation, local governance and local democracy. Examples include the 2008 project to capacitate central/local governments in sound financial management and control or the 2010 project targeting both central/LAs to implement the environmental acquis. From the outset, there were programmes aimed at enhancing civil society participation in local governance/democracy. The EU also sought to contribute to public administration reforms at municipal level in that period – focusing particularly on human resource management.

However, as the decentralisation process lost traction and stagnated over time, the EU also disengaged from supporting directly the reform between 2010 and 2018 (coinciding with the evaluation period). As can be seen from the above table with core EU interventions towards LAs covered by the evaluation, the EU largely reverted to project approaches, with fairly limited budgets, targeting local governance challenges (e.g. municipal governance, civil society participation) as well as different initiatives geared at local and regional development (though mainly focused on investment in transport and environmental infrastructure *within* the territory of a certain municipality). Under IPA-II, the EU also supported cross-border initiatives in different sectors. Most of these interventions involved central authorities and facilitated some dialogue and cooperation with LAs, yet these processes were primarily 'project-driven' rather than 'policy-driven'.

3.2 Involvement of LA/ALAs (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

The IPA partnership is based on the political dynamics of enlargement / accession to the EU. This inevitably puts central government in the driving seat in pushing forward the reforms required for accession or as primary interlocutor in policy dialogue and coordinator of EU support programmes. The EUD acknowledges that the levels of inclusion and participation of LAs have been limited so far, both in programming processes and in the design of EU interventions. The limited participation is also largely due to capacity constraints on the side of LAs to come forward with their own local/territorial development agendas (reflecting the demand side) or project proposals. A different situation prevails in larger cities, particularly Skopje, which has a full division for International Cooperation. Several informants argued that the possibilities to more fully include cities with effective capacities in programming could be further explored, preferably involving the city administration as well.

At the more operational level, the issue of inclusive approaches can be assessed from the perspective of the roles that LAs play in the *actual implementation* of different EU interventions geared at local/territorial development, local governance or the broader decentralisation reforms. In the portfolio

[17] European Commission (2019): Staff Working Document. *North Macedonia 2019 Report.* Brussels, 29.5.2019, SWD (2018) 218 final

of activities examined, a mix of approaches can be found. Some projects targeted directly LAs, putting them firmly in the driving seat. Others seek to strengthen both LAs and CSOs in an attempt to address specific local governance challenges (e.g. the regional initiative ReLOaD). Still other projects do not distinguish LAs from other local actors or see them as mere associates or beneficiaries. Under IPA-II, the EU-supported cross-border initiatives in various sectors (tourism, SME development, environment) ascribing different roles to LAs in the implementation process (from rather passive stakeholder to lead agency).

The lack of inclusive approaches towards LAs in EU external action has long been criticised by the CoR and related Joint Consultative Committee when it comes to associating and training LAs in coping with the '*acquis communautaire'* and ensuring the required alignment and harmonisation. The CoR has consistently pleaded for a greater degree of involvement by local and regional authorities in disbursing IPA funds effectively. The argument used is that the purpose of IPA funds is to improve the quality of public administration, the rule of law, democratic governance, to support economic development and to assist in the fight against both organised crime and corruption. European integration cannot advance without serious involvement on the part of LAs. The CoR therefore believes that IPA should devote more attention to strengthening administrative capacity at local and regional level.[18]

Relations between the EU and the national association of LAs (ZELS) have evolved over time. In the '*booming years'* of the decentralisation process (2005-2010), the EU had a clear strategic interest to invest in the emerging structure of ZELS. The EU even funded the building the ALA is still occupying. Over time, as the momentum of reform was lost and the EU pulled out of addressing national policy frameworks upfront, relations became more tenuous and ad hoc, taking the form of informal dialogues and use of reports produced by ZELS, yet without structured forms of partnerships.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

The national dialogue between central and local governments continues to take place on how to advance the decentralisation process (in particular the effective transfer of competences and resources). This includes sectoral dialogues (e.g. in the areas of transport, environment, rural development). Multi-actor conferences were recently organised to discuss progress and bottlenecks in pursuing the decentralisation reform, covering a wide range of issues.[19] According to municipalities interviewed, ZELS provides a useful forum for exchanging experiences between municipalities. There is also good cooperation in terms of defining positions of LAs to be put on the table in the dialogue with government. Yet ZELS generally does not manage to exercise sufficient leverage to also ensure effective implementation of core LA priorities. This is partly linked to the fact that the President of ZELS and majority of members of the managing board are mayors belonging to the ruling party / coalition. Recently, ZELS took the initiative to jointly work with the central government and line ministries on a concept note to reinvigorate the stagnating decentralisation. A document was produced in March 2020, spelling out a set of promising reforms[20], yet the COVID crisis stalled the process for the moment. It is hoped that the new government, following recent elections, will embrace the reform agenda spelled out.

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

The political dialogue processes between the EU and North Macedonia concentrate on the accession issue and the reforms carried out (or not) country related to all core requirements. The EU is primarily focusing on these matters, less on dialoguing on the development cooperation part. Most of the reporting time of the EUD is dedicated to the annual progress reports for the EU's political masters. Issues related to decentralisation receive a rather scant attention in these reports, particularly in recent years, indicating that this reform does not feature high on the political agenda nowadays (contrary to the early 2000s). This reduces the opportunities to bring LAs into political dialogue processes. The absence of budget support operations in North Macedonia hampers LA participation in (sector) policy dialogues.

However, at policy level, the EU has recently spearheaded the creation of various 'Sector Working Groups' in the IPA framework, including one on Local / Regional development in 2019. These aim at facilitating inclusive and structured dialogues on how to address core challenges in the various sectors (e.g. transport, environment). Municipalities are invited to the working group sessions, at meet at both technical and decision-making levels (the latter being chaired by the Minister). This format has allowed the EUD to push for new legislation or openly discuss sensitive issues in a multi-actor setting (such as the stalled fiscal decentralisation and the PFM challenges across the board). It may reinvigorate donor

[18] See various opinions of CoR over last years.

[19] A first multi-actor workshop concerned a "*Dialogue for Deepening Decentralisation*' (30 August-1 September). The second gathering was the Annual Conference on Decentralization and Local Governance. "*Empowering Communities: new momentum for decentralization*' (21-22 November 2019).

[20] Including decentralization of new competences with ensured finances; major changes in the system of local self-government with differentiated approaches between '*cities*' and '*municipalities*' (so as to address upfront the capacity constraints of smaller municipalities; as well as deepened fiscal decentralization.

coordination efforts[21] and is expected to allow for a much stronger involvement of LAs in the new programming cycle.

3.3 Adjustments to context change (JC1.3)

EC's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

The EC has been involved for almost three decades in stabilisation and institution building processes in North Macedonia, including the implementation of the national decentralisation policy. Furthermore, this support has been provided in the broader political framework of the EU enlargement policy and accession – with all the highly formalised negotiations, multi-actor dialogues and monitoring and evaluation it entails (including by institutional actors such as the Committee of Regions). All this provides a fairly conducive knowledge environment for the EC, which could help to determine politically savvy intervention strategies. Moreover, there is quite some quality research available on country specific political dynamics and reform processes (such as decentralisation) produced by a wide range of local, regional or multilateral organisations.[22] Several of these analyses focus on the political economy conditions that shape central and local government relations and the impact on the decentralisation reform and its various dimensions (such as fiscal decentralisation). The EUD confirmed that it makes use of the quality analyses produced in a systematic way by ZELS.

Regarding internal learning processes, the documentary analysis shows that all programmes supported have M&E systems, sometimes including quite sophisticated audits, complementing the ROMs and narrative reports. Yet several of these feedback mechanisms do not really analyse in depth the effects of projects on central-local government relations or indeed on the empowerment of LAs. They focus primarily on project-related (tangible) outputs and outcomes, less on underlying political-institutional dynamics.

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

Overall, the political and institutional incentives are in place within the EU-North Macedonia partnership to move beyond centralised partnerships and engage with LAs. This is linked to the *political settlement* embodied in the 2001 Ohrid peace agreement and in the accession process of North Macedonia as a potential EU member. The formal ownership of the national decentralisation policy by the national elites and the fairly broad societal support for the reform created political space for the EU to play a role as '*process facilitator*' and '*convenor*' with a view to forge a consensus on how to implement decentralisation – taking on board prevailing political economy conditions. The EUD effectively played this role in the early years of implementation of the decentralisation reform (2003-2007).

However, EU staff consulted indicated that the issue of decentralisation had somehow '*faded away*' as a political priority in the past decade. The EU continued to engage at local level through a variety of interventions, yet the specific focus on the decentralisation reform and on enhancing the role and profile of LAs became less visible in the overall EU portfolio. This may also explain why the 2013 EU Communication on empowering LAs is not regarded as the key policy document of reference in North Macedonia. The EUD is familiar with the Communication but does not use it to guide its work on LAs. By contrast, the notion of '*territorial development*' is taken on board by the EUD but that is primarily due to the influence of the EU's cohesion funding than to the Communication's plea for territorial approaches to local development, spearheaded by LAs.

Evidence that the EU adapted its engagement strategies with LAs (over a longer period of time) and seized windows of opportunities. (I-1.3.3)

As mentioned before, EU engagement with LAs went through various phases, i.e. from political engagement in the national decentralisation reform process (up to 2010), followed by a focus on local level dynamics without necessarily a coherent strategy to integrate LAs in a systematic way in all relevant programmes (2010-2018)[23] and now in the past two years, a strongly renewed interest to

[21] For instance, in the Sector Working Group on Environment is clearly appeared that EU and UNDP had overlapping investments.

[22] See for instance the study of the Institute for Regional and International Studies, produced in the early years of the decentralization process on the ethnic dimensions: '*The process of decentralization in Macedonia: Prospects for ethnic conflict mitigation, enhanced representation, institutional efficiency and accountability*' (2006). UNDP has been supporting the decentralization process since the outset and has regularly produced surveys on progress achieved. For instance, the 2013 survey on '*Decentralisation and Local Development: What's next?*'

[23] The portfolio of activities geared at the local level has increased substantially, both in scope and financial means mobilised in the last decade (see database of the EUD: https://euprojects.mk/. However, However, it is not clear how much of these resources also benefitted directly the municipalities.

engage with LAs and also ensure the required linkages with national policy frameworks (as reflected in the recent creation of a Working Group on Local and Regional Development).

In the period under evaluation, all the programmes and projects, taken separately, made sense, responded to needs of LAs and had positive effects (see below in EQ 5-7). Yet taken collectively, they did not represent a solid and consistent EU engagement strategy, with the related risk that windows of opportunities were not detected or optimally used (e.g. in terms of influencing key national policies as enablers for LA empowerment). They also did not leave enough room for partner country actors, particularly the LAs, to express their own demands and to ensure a better linkage between central/local and EU agendas.

During the kick-off meeting of the virtual field mission, it was argued that there has been a clear revival of interest in the past 2-3 years at EUD level to deepen engagement with LAs (from an empowerment perspective, as spelled out in the 2013 EU Communication), to increase the dialogue with LAs (including through systematic visits) and opportunities to access IPA-funding, to explore ways and means to accelerate the effective implementation of core national reforms (such as decentralisation and regional development) and to plead for a greater role of LAs in the accession process. The new EUD strategy is based on a horizontal approach (i.e. working at both central and local level, e.g. by trying to push for new laws that will enhance the LA capacity to provide better services) as well as pilot testing of innovative practices in different sectors at local level.[24] The underlying narrative at EUD level is that the local level is key in addressing the core development and governance problems of the country. Hence, the need for the EU to engage with LAs in a much more direct and structured manner, with both a clear strategy and a set of methodologies aimed at pilot-testing innovative practices and demonstrate that '*valuable things can be done at local level*'[25] and possibly scaled up into national laws and practices.

In the same spirit, in 2020 a new support programme has been launched: '*EU for municipalities'*. The action will pilot smart solutions for addressing local and community challenges in partnership with local authorities from EU Member States. It will support the municipalities in the Republic of North Macedonia to address local needs and to boost their potential towards EU integration. Promoting territorial partnership between municipalities in the country and their homologues in the EU will help identify and implement innovative solutions to local challenges in different areas (e.g. service provision, social welfare, utilities management, urban mobility, etc.) and support long lasting international partnerships. Another initiative reflecting the new strategic approach is the planned integrated support to the PRESPA region with a strong focus on environmental protection (EU for PRESPA). Its conception is driven from the bottom-up, based on multi-actor dialogue, geared at facilitating the formulation of priorities owned by the various public and private stakeholders -which the EU could *directly* support financially.

While this evolution in the overall strategic approach towards LAs is consistent with the main tenets of the 2013 Communication, it resulted primarily from internal dynamics *within* the EUD -rather than as a result of a growing internalization of EC policy frameworks. In fact, EC staff consulted were quite unanimous to state that DG NEAR lacks a clear strategy for engaging with LAs and has not shown in the past an interest to fill that gap. This is illustrated, in their view, by the marginal role given to LAs in the accession process, the absence of a thematic instrument for LAs (as this existed in all other regions under MFF 2014-2020) or the failure to recognise the central position LAs should occupy in CBC projects (until recently).

4 (EQ 2) Adequacy of EU implementation processes and approach

4.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

The limited fiscal decentralisation and low central government allocations to regional/local dynamics, mean LAs in North Macedonia have a keen interest to mobilise external funding, including from the EU (e.g. IPA-funds in the first place but also Community programmes such as Horizon 2020). However, there has been a longstanding concern about the absorption capacity of LAs of IPA funds. Key challenges include: (i) often inadequate human resources[26], partly explained by the lack of financial capacity of LAs; (ii) lack of expertise to comply with the rules and procedures of EU financial instruments or writing proposals (compounded by linguistic barriers); (iii) the growing competition from other beneficiaries of EU funds, such as universities, NGOs and CSOs; (iv) the risk of severe delays in the project planning and management cycle, possibly leading to a de-commitment of EU funds; (v)

[24] Interview with EUD staff.
[25] Examples include EU-support enabling municipalities to run three VET schools or promote business development in deprived regions.
[26] As illustrated for instance by the fact that municipalities do not have a specific unit or team dealing with IPA funds

insufficient coordination between national and local levels.[27] Consultations revealed that these challenges remain largely unchanged for many municipalities, particularly small and/or rural LAs -which are not yet adequately supported by local institutions (e.g. ZELS) or other TA arrangements. Capacity to engage with donors / EU may even be decreasing according to several interviews due to systemic problems in the local public administration (e.g. no clear career development perspective, lack of technical profiles, outflow of skilled staff to the private sector where wages are higher, etc). Cooperation with academia and CSOs at this level is rather limited, while reliance on consultants tends to create challenges of ownership by the LAs and the administration. Furthermore, co-financing still forms a major barrier (proposals have been made to create a national funding mechanism or rely on existing structures such as the Bureau for Regional Development to help municipalities).

The situation is different for cities. They are generally less interested in TA (which can be offered in the IPA logic) but primarily seek relatively quick access to larger amounts of funding (using less constraining procurement channels, i.e. of the World Bank rather than EC/IPA). The capital city of Skopje has successfully managed to tap into Community programmes (F7, Horizon 2000, Erasmus, etc.), profiling itself as 'partner' rather than as 'lead' actor while also mobilizing IPA-funding (including through the EU local and regional competitiveness project implemented by the World Bank). On the whole, the various EC instruments or calls are compatible with the fairly elaborated strategies of the city. It was also observed that the EC funded programmes allowed to introduce 'conceptual changes' in certain fields (e.g. sustainable mobility) which, once tested out, served as a basis for the development of smart city traffic management (funded by a loan through EBRD).

The EUD is fully aware of the impact caused by the lack of a genuine fiscal decentralisation in the country, which de facto means that many LAs are largely '*abandoned*' by the central authorities.[28] This also explains the renewed political interest of the EUD to engage more directly with LAs, including by exploring ways and means to facilitate greater access to EU funding for home-grown policies and programmes. This involves a learning process for the EUD as well, including to assess the risks involved in '*going more local*' (e.g. in terms of proper planning of activities, sound financial management, accountability systems); to address wider issues of governance (e.g. who sets the agenda? how to ensure local priorities reflect the interests of citizens? how to deal with the informal rules and cultural norms in governance?), to improve coherence (e.g. the need to ensure effective coordination between local-central level processes) or sustainability of its interventions (e.g. in terms of maintenance).

For the EUD the way forward in terms of territorial development is to promote horizontal cooperation between LAs, CSOs and the local private sector (the virtuous '*triangle'* of actors). According to interviews, the EU-projects funded under the Civil Society Facility in North Macedonia have consistently and creatively sought to promote such multi-actor partnerships. This includes making a much more effective use at LA level of the expertise existing at the level of the communities, the CSOs and the private sector (e.g. for effective service delivery).

The Regional programme on promoting local democracy in the Western Balkans (ReLOaD) is equally all about fostering constructive collaboration between LAs and CSOs and changing over time the 'culture' of managing public affairs and engaging with CSOs (including 'non-usual suspects' less familiar to the LA).[29] Soft outcomes, such as improved trust and transparency[30] are central tenets of this approach (see also case study on ReLOaD produced in the framework of this evaluation). These participatory processes can over time help to change the culture of LAs in terms of working for the benefit of citizens rather than as implementing agency for central government or as a loyal institution towards political parties.

The existence of major implementation challenges when operating at local level is well illustrated with the CBC programmes. The IPA-II improved the overall incentives to participate in this scheme (e.g. through higher budgets and a higher ceiling for infrastructure) and this resulted in higher quality of projects. Yet beyond this point, a wide range of challenges became visible, including (i) limited leadership and entrepreneurial approaches to effectively implement in a timely manner the projects once

[27] European Policy Institute/ Friedrich Ebert Foundation. 2012. The use of EU funds in Macedonia. Efficiency, impact and absorption capacity. November 2012. The study argues that "*clearly defined roles and competencies in the areas of supervision and monitoring functions remain underdeveloped. The lack of resources of central authorities does not allow for a meaningful consultation of local stakeholders, which in turn consider that they suffer from a lack of communication in their ability to access EU funding.*

[28] Statement made during the kick-off meeting with EUD staff.

[29] Interviews with EUD staff and UNDP ReLOaD team.

[30] Local sources confirmed that the practice before ReLOaD in terms of funding CSOs was based on the following features, which did not allow for a strategic and transparent allocation process: (i) public calls covering all priorities of the local development plan; (ii) open to all CSOs; (iii) limited or no explanation on who is selected and why; (iv) limited reporting of what is done or disclosure to the public. The transparency challenge also applies to CSOs, many of whom are equally politicized and not keen to provide accountability.

money has been secured; (ii) less than optimal involvement of the ministries involved (despite the availability of TA); (iii) lack of clarity on 'who does what', as well as (iv) limited motivation of stakeholders involved to use the CBC as an iterative 'process' (rather than as a short-term project action) allowing them to dialogue, establish partnerships, tackle wider policy and institutional issues. All this resulted in a relatively high rate of underspending (40% of CBC funds) due to non-implementation planned activities and equally disturbing levels of recovery measures for ineligible costs. A key lesson learnt is that effective implementation of CBC programmes requires that institutional '*systems*' are in place in which these projects can be embedded. This is not the case now in North Macedonia considering the unfinished decentralisation process and the structural constraints faced by the various categories of local actors involved in CBC.

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

The portfolio in support of LAs since 2010 is primarily based on a set of project interventions funded through the bilateral envelope and dealing with different dimensions of the overall decentralisation, local governance and local/regional development agenda of North Macedonia. While IPA-II privileged the move towards more sector-based approaches, including the use of budget support, the EUD has so far not opted to also mobilize the aid modality of budget support to promote the decentralisation, local governance or local/territorial development agenda.

The CSO-LA thematic line in the MFF 2014-2020 did not cover the Western Balkans. There is a number of regional programmes intervening in North Macedonia such as the EU pre-accession assistance for rural development (IPARD), or the initiative to foster local democracy in the Western Balkans (ReLOaD). The former supports highly relevant thematic priorities - also from the point of local/regional development but LAs are not a key target actor, though they are generally consulted when project-related investments, generally driven by state agencies or the private sector, are examined. The latter supported valuable innovations in LA funding practices towards CSOs but was highly localised and short-term.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

Two schemes are worth mentioning here.

First, the EC-IPA Rural Investment Trust Fund aimed at improving the delivery of targeted municipal services in selected LA with a view to reducing regional disparities through the development of physical capital in rural areas. Initiated in 2014, the EU Trust Fund was endowed with a total budget of EUR 20.7 million from IPA funds (EUR 15.5 million) and North Macedonian co-financing (EUR 5.2 million). It is administered by the World Bank (using its rules and procedures) and implemented by Ministry of Finance through a Project Implementation Unit (MSIP-PIU). It also included a facility to ensure the M&E of the project. During its existence, the Fund awarded 83 grant contracts in 78 Municipalities (out of 133 submitted projects), mainly in road infrastructure but also in water management and various forms of municipal facilities.

The approach followed by the EU Trust Fund was a demand-driven based on specific projects addressing concrete problems. Participating municipalities were ensured of a certain amount of funding (without competition) to choose their own priorities. The screening/selection of the submitted projects by the Steering Committee was largely formal and light (based on criteria such as coherence with the local development plan and approval by the Council), which resulted in projects of uneven technical quality getting the green light (a risk taken in order to privilege local ownership).[31] Systematic efforts were made to actively involve the various stakeholders involved (ministries, agencies, public companies, etc.), but that proved challenging, particularly because of limited government coordination (e.g. in terms of 'who should do what'). The Trust Fund bumped on other wider 'system' weaknesses at both national and local level that hamper the effective use of such a financing instrument. Examples include the lack of reliable data to plan investments (particularly at local level) or the lack of accountable governance. A case in point relates to the obligation of municipalities to develop energy efficiency plans and submit them to the national agency in charge. However, when municipalities fail to do so, there is no clearly defined national 'process' in place or applied to take remedial action.[32] This type of institutional shortcomings made it difficult for the EU/World to properly 'embed' this Trust Fund in national policies, processes and systems.

According to the final evaluation report[33], EC-IPA Trust Fund was globally effective in its management and delivery on the ground. Interesting insights are provided regarding the role of LAs in this programme. The overall preparation of project technical documentation by municipalities (assisted by the MSIP-PIU)

[31] Experience in the Trust Fund suggests that the best projects were introduced by mayors who served several terms, reflecting enhanced capacity development, also at the level of the local administration.
[32] Interview with EUD staff in charge of the programme.
[33] GFA Consulting Group. 2019. *Monitoring and Evaluation of the EC-IPA Rural Investment Single-Donor Trust Fund*. Mission Report no 5: Final evaluation report. Period covered: 03/2019 – 09/2019.

was overall assessed as good. However, many of the projects identified as needed '[…] *were not necessarily the highest priority (listed in local strategy documents) within local communities or those that would have had the most benefits to the citizens within the budget available'.* Furthermore, the report notes there was a lack of prioritisation of investments at the selection stage, with insufficient attention to cost-benefit aspects by Municipalities. Other reported challenges relate to supervision and quality of works, the less than optimal levels of maintenance jeopardising sustainability (particularly because municipal budgets do not reflect financial and resource needs for this function) as well as difficulties experienced by LAs to ensure proper M&E.

The second scheme is the Western Balkans Framework (WBIF), a blending facility combining grants, loans and beneficiary contributions for infrastructure development in the energy, environment, social, transport and digital sectors, as well as for private sector development. Since 2009, the WBIF has supported 23 projects with an estimated value of EUR 2,1 billion in North Macedonia. The country has benefited from 37 grants for TA and investments works for an overall value of EUR 181,8 million.[34] The WBIF seeks to increase coherence between donors and lenders as well as fostering upstream and downstream cooperation between all project supporters involved. Though the rules of procedures foresee that projects may also be identified by LAs, these do not fit in the overall concept of the WBIF. The identification and prioritisation of projects takes place in the 'Single (National) Project Pipeline (SPP) compiled within the remit of a National Investment Committee (NIC), where LAs have no say. The EU sought to create space in the Sector Working Group to raise the voice a LAs *through* the Ministry of Local Self-Government (acting as advocate) but that did not prove effective. Other obstacles are linked to systemic issues, such as overlapping competences and responsibilities between various core institutions at central level; the lack of clarity on '*who is responsible for what'* (e.g. is the Mayor responsible for waste treatment of the Ministry of Environment?); the interference from politics at the level of allocating funding and within the beneficiary institutions e.g. pressures to engage specific persons or befriended consultants; the limited ownership and drive behind regional plans (elaborated by the municipalities) and the lack of knowledge by municipalities of IPA processes and funding modalities.[35] Furthermore, WBIF grants are only approved when there is a demonstrated coherence and complementarity with projects supported or planned at national level. In practice, it means quite some '*convincing, lobbying as well as time*' is often required towards the government in order to ensure that WBIF grants can be underpinned by a national process/programme.[36] It was argued that in the future, the WBIF should seek ways and means to better know / map the needs of municipalities, ensure a more direct inclusion of LAs in the design process and a more coherent link with Chapter 22 (i.e. regional development dynamics).[37] There was also a plea for setting more realistic time frameworks for implementation of the projects as well as more flexibility at operational level.[38]

4.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues. (I-2.2.1)

The EUD has been engaged for almost two decades in interrelated processes of political stabilisation, governance reforms and decentralisation. Despite its small size, evidence suggests there are adequate human resources at the EUD to deal in a coherent manner with the issues at stake. On top of a focal point for matters related to LAs, there are several project managers in charge of the various projects of the EU portfolio. At higher levels there is growing interest in expanding the level of strategic engagement with LAs from a triple perspective of enhancing the autonomy of LAs (in terms of defining their own priorities), injecting resources more directly into municipal budgets (to actually deliver concrete public goods and services) and ensuring the required linkages with national level processes and institutions. Another particular feature in North Macedonia is the EUD's attempt to reach out to LAs by visiting a wide range of municipalities, engaging in dialogue, assessing specific needs, etc. This exposure to '*the realities on the ground*' helps the EUD to be more knowledgeable on core LA issues across the country including the diverging situation between different types of municipalities.

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs. (I-2.2.2)

While DEVCO has some tradition of having a dedicated unit to advise/support EUDs regarding engagement strategies with LAs, this is not (yet) the case with DG NEAR. The EUD in North Macedonia reports that DG NEAR has a number of Centres for Thematic Expertise covering issues (indirectly) related to LAs (such as public administration reform or regional development), yet it is unclear who at

[34] Out of this envelope, EUR 153,7 million were for investment grants, while EUR 28,1 million for TA.
[35] Interview with EUD staff.
[36] Ibid.
[37] Ibid.
[38] Source: Interview with the World Bank.

the end of the day in HQ is in a position to provide strategic and operational guidance. As a result, the EUD has developed the habit to deal on its own with all strategic issues pertaining to LAs, without calling in support from Brussels.[39] This may change as new institutional dynamics can be observed in HQ whereby issues of LAs got a more prominent place in the relevant Centre for Thematic Expertise -with a mandate to update DG NEARs overall strategic approach to dialoguing, collaborating and funding LAs.

Use of external knowledge and data (e.g. from ALAs). (I-2.2.3)

As mentioned above, there is no shortage of excellent external knowledge being produced in a quite systematic way on the major political / governance challenges of the country in general and on the dynamics of the decentralization, local governance and local/territorial development processes. The EUD can also rely on the professional research and lobbying work of the national association (ZELS) and a wide variety of international organisations such as the World Bank, UNDP, bilateral agencies (including the Swiss cooperation, very active in the field of local democracy) or European municipalities involved in decentralised cooperation. There was less appreciation at EUD level for the work done by the CoR -considered to be too much of a lobbying agency with limited practical relevance.

4.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

At macro level, the EU delegation reports annually in the EAMRs, but limited information is given on the impact the various interventions have on LA as 'actor' (e.g. in terms of empowerment, actual capacity development progress achieved, financial sustainability, etc.). The CBC programmes can rely on a sophisticated (and pioneering) approach to carrying out performance assessments. They provide a refined pictured (quantitative and qualitative) of progress achieved on a wide range of indicators.

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

In the absence of an overall intervention logic / theory of change guiding EU interventions in the area of decentralisation, local governance and local/regional development, it is unlikely that the project-related M&E systems, covering a wide a range of sectors and themes, would provide this type of strategic information to the EUD to adapt responses or innovate. According to available information, there are also no independent evaluations carried out in the last ten years which could provide such guidance (e.g. EC country strategy evaluation or independent assessments of major projects funded in the area of decentralization and LA empowerment).

5 (EQ 3) Coordination and complementarity

5.1 3Cs of EU support with other donors (JC3.1)

There are only a limited number of donor agencies active in North Macedonia, with the EC logically occupying the centre stage, both in terms of political weight and financial resources involved. Other important players in relation to LAs, decentralisation and regional development are Swiss Aid focused on soft measures for improving planning, empowering the councils and capacity development), UNDP (with its own programmes and as implementing agency, particularly for the EU on local democracy) and USAID. This, combined with the small size of the country, facilitates interaction and complementary work.

EU engagement in LA-related coordination & donor fora (I-3.1.1)

There is on the whole limited coordination of donor interventions in the areas covered by this evaluation. The government itself lacks the capacity/interest in steering the 'supply' of donor funding towards clearly defined and shared domestic agendas. [40] The EU has triggered the creation in 2019 of a working group dealing specifically with local/regional development to exchange information and explore the opportunities for a task division or synergies, It is too early to say how effective this structure will be considering the existence of major challenges at the level of the lead Ministry (Local Self-Government), of ZELS (as representative association defending the interests of LAs) and of the municipalities themselves.

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

There are no relevant exercises of joint programming (including joint analysis) related to decentralisation, local governance and local/regional development in North Macedonia.

[39] Interviews with EUD staff.
[40] Interviews with EUD staff.

Division of labour promoted (I-3.1.3)

This happens in an ad hoc and informal way, mainly based on the historic interests of particular donors (Switzerland, Sweden, GIZ, UNDP, the World Bank, OSCE, etc.) and related comparative advantages (for instance Switzerland has traditionally been focusing on promoting local democracy). According to several interviews, this works quite well in practice -with respective interventions being complementary rather than overlapping or duplicating.

Evidence that synergies between development partners have been exploited (I-3.1.4.)

Synergies have been observed at different levels. The longstanding collaboration between the EU and UNDP (acting as implementing agency for the EU) on local democracy/governance issues has facilitated interaction and complementarity with UNDPs own programmes in this field. The funding interventions of Swiss aid, UNDP and USAID provide 'soft' institutional support to improve democratic processes or LA operations. However, none of these interventions foresee funds to implement concrete solutions advanced through these processes. This is a key added value and synergy the EU can bring in terms of injecting resources into the local level and municipal budgets in order to actually pilot real solutions.[41] The same holds true for the investment-related projects (like the EC-IPA Rural Trust Fund). Collaboration with the World Bank has allowed the EU to provide strategic funding for investments at local level, e.g. through the WIBF or by co-funding the 'Municipal Services Improvement Project of the Bank (by redirecting IPARD assistance).

5.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

As mentioned before, EU engagement with LAs had its high moment in the early 2000s following the Ohrid Framework Agreement. In that period, the EU invested in strengthening the existing association of LAs, including by funding suitable premises in the capital. It illustrated the then prevailing EU vision to see decentralisation and LA empowerment as a strategic priority. Over time, this political momentum faded away and decentralisation/LAs became a less central issue on the EUDs agenda. However, good relations were maintained with the national association (ZELS). There are frequent (informal) dialogue opportunities, the association is part of the Working group on Local development and the EUD systematically uses the analyses produced by ZELS to define its support towards the ongoing decentralisation reform and LAs. However, at EUD level the need is not felt at this stage to make a jump forward and develop a strategic partnership with ZELS (including programmatic funding). The added value of such a deepened relation is not clearly seen and there are also doubts about the (political) capacity of ZELS to exercise effective leverage and advocacy on behalf of the LAs and the citizens.

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

The key regional initiative relevant for North Macedonia is the programme for '*Local democracy in the Western Balkans'* (ReLOaD), executed through UNDP in the period 2017-2020. It aims at strengthening participatory democracies by empowering civil society to actively take part in decision making and by stimulating an enabling legal and financial environment for civil society. It specifically focuses on fostering partnerships between local governments and civil society by scaling-up a successful model of transparent and project-based funding of CSOs from local government budgets towards greater civic engagement in decision-making and improvement of local service delivery. The 2019 independent evaluation of ReLOaD shows impressive results at project level. However, it also concludes that ReLOaD has remained 'a project' largely executed in a number of municipalities in candidate countries and potential candidates. The 'regional' dimension has not been activated, as reflected in the limited exchanges and linkages between participating municipalities and with other relevant regional bodies and networks. It can therefore not be considered as a global partnership.

The global movement embodied by the EU-spearheaded '*Covenant of Majors*' for local climate and energy actions has not yet taken an institutional form in the Western Balkans (through the establishment of regional offices providing technical support). Yet this does not impede cities like Skopje to join the movement and undertake various activities to enhance the capacities of the municipal administration to implement measures designed to raise the populations' awareness in the fields of energy efficiency and climate protection.[42]

[41] This logic applies to the new IPA-funded "EU for Municipalities' project (2020). See Action Document, p. 8.
[42] See the website of Covenant of Mayors for Climate & Energy with examples of the involvement of Skopje in events.

6 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

6.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

As mentioned before (see EQ 1), there has been an ongoing dialogue between central and local governments through their national association (ZELS). This involvement touches upon a wide range of (sectoral) public policy matters as quite some competences have (formally) been transferred to municipalities and discussions are ongoing on new areas to be devolved, sustainable system of finance, PFM at local level, improved service delivery, etc., LAs can equally participate in a structured manner in the design and implementation of the regional development policy (see context analysis above). While space exists for LAs to be involved in public-policy making in North Macedonia, limited progress has been achieved in putting in place credible, adequately funded and properly implemented national policies (on decentralisation, on regional development, on urban or rural development) that effectively support the empowerment of LAs -as key actors to unleash the potential of territories.[43] This is linked to 'systemic' weaknesses in the overall state architecture, modes of governance, division of roles and responsibilities or coordination arrangements between central, regional and local level. This is compounded by the structural weakness of the Ministry for Local Self-Government, hampering its capacity to act as a catalyst for progress in decentralisation and regional reform processes.

During the evaluation period, the EU has not sought to address upfront these bottlenecks in national framework conditions, preferring to orient its actions towards the local level. Several interlocutors have expressed the opinion that the EU should re-engage at national level and help to tackle these 'system' problems with a view to create a more conducive environment at local level. Such a systemic approach could take the form of providing ongoing support to developing home-grown, coherent and feasible policies for implementing the decentralisation reform, including facilities to fund research on these matters.

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

Based on interviews with EUD staff, the mainstreaming of LA participation in (sector) EU interventions has been pursued in a quite ad hoc manner in the past years. This is due to the earlier mentioned loss of political momentum of decentralization issues in the overall EU response strategy and the related lack of a truly integrated portfolio of interventions during the evaluation period. As a result, the EUD actions towards LAs seem to exist as valuable yet relatively 'standalone' interventions. Furthermore, there appears to be limited interaction with the other policy domains or sector-oriented programmes - despite the fact that they touch upon issues (such as agriculture, tourism, environment) where LAs have legally ascribed competences and could therefore play a role. Another factor that may play a role is that the notion of '*empowering'* LAs as developmental actors with a general mandate (put forward in the 2013 Communication on local authorities mentioned above) has not been fully internalized by the EU in North Macedonia. The absence of budget support operations in sectors also reduced the scope for mainstreaming LA participation in terms of: i) better integrating local priorities in national planning processes; ii) creating space for LAs to fulfil their general and specific mandates related to a given sector; iii) pushing forward indicators that may induce central government to change national framework conditions. However, as observed before, the EUD has been reconsidering its overall engagement strategy towards LAs in the last 2-3 years. This may not only create more opportunities for direct funding to LAs but also their increased integration in sector policy dialogues and programmes.

6.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

The stagnating decentralisation process and the many weaknesses encountered in the implementation of the regional development policy help to explain why most municipalities still face major challenges of sustainability at the political, institutional and financial levels (as they are too small and deprived in political capital, human and financial resources, to assume devolved responsibilities and deliver services).

The EC has not been active in terms of pushing for national reforms that impact on the sustainability of LAs during the evaluation period covered. Yet several project interventions have sought to address key institutional challenges of (smaller) LAs related to local democracy and transparent/accountable

[43] Findings arising from several interviews.

governance (see below EQ 5-6). A key lesson learnt shared through some interviews, is the need for long-term, incentive-driven investments in processes of institutional transformation targeting primarily smaller municipalities. Progress is by definition slow (as baseline conditions are generally weak) and reversible (as new political leaders come in). It is equally critical to integrate informal/cultural governance norms and focus on building trust through tackling concrete problems and then move on.

The EU programme on '*Consolidating Local Self-Government*', later re-baptised '*Improving Municipal Governance*' (2017) included a result that aimed at improving the financing of local government units. It focused on (i) enabling the Ministry of Finance and interested/selected LAs to promote the process of issuing municipal bonds aimed at financing of capital projects; (ii) enhancing the efficient collection of local tax revenues to all LAs; (iii) enabling LSGUs stable financial management and internal financial control to all LAs. The project started 4 years later than expected and was watered down in terms of expectations. Available feedback reports and ROMs indicate a genuine interest among participating municipalities. However, both the scale of resources available and a host of other institutional constraints faced, explain why the results of the project seem highly 'activity-related' (e.g. a study and a dialogue process on municipal bonds) and do not seem to have any more structural effect on LAs.

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.2)

One of the reasons why the EUD accepted to have a field visit in the framework of the present evaluation is the ongoing internal search for a better integration of subnational authorities in future policy frameworks related to the Western Balkans and in the next MFF.[44] The EUD seems to be at some kind of crossroads regarding decentralization, regional development and engagement with LAs. After a first, quite intensive phase of pushing for reforms in these areas (2001-2010), the EU's political interest gradually diminished (period 2010-2018), though policy dialogues were pursued and all kind of (relatively standalone) activities continued to be funded. However, a renewed political and policy interest seems to be emerging in the EUD to engage differently and or directly with LAs, partly based on an empowerment logic. There is a clear commitment to ensure the local level (as driving force for change) and the LAs get a more prominent place in the programming process, in particular through the various sector working groups established under the IPA framework.

6.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU, including through EUD information campaigns (I-4.3.1)

Considering the place and (financial) weight of the EU as an external actor, most LAs in North Macedonia are globally familiar with the accession process and with general aspects of EU support strategies. Their national association also does systematic efforts to provide relevant forms of knowledge (beyond how to access EU funds).[45] However, the degree of knowledge of the EU varies substantially across the 84 municipalities of North Macedonia -reflecting the huge disparities in size, capacities, opportunities to engage with the EU, etc. No major information campaigns have been detected[46] yet the EUD has done major efforts to visit most of the municipalities in the country, engage with the mayor, councillors, local administration as well as the CSOs. These visits also had content elements, including providing information on EU funding opportunities. Increasingly, in line with the EUDs ambitions to upgrade dialogue and collaboration with LAs, the target of the consultations consists of better identifying the needs of LAs and jointly conceiving future interventions based on demand.

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

As mentioned before, the national association of local authorities (ZELS) has grown into a mature organisation, providing capacity development services to its members, ensuring systematic advocacy campaigns on a wide range of issues (discussed and prioritised in a participatory manner) and maintaining a continuous dialogue with all relevant ministries, central government agencies, the Parliament and other stakeholders. The Strategic Plan 2016-2020 also specifically addresses in quite some detail how ZELS will help LAs to better understand and follow the evolving EU-North Macedonia political partnership, the accession requirements and, last but not least, the ways and means to access funding. On the latter, the strategic plan includes a whole roadmap to empower LAs to access EU funding. Consultations with LAs (mayors and heads of departments) show a mixed picture, with not surprisingly bigger cities being relatively pro-active in looking for relevant information the EU, while smaller municipalities struggle to keep abreast (also because they are more likely to lose skilled staff on the matter).

[44] See email exchanges between EUD, DG Near and the evaluation team.
[45] See successive annual reports of ZELS.
[46] In 2002-2005, there was a project supporting trainings at the local level (participants included municipalities' officials, NGOs, business community, etc.) with the aim to make local actors more knowledgeable about EU.

7 (EQ 5) LAs' empowerment and capacities

7.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

The EU has committed itself since 2001 to accompany the implementation of the national policy of decentralization, local/regional development and local democracy. Initially, political considerations of stabilization and ethnic reconciliation were the key driving forces. Over time, the focus shifted on making decentralization work for development -though this aim was pursued through a rather disjointed set of programmes and projects at local level. This makes it difficult to fully assess this indicator as the EU support to national framework conditions was rather indirect (in the sense the EU did not directly seek to push for deeper and more consistent national reforms) and not underpinned by budget support operations (which may have given the EU a stronger leverage / influencing capacity on national policy processes).

Two EU projects formally sought to work indirectly on national framework conditions during the evaluation period. The first one concerned the EU support to the '*Consolidation of local self-government' and 'Improving Municipal Governance,* which included centrally oriented components on fiscal decentralization and coordination mechanisms for local/regional development. Yet the long delays in starting-up the project, the choice for the project modality and the limited size of the budget seem to have hampered effective influence on national reform processes or upscaling of good practices (see also EQ 7 and related indicators where this project is further analysed). The second project focused on *'Local and Regional Competitiveness'.* This project and its contribution to influencing national policies for local/regional development will be analysed below under JC 5.3.

EU assisted LAs in accessing domestic resources (I-5.1.2)

The abovementioned projects (on consolidating local self-government or enhancing local and regional competitiveness) formally included such an objective in their mandate, but available evidence does not indicate positive effects so far. The project on municipal governance was too limited in scope, budget and delivery time to have such ambitions. The Local and Regional Competitiveness Project (LCRP) focused on promotion of destination tourism at territorial level (i.e. beyond the scope of a single municipality) tried to bring in the dimension of tax collection by municipalities related to this economic activity and subsequent allocation of the resources. Yet this proved highly challenged, not only due to constraints at LA level but also because it would require a set of legal reforms first.

7.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

Capacity development objectives were an integral part of the core projects targeting LAs, such as those supporting the consolidation of local self-government, local and regional competitiveness or civil society involvement in making democracy work (including the regional initiative ReLOaD).[47] The available reports on these projects offer some insights on the capacity development activities pursued towards LAs (training, organisational strengthening, e-governance, strengthening LA capacity to dialogue with other stakeholders, etc.), primarily of a quantitative nature yet sometimes expanding into more qualitative analyses as well. A good example is the independent evaluation of ReLOaD (2019) which examines in quite some detail how the project -which sought to promote transparent LA funding to local CSOs- implied a quite profound reconsideration of established mindsets, attitudes, approaches and working methods among both LAs and CSOs. Consultations with field actors, including donors / CSOs involved in similar activities, allowed to confirm that the various projects had positive effects on capacity development of LAs at different levels such as the political bodies (Mayor, Councillors) and local administration. Yet there is a long consensus among domestic and international actors that progress is slow and incremental. Traditional supply-driven approaches to capacity development (focusing on training and workshops) can be of some use but fail to tackle the more systemic challenges of local governance and ensure sustainability of positive effects realised through project interventions. A more tailored, demand-driven approach, accompanied by more incentives / conditions as well as greater selectivity in the choice of municipalities to involve, has often been advocated for future interventions. Another fundamental challenge, often invoked during the consultations, is the role of intermediaries in project design and implementation. While evidence suggests they generally play useful roles in facilitating multi-actor dialogues and accompanying institutional reform process (e.g. UNDP with its

[47] Support to the consolidation of the local self-government system (EUR 2 million); Local and Regional Competitiveness in North Macedonia (EUR 18 million); Civil Society Facility North Macedonia Programme 2015 - CSOs for Making Local Democracy work (EUR 0,29 million).

qualified group of staff/experts), it is also felt that this approach tends to 'disempower' LAs as they are not put in the driving seat and 'responsibilised' as well. This danger also exists when PIUs are *de facto* in the lead (as in the LRCP, see below) or when consultancy firms step in to write local development plans or project proposals.

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

There is not much documentation available on how the EU sought to enhance capacities of LAs to adopt the relevant EU acquis. The EUD focal point on LAs consulted confirmed there had not been a dedicated strategy to incorporate LAs in the whole process of accession and responding to the EU's requirements.

7.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

In North Macedonia, the processes of decentralization and local/regional development have been intertwined from the outset. In this framework, successive governments have been pushing forward a *regional competitiveness agenda,* set out to achieve several strategic goals: economic growth; demographic, social and spatial cohesion; competitive planning; as well as attracting foreign investment and improvement of the business climate. This national agenda recognizes that effective implementation requires integrated approaches, involving all the relevant public and private stakeholders at different levels of governance (local, regional, national). It also acknowledges the role of LAs. In accordance with the decentralization policy, municipalities have responsibility for planning and development on the local level while the Ministry of Local Self-Government is responsible for the implementation of the Law on balanced regional development.

In 2014, the EU decided to contribute to the implementation of this national agenda through the programme on '*Local and Regional Competitiveness'* (EUR 18 million). The action aims at increasing competitiveness at local and regional level by supporting municipalities and regions. Tourism was selected as the core policy domain to focus on. The problem analysis of the action refers to a wide range of obstacles to enhanced competitiveness in the areas of education and training, employment, innovation and environmental sustainability. It acknowledges local public administration capacity constraints (impeding municipalities to act as catalysts of local development) as well as the absence of a culture of real participation of stakeholders in the preparation and implementation of strategies and projects. The action fiche also factors in the strong rural-urban divide, reflected in huge disparities between levels of development and characterized by a growing concentration of population (mainly in the capital city and in the southwest region) while other territories are being depopulated.

The results framework incorporates expected outcomes in terms of local governance (e.g. inclusive consultation and cooperation processes, transparent public investments) and institutional development of municipalities (e.g. to formulate and implement integrated local development plans). The project has not been evaluated and the website provides mainly information on activities, outputs (of a quantitative nature) realised and emerging results. There is less information on the impact of this project on LAs autonomy, governance, capacities, resource base. Consultations with field actors confirm the existence of positive (yet fragile) dynamics to foster territorial approaches to tourism development / destination management. However, the choice for an integrated approach bypassing the geographic scope of municipalities (taken individually) means that the regions (i.e. the Regional centres) and the PIU were principally in the driving seat in identifying viable proposals through multi-actor dialogues involving LAs and the private sector. Furthermore, when it comes to implementation, LAs were seen as *'one actor*' among others and in several cases merely as a '*beneficiary'* -with the lead being assumed by other instances such as a Tourism Association or the private sector. This reduced the incentives for LAs to invest heavily in the process -though some entrepreneurial mayors could claim and obtain a lead role (e.g. Veles). This project illustrates the challenges of fostering bottom-up processes of territorial development, led by LAs, in North Macedonia. The prevailing state architecture, the local governance culture and the incentives provided by external agencies are not sufficiently conducive to see LA leadership emerge on territorial development (with exceptions).

LAs have sustainable development strategies in partnership with local and central allies (I-5.2.2)

See above. There was wide consensus among actors consulted on the ground that the quality of local development plans is mixed at best, if not weak (again with the exception of bigger cities / the capital). Levels of ownership are low, they tend to be too focused on the Mayor's priorities and not enough internalised by Council and local administration, let alone the local stakeholders / citizens. Local-central relations have formal processes and structures to meet and dialogue openly, but this does not generate actual changes in the way policies are formulated, and above all, implemented, monitored and evaluated

(for all kind of complex political and institutional reasons linked to the prevailing political settlement in North Macedonia, informal rules and cultural norms, coordination problems and others).

LAs' increasing resilience and reducing inequalities (I-5.2.3)

While the bigger cities seem to be on an ascending curve in terms of resilience and capacity to act in reducing inequalities, there are no indications that the majority of (small) municipalities have considerably advanced in that respect in the last decade.

8 (EQ 6) Accountability, participation and local democracy

8.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

Participatory and inclusive governance is a key pillar of core national policies such as decentralization and balanced regional development. Country reports, studies as well as action documents by the EU all point to the challenges involved in pushing forward this agenda in the North Macedonian context, characterized by ethnic tensions, citizen mistrust in government institutions, limited collaboration between central and local level institutions and actors and a democratic culture still to be consolidated.

A 2013 academic study (published in 2015) summarizes well the progress achieved in this area since the Ohrid Framework Agreement. It observes that *'whilst political decentralization has expanded the potential space available for citizens to participate in local governance, it has not guaranteed the participation of local communities or that their participation is both equitable and effective'*. In the view of the author, the *'advocates of decentralization have failed to sufficiently appreciate the extent to which the over-dominance of some political parties, which lack internal democracy, along with the pervasiveness of patronage-based politics, may undermine the reform's potential benefits*'.[48]

In a way most of the EU-supported interventions targeting the local level or the municipalities, examined in this evaluation, directly or indirectly sought to adopt inclusive approaches towards civil society and the private sector. Two programmes merit specific examination -particularly during the field phase- regarding this indicator:

- The programme aimed at Consolidating Local Self-Government/Improving Municipal Governance. It included a component with a number of quantitative progress indicators such as the number of (i) consolidated participatory bodies; (ii) supported CSOs networks; (iii) strengthened partnerships between CSOs and institutions and (iv) new partnerships between CSOs and institutions. The initial project incurred long delays and was formally launched in 2017 under a new title: 'Improving Municipal Governance', still endowed with the same budget but with reduced ambitions and a stronger focus on service delivery (see also EQ 7).
- The programme '*Civil Society for Making Local Democracy Work*', implemented by ALDA (the European Association for Local Democracy). Based on experiences gained, it published a report in 2018 that provides a good picture of the evolving relations between CSOs and LAs.[49] It carried out surveys around three major items: (i) existence and quality of the institutional mechanisms and approaches used; (ii) effective cooperation between CSOs and LAs; and (iii) financing of CSOs from the municipality with interesting data for the evaluation. It also sought to reflect on the future of this partnership. According to the survey, the main challenges consist ineffective communication, lack of transparency in the budget programming process and thematic allocation of funds to CSOs and lack of engagement / capacity of CSOs (e.g. to prepare quality projects and to participate in the implementation of the municipal activities and projects).

In discussions with the EUD, it clearly appeared that there is wide support for combining LA support with an inclusive approach to local/territorial development involving CSOs and private sector for addressing core challenges such as local economic development, governance or the co-production of public service (using the resources, capacities and expertise of *all* local actors). '*Making the triangle work together*' was the image used by the EUD[50] to explain that the horizontal collaboration between public and private sector actors is a key objective of EU-supported projects. Both above-mentioned projects as well as the regional initiative ReLOaD effectively applied a multi-actor approach in their work, trying to create trust, promote dialogue and collaboration between actors and tap available expertise in the territory. Consultations with actors in the frontline, also CSOs providing capacity development support,

[48] Lyon (2015): *Political decentralization and the strengthening of local democracy in the Republic of North Macedonia. Democratization*. Vol 22, No 1, 157-178.
[49] ALDA (2018): *Cooperation between public authorities and civil society at local level in the Republic of Macedonia.*
[50] Interview with EUD staff.

reconfirmed that the baseline conditions are not optimal (e.g. opaque and non-transparent modes of governance in LAs, clientelism, politicisation of CSOs, passive citizens, etc.). Yet by addressing specific problems (such as making LA funding for CSOs more transparent like ReLOaD tried to do) and encouraging constructive partnerships (instead of too confrontational 'watchdog' approaches by CSOs), space can gradually be created for mutually beneficial relationships. However, the weak point of these projects is the sustainability as project gains are seldom institutionalised in the short time of the intervention or because changes in political and administrative personnel following new elections can alter choose to go back to more informal practices of governance.

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

No specific information on experiences with PPPs.

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

The narrative reports of the abovementioned projects as well as related studies (as the ALDA report of 2018) do provide evidence of enhanced voice of local actors in managing local affairs and relating with LAs. This happens primarily in planning processes (though these exercises often end up producing a non-prioritised or technically sound 'list of priorities'), in emerging participatory budgeting experiments (still at the pioneering phase) or on concrete and acute problems affecting the community. Culturally exercising voice to demand accountability to duty bearers is not evident and tends to create tensions with LAs. The EU-projects have supported collaborative arrangements yet there are questions about how sustainable they are after project completion and the end of related funding (as illustrated by ReLOaD, where the good practice of jointly selecting CSO projects benefiting from LA funding is likely to disappear once the EU grants are no longer available).

LAs contribute to reconciliation and stability (I-6.1.4)

In the period under consideration, there are no specific EU interventions geared at reconciliation and stability (as these used to exist in the past). This is linked to the enhanced political situation in the country and the low intensity of ethnic tensions. Yet it could be argued that several EU programmes examined in this evaluation do contribute indirectly to reconciliation and stability. This holds particularly true for the civil society programmes that seek to promote inclusive and transparent local governance systems and processes. They have the potential to reduce levels of mistrust between communities and facilitate collective action around shared development challenges. The programme on Local and Regional Competitiveness is all about enhancing socio-economic and spatial cohesion in a country with important disparities in levels of development. This can be a stabilizing factor and help to strengthen the legitimacy of state institutions (at both central and local level) as they are seen as 'delivering' public goods and services that benefit citizens. However, also here, available evidence suggests valuable project benefits do not necessarily spill over into contributions to these higher-level objectives.

8.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

Not possible to ascertain, mainly because EU-supported projects focused primarily on downward accountability. There are references to central-local government dialogue and collaboration but no specific focus on upwards accountability mechanisms. Consultations with local actors suggest that the existing mechanisms for upward accountability often overlap (USAID had a project to rationalize the different inspection/auditing bodies) and inefficient (poor or selective control and sanctioning).

Strengthening horizontal accountability (I-6.2.2)

As above. No evidence that EU projects focused on the internal mechanisms for accountability within LAs (e.g. between Council and administration). However, as an example of synergies, reference can be made to a smart project of Swiss Aid targeting the empowerment of the Council (not a luxury considering the powerful position of the mayor in the LA governance systems in North Macedonia).

Strengthening downward accountability (I-6.2.3)

As explained above (and also further on in EQ 7), several EU programmes have directly or indirectly worked on the issue of downward accountability. As mentioned above, positive effects have been achieved yet progress is slow and incremental. Confrontational approaches, based on exposing possible cases of corruption or mismanagement of funds, are less likely to have an impact as they wake up too much opposition and resentment.

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

Available reports and narratives on the main EU projects presented above (see I.-6.1.1) dealing with local governance provide evidence on *dimensions* of local democracy that have improved over time as

a combined result of the country's own democracy path, national policies and external support (including from EU). These mainly concern the availability of information to citizens, the existence of formal channels to dialogue or participate in local affairs, the existence of feedback mechanisms (e.g. citizen's satisfaction surveys on public services) and also certain progresses at the level of the transparent programming and budgeting of municipal resources. However, it is much more difficult to assess the level of transformation in '*democratic culture*' that is actually taking place in norms, attitudes and practices (e.g. the local patronage systems).

9 (EQ 7) Service delivery and response to local challenges

9.1 LAs delivering quality public services (JC7.1)

Evidence of increased LAs capacity and resources to deliver services. (I-7.1.1)

Enhancing the overall institutional capacity of LAs to deliver public services has been a key pillar of the comprehensive decentralization reforms of the government from the outset. This priority was reconfirmed in the 2011 – 2014 Programme for Implementation of the Decentralization Process and Local Self Government Development (adopted by the Government in September 2011). This national policy document was conceived in a spirit of consolidating the progress made in the past ten years. It focused on five main areas: (i) legal framework for transferring competencies and resources; (ii) fiscal decentralization; (iii) *service delivery and institutional capacity of Local Self-Government Units (LSGUs)*; (iv) local democratic practice and citizen participation; and (v) coordination, communication and monitoring.

In response to this agenda, the EUD conceived the '*Support to the Consolidation of Local Self-Government in North Macedonia*' programme (2013) with a contribution of EUR 2 million), to be executed by UNDP, primarily through the provision of TA for process facilitation, training and capacity development purposes. While the project could build on all kind of government plans and initiatives, it was still a fairly an ambitious project of a holistic nature. It aimed at consolidating '*the local self-government system through ensuring a firm link between the decentralization and inclusive local sustainable development processes with the two supporting processes, the fiscal decentralization and the balanced regional development*'. This, in turn, was expected to ensure that the policy focus would '*shift on providing equitable access to better local services for all citizens through creation of enabling legal and institutional environment'.*[51] Specific targets were formulated in terms of results to be achieved in this specific area. They include: (i) the development of capacities of the key stakeholders for coordination, monitoring and evaluation of the decentralization policies and the local service delivery; (ii) the adoption by LSGUs of measures for local service delivery performance in accordance with the legally established set of quantitative and qualitative indicators; (iii) improved capacity for transparent and objective management of the local public expenditures; (iv) the outsourcing of more services to the private sector or other actors and (v) the identification and replication of best practices for innovative and improved service delivery identified and replicated in municipalities.

As mentioned above, the project incurred major delays and was reduced in its ambitions. It was finally launched in 2017 under the title 'Improving Municipal Governance'. Still, available (scattered) evidence suggests that most of these outcomes proved far too ambitious for a limited project intervention like this. Activities were set up in the various areas targeted, but it is hard to find a trace of sustainable effects. For some project outcomes see further below.

A second relevant EU intervention in the area of LA service delivery is the abovementioned project '*Civil Society for Making Local Democracy Work'*, funded under the 2015 Civil Society Facility North Macedonia. The project included a strategic component aimed at improving the transparency and accountability of LAs by allocating grants to civil society organisations, including those involved in service delivery. For an assessment of this project, see EQ 6, JC 6.1.

Beyond an analysis of dedicated projects to enhancing LA service delivery capacity, it is interesting to note that the EU did not use the modality of budget support to influence the fiscal decentralisation policies of the government. In the IPA region, there is less a tradition of budget support operations, though the IPA-Regulation invited EUDs to shift from project to sector-based approach and the use of budget support. There is a debate currently going on in the EUD on the need to embrace this modality more in the future. The renewed political interest at EUD level for the overall decentralisation reform and for strengthening LAs may create incentives to explore the scope for budget sector operations as a tool to influence national (fiscal) policy. The EUD acknowledges the project approach used for the abovementioned '*Consolidation of Local Self-Government / Improving Municipal Governance'* (executed by UNDP) did not generate the leverage needed to play a meaningful role at this level.

[51] See Action Fiche of the project.

Capacity to operate and maintain facilities for service delivery improved. (I-7.1.2)

The project on '*Improving Municipal Governance*' provides financial support through a procurement scheme for the small and rural municipalities to carry out the responsibilities transferred to them. Under the same project activity, the Regional Centres are supported through a procurement for regional priority projects. The overall objectives are: (i) improved environment protection, management and communal services; (ii) improved Social protection and cohesion; (iii) support local economic growth and development through improvement of the infrastructure. According to the 2019 Narrative Report, there are 40 priority projects that are under implementation. 32 Projects are directed to municipalities and 8 to the planning regions[52]. There is no consolidated evidence on the degree in which maintenance is adequately factored into the equation. As mentioned above, the final evaluation of the EU project to improve local and regional competitiveness acknowledged the existence of major challenges of maintenance.

Citizens and businesses reporting higher quality of LA services / products (I-7.1.3)

The EU intervention focused on '*Consolidating local self-government*', conceived in 2013, included targets related to this indicator, dealing with the creation as well as replication of e-governance tools such as citizens logs and client satisfaction surveying tools as well as advanced IT solutions for local administrative procedures in all LSGUs. Available feedback suggests this project component was largely discontinued as the central government was in the process to establish a nation-wide strategy and related IT systems for e-governance. When the project was finally initiated in 2017 under a new name ('*Improving Municipal Governance*') there was a specific component to enhance the feedback from citizens and business on LA services received. It helped to put in place a *system for measuring the quality of life* in the units of local self-government. This should help local and national government in setting local priorities and as an instrument for evidence-based policy making for balanced regional and local development. 81 municipalities were included in the process of preparation of Quality of life reports. The online platform www.kvaz.mk is meant to provide sustainability of the process and assist the Ministry of Local self-government in the process of creation of policies. The project has created the conditions for two citizen's satisfaction surveys to be conducted on these matters, respectively in 2017 and 2018. As per the 2018 Citizen's satisfaction survey, the index of citizen's satisfaction from public services shows slight improvement in 2018, whereas on the other hand the access to information from the municipality has slightly decreased in 2018.[53] However, there is no certainty that these innovations in local governance, stimulated by the project, will be institutionalised by LAs and, over time, underpinned by supportive national policy and legal frameworks.

The three CBC projects in the selected portfolio had the *potential* to trigger interactions between citizens and businesses around the delivery of services and products *by* LA. However, two of the CBC interventions, dealing respectively with '*Innovative practices in Environmental Protection*' (2017-2019) and '*Lake Ohrid region – Save Destination to Travel'* (2017-2019), do not give a central and explicit role to LAs in implementation. They are rather seen as secondary stakeholders, to be informed and consulted about the operations. This design choice strongly reduces the opportunities for LAs to provide an added value as a political entity that can elaborate supportive local public policies in areas such as environment or tourism development.

The third CBC focused on the '*Promotion of eco-products in the cross-border area*' (2014-2016) took a different approach by choosing municipalities as contracting party. This allowed to go beyond specific local economic development outcomes, but also incorporate a dimension of reinforcing the 'general mandate' of LAs (i.e. to take all initiatives needed to further the well-being of the citizens). The final narrative report lists all the technical, infrastructural, market-related and behavioural successes of the project. But is also mentions the impact on the LAs involved: '*When the project started the local citizens had no knowledge on the subject and although they were aware of the benefits of their products, they were uncertain of their market value. Now they are significantly more confident, thinking (or already started) with the certification process and taking in mind the subventions. All of this will finally contribute towards what was the most important task of the project – in increase the economic benefits in the Municipality. And finally, they will have two eco-markets for the many years to come, making it entirely up to them how they utilize them. The project also contributed towards strengthening the relationship between the local citizens and the Municipality, which is perceived to be doing positive steps with infrastructural projects like this one. Rather than the political aspect, we believe that this will influence the Municipality to gain even more active role in the lives of the people living in the 42 villages*.'

[52] The grants thus directed to individual municipalities are for instance used to procure improved sanitary conditions in the municipal school, specialized machinery for maintenance of communal services (e.g. collection and transport of hard waste) or for modernizing municipal roads.

[53] EU (2019): Narrative Report of the project on Improving Municipal Governance, p2.

In an attempt to ensure a more central place for LAs, procedural changes have been introduced requesting LAs to act as lead in future Calls for Proposals for CBCs. However, this move is contested as some stakeholders worry that LAs generally do not have the political commitment, capacity and financial accountability systems to adequately deliver on this lead role. Furthermore, the focal position given to LAs is perceived to contradict the "multi-actor" essence of CBC initiatives[54].

9.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

The EU portfolio has no interventions focusing explicitly on LA capacity to respond to specific local challenges (beyond overall objectives such as enhancing local democracy, local governance or regional development).

However, the EU for Municipalities project of 2020 will seek to create more space for LAs to get funding for their own political priorities. The programme will be directly managed by the EUD and function through Call for Proposals. For the EUD it represents a shift in approach, reflecting a renewed interest to explore new-style engagement strategies with LAs.

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

Not possible to address in absence of specific EU interventions.

9.3 Sustainability is addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage (I-7.3.1)

The decentralisation process and regional development policy have advanced in a non-linear way, with ups and down in terms of political momentum and speed of reform. Yet the issue has continued to be on the agenda and is the subject of iterative dialogue processes between central and local governments on how to take it further. The EU has consistently based its interventions on national plans and initiatives. While there is quite a good analysis in the action fiches on prevailing political and institutional conditions, some projects clearly had overoptimistic expectations as to the results that could be achieved (e.g. the project aimed at consolidating local self-government).

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions. (I-7.3.2)

The relevant EU projects related to LA capacity for service delivery did consider the available capacities and resources of the various beneficiaries in a correct manner.

EU interventions integrate other sustainability factors (e.g. existence of exit strategies) (I-7.3.3)

This issue is addressed in response to indicator below.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation. (I-7.3.4)

The issue of sustainability regarding EU interventions targeting LAs is addressed in an interesting manner in the action fiche of the '*Support to the consolidation of local self-government'* programme (2013), later rebaptized and implemented as the project on *'Improving Municipal Governance'* (2017). It is firstly argued that the sustainability of the project interventions is helped by the close alignment to and complementarity with national plans and related annual state budgets regarding decentralization and balanced regional development. The second expectation is that the innovative approaches tested out in the project on a wide range of issues (LA service delivery, revenue raising, intergovernmental collaboration, etc.), will be translated '*into a legal norm and standards to be set in the primary and secondary legislation as well as in the internal acts of the targeted institutions'*. This, in turn, should help creating '*a more sustainable and enabling normative and institutional set up of the local self-government including a sustainable system of financing of the municipalities'.*

It is difficult to assess how this theory of change worked out in the absence of an evaluation of the programme. Yet the fact that this intervention was primarily a 'standalone' project with a rather limited budget and executed by a UN agency, raises major doubts as to the possibility of this type of scaling up of innovative practices. This is compounded by the lack of an integrated EU response strategy - consisting of a coherent and interlinked portfolio of interventions (including the use of budget support as a possible vector for policy changes), underpinned by a systematic policy/political dialogue. The

[54] Interviews with domestic actors, including central authorities.

absence of such an overall narrative and theory change may affect the sustainability of each of the interventions.

Consultations at field level confirmed these fears. There was a wide consensus across interviews that interventions targeting the local level and the empowerment of LAs in particular (as legitimate and accountable governance actors) is key to make progress in the North Macedonian context (characterised by the absence of strong national policies and institutions). Valuable interventions have been funded by the EU and others and in the process key lessons have been learnt on the feasible scope for reform at the level of LAs, on limits due to entrenched modes of governance or structural capacity constraints, on the danger of supply-driven approaches without adequate incentives or conditions. Yet while the local level may be an adequate starting point to push for change, the sustainability of interventions necessarily requires a simultaneous and coherent response of the international community, and particularly the EU, to addressing the 'system' weaknesses that can be observed in the overall state architecture, in the central-local government relations and in the area of fiscal decentralisation. In the absence of an integrated approach, also tackling national framework conditions, even the best projects at local level may not generate sustainable changes.

Annex 2 - List of persons consulted

Name	Organisation	Position
Karl Giacinti	EUD North Macedonia	Programme Manager
Donka Prodanova	EUD North Macedonia	Programme Manager, focal point Evaluation
Ruzica Andronikova	EUD North Macedonia	Programme Manager
Dimitar Malinovski	EUD North Macedonia	Programme Manager
Irena Ivanova	EUD North Macedonia	Programme Manager
Kus-Ivanova Katerina	EUD North Macedonia	Programme Manager WBIF
Elvis Ali	EUD North Macedonia	Programme Manager CBC
Mjelma Mehmeti	Ministry of Local Self-Government	State Counsellor for EU Integration
Tatjana Janevska	Ministry of Local Self-Government	Programme Officer
Ramiz Rexhepi	Ministry of Local Self-Government	Director of bureau for balanced regional development
Andriana Stojanovska	Ministry of Local Self-Government	Coordinator SWG on regional and local development
Dean Stojanov	Municipality of Veles	Head of Sector
Ace Kocevski	Municipality of Veles	Mayor of Veles
Mr. Petre Shilegov	Municipality of Skopje	Mayor of Skopje
Mr. Zhika Stojanovski	Municipality of Ilinden	Mayor of Ilinded
Mr. Blagoj Bochvarski	Municipality of Shtip	Mayor of Sthip
Biljana Cvetanovska Gugoska	UNDP	Project Manager
EmilAngelov	UNDP	Programme Analyst
Biljana Georgievska	UNDP	Project Manager
Raha (Rachel) Shahidsaless	World Bank/IBRD	Senior Private Sector Specialist (US)
Cveta Peruseska-Joncevska	World Bank/IBRD	Sr. Executive Assistant / Portfolio Monitoring(MK)
Tatyana Shadrunova	World Bank/IBRD	Task Team Leaders for the Municipal Services Improvement Project
Bekim Ymeri	World Bank/IBRD	Task Team Leaders for the Municipal Services Improvement Project
Natasa Angjeleska	Open Society Foundation	Senior Program Coordinator
Ivana Petrovska	ALDA - Association of the Local Democracy Agencies	Director
Lulzim Haziri	Association for Democratic Initiatives	Director
Boris Sharkovski	Local Community Development Stip Foundation	Project Coordinator
Jasminka Popovska	Local Development Agency Struga	Director
Ducisa Perisic	ZELS (Association of LAs)	Director
Edward Gonzalez	USAID	General Development Office Director
Makedonska Mirjana	Swiss cooperation	TA local governance
Mr Kelmend Zajazi	NALAS	Executive Director
Klaus Richter	B&S Europe	TL of Preparatory Actions for IPA 2020 Municipal Support Programme, Republic of North Macedonia
Marku Bardhyl	B&S Europe	Preparatory Actions for IPA 2020 Municipal Support Programme, Republic of North Macedonia

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2010): Enlargement Strategy and Main Challenges 2010-2011
- European Commission (2011): Enlargement Strategy and Main Challenges 2011-2012

- European Commission (2012): Enlargement Strategy and Main Challenges 2012-2013
- European Commission (2013): Enlargement Strategy and Main Challenges 2013-2014
- European Commission (2014): Enlargement Strategy and Main Challenges 2014-2015
- European Commission (2010): National programme for the former YugoslavKarl Giacinti Republic of Macedonia under the IPA-Transition Assistance and Institution Building Component, for 2010
- European Commission (2011): National programme for the former Yugoslav Republic of Macedonia under the IPA-Transition Assistance and Institution Building Component, for the year 2011
- European Commission (2012): National programme for the former Yugoslav Republic of Macedonia under the IPA-Transition Assistance and Institution Building Component, for the years 2012 and 2013
- European Commission (2011): Multi-annual Indicative Planning Document 2011-2013 for the former Yugoslav Republic of Macedonia
- European Commission (2011): Revised Multi-annual Indicative Financial Framework for 2012-2013
- European Commission (2014): Indicative Strategy Paper for the former Yugoslav Republic of Macedonia (2014-2020)

2 EU reporting

- European Commission (2010): The former Yugoslav Republic of Macedonia Progress Report
- European Commission (2011): The former Yugoslav Republic of Macedonia Progress Report
- European Commission (2012): The former Yugoslav Republic of Macedonia Progress Report
- European Commission (2013): The former Yugoslav Republic of Macedonia Progress Report
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- European Commission (2016): The former Yugoslav Republic of Macedonia Progress Report
- European Commission (2018): The former Yugoslav Republic of Macedonia Progress Report
- European Commission (2019): The former Yugoslav Republic of Macedonia Progress Report
- EUD Macedonia (2011): External Assistance Management Report
- EUD Macedonia (2012): External Assistance Management Report
- EUD Macedonia (2013): External Assistance Management Report
- EUD Macedonia (2014): External Assistance Management Report
- EUD Macedonia (2016): External Assistance Management Report
- EUD Macedonia (2017): External Assistance Management Report
- EUD Macedonia (2018): External Assistance Management Report

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the following interventions (see also details in the list presented in **Error! Reference source not found.**).

4 Decentralisation and LA-relevant studies

- European Committee of the Regions (2020). Opinion on the Enlargement Package 2019. CIVEX-01/042.
- Various UNDP Reports and Surveys on the state of decentralization in North Macedonia. For instance, the 2013 survey on '*Decentralisation and Local Development: What's next?*'
- Institute for Regional and International Studies (2006): The process of decentralization in Macedonia: Prospects for ethnic conflict mitigation, enhanced representation, institutional efficiency and accountability'
- ALDA (2018): Cooperation between public authorities and civil society at local level in the Republic of Macedonia.

- Penev e.a. (2016): Policy on Balanced Regional Development in Macedonia – Goals, Challenges and Trends.
- European Policy Institute/ Friedrich Ebert Foundation (2012): The use of EU funds in Macedonia. Efficiency, impact and absorption capacity.
- Lyon (2015): Political decentralization and the strengthening of local democracy in the Republic of North Macedonia. Democratization. Vol 22, No 1, 157-178.

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note - Serbia

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List of acronyms and abbreviations

ADA	Austrian Development Agency
ALA	Association of Local Authorities
CBC	Cross-border Cooperation
CoR	European Committee of the Regions
CSF	Civil Society Facility
CSO	Civil Society Organisation
CSP	Country Strategy Programme
EAMR	External Assistance Management Report
EC	European Commission
EQ	Evaluation Question
EU	European Union
EUD	European Union Delegation
GIZ	*Gesellschaft für Internationale Zusammenarbeit*
HRM	Human Resource Management
IDP	Internally Displaced Person
IFI	International Financial Institutions
IPA	Instrument for Pre-Accession Assistance
JCC	Joint Consultative Committee
LA	Local Authority
LSG	Local Self-Government
MEGLIP	Municipal Environmental Grant-Loan Investment Programme in Serbia
MEI	Ministry of European Integration
MFF	Multi-Financial Framework
MIPD	Multi-Annual Indicative Planning Document
MISP	Municipal Infrastructure Support Programme
MPALSG	Ministry of Public Administration and Local Self-Government
MS	Member State
NALAS	Network of Associations of Local Authorities in South-East Europe
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PAR	Public Administration Reform
PUC	Public Utility Companies
ROM	Results Oriented Monitoring
SAA	Stabilisation and Association Agreement
SCTM	Standing Conference of Towns and Municipalities
SLAP	System of Long Listed Advanced Projects
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
UNHCR	United Nations High Commissioner for Refugees
UNOPS	United Nations Office for Project Services
WBIF	Western Balkan Investment Facility

Introduction

Country Context

Serbia is a parliamentary democracy with a population of nearly 7 million (2018), of which more than half lives in rural areas. Serbia is organised into central, provincial (in the case of Vojvodina) and local self-governments (LSG) and its constitutional and legislative framework is largely in line with European principles and standards. The public administration is generally well developed at a central government level, whereas the local self-government level has overall weak capacities[1]. In November 2004, the Government adopted a Strategy for Public Administration Reform (PAR) and corresponding action plans – first for the period 2004-2008 and second for 2009-2012. In 2011, the Strategy for Professional Development of Civil Servants in the Republic of Serbia for 2011–2013 with an Action Plan for its implementation was adopted in function of achieving the goals of the public administration reform.[2] In early 2014, the government adopted a second PAR strategy, followed by the corresponding action plans for the period 2015-2017 and 2018-2020. The Ministry of Public Administration and Local Self-Government (MPALSG) coordinates the reform efforts in cooperation with all key stakeholders.[3] The parliament's oversight of the executive remains weak, and Serbia is currently experiencing a polarisation of the political scene with a negative impact on the work of the parliament: In early 2019, several opposition parties started boycotting parliamentary sessions, also at local level, in order to protest against the deteriorated exercise of the parliament's legislative function under the current ruling coalition.

Serbia applied for EU membership in December 2009 and was granted EU candidate status in 2012. Since signing a Stabilisation and Association Agreement (SAA) in 2008, the country's relations with the EU have been based on contractual obligations, most notably the commitment to a gradual harmonisation of domestic legislation with the EU acquis. On 9 October 2008, Serbia adopted the National Programme of Integration (NPI) of the Republic of Serbia into the EU for 2008-2012 in order to fulfil its obligations under the SAA and to establish a comprehensive and systemic multiannual programme for the harmonisation with EU law.

While the country was granted EU candidate status in March 2012 and the SAA entered into force in September 2013, negotiations are still on-going. The overall pace of negotiations depends in particular on a more intense pace of reforms on rule of law and in the normalisation of Serbia's relations with Kosovo[4] as per the requirements of the Negotiating Framework.[5] Cooperation and coordination between central and local level are key for further securing conditions and capacities of local level stakeholders required for taking over all responsibilities and opportunities stemming from EU accession process.[6] EU accession process is having a significant impact on the functioning of local self-government in Serbia, for example through reforms of the system of public administration, enhanced consultations with local self-government in line with EU recommendations and developments in the capacity of local authorities, notably on effective use of EU funds.

Serbia ratified the European Charter of Local Self-Government in 2007, which came into force in 2008. Serbia signed the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority on in March 2017. Opposition-run councils have repeatedly used the mechanism of appealing to the Council of Europe's Congress of Local and Regional Authorities over alleged government intimidation and threats to elected officials.

Indeed, recent years has be characterised by a slowdown of decentralisation despite adoption of laws in favour of LSGs as part of PAR, in the framework of EU accession processes. The course taken by the recent local election has been clearly reflecting the degree of centralisation of the ruling party.

Main features of the EU support to LA in the country

Serbia has received an indicative total of EUR 2,349 million through IPA I and II since 2010. The biggest share of IPA II (EUR 446 million; 29%) has been allocated to the priority sector "Democracy and governance", targeting a more professional, depoliticised and accountable administration; public financial management reform; normalisation of the relations with Kosovo; stronger administrative capacity for EU funds management; legislative alignment and institution-building.

[1] CSP 2014-2018, revised in 2018.
[2] NPAA 2013
[3] CSP 2014-2018, revised in 2018.
[4] This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.
[5] IPA Progress Report 2019
[6] MISP ROM Report 2013

Funding in support to LAs has been allocated through the yearly national IPA programmes, the Civil Society Facility (CSF), the Cross-border cooperation (CBC) programme and the Western Balkans Investment Framework (WBIF). Most interventions were implemented directly by Local authorities or – in the case of infrastructure projects – by private companies, which have also implemented the biggest intervention within the scope of this case study (EUR 30 million).The Central government as well as CSOs and some EU MS (EU development agencies) have also received funding.

The table below summarises the main EU-funded interventions to the support of local authorities during the evaluation period. The overview covers country and regional level interventions.

Table 1 Overview of EU-financed interventions to the support of local authorities in Serbia selected for country case study

D or C year	Title	Budget (mEUR)[7]	Typology	Implementing partner
Multiple 2009-2019	WBIF infrastructure investment projects	n.a	A.3 Local infrastructure and related service delivery	Local authorities, private companies
2010	MISP 2010 Serbia - Municipal Infrastructure Support programme	30.2	A.3 Local infrastructure and related service delivery	Private companies
2011	Support Socio Economic Development in the Danube Region in Serbia	16.9	A.4 Local (economic) development	EU MS (ADA)
2014	Civil Society Facility Serbia Programme 2013 - Participatory Budgeting Process	0.1	A.2 LAs' political financial and administrative capacities	CSO
2015	Civil Society Facility Serbia Programme 2014 - media freedom Local Watchdogs	0.1	A.2 LAs' political financial and administrative capacities	CSO
2015	Human Resources Management in Local Self Government in Serbia	1.5	A.2 LAs' political financial and administrative capacities	Council of Europe
2016	Civil Society Facility Serbia Programme 2015 - Enhancing local CSOs-government policy dialogue	0.4	A.2 LAs' political financial and administrative capacities	CSO
2017	European Union Support to Municipal Development	25.0	A.4 Local (economic) development	UNOPS
2014	European Progres	12.4	A.4 Local (economic) development	UNOPS
2010	European Support to the South and South West Serbia Programme - PROGRES	13.9	A.4 Local (economic) development	UNOPS

[7] Planned EU contribution

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

EQ1: To what extent has EU support to LAs been aligned with EU high-level priorities for LAs, the broader frameworks for EU external action and the priorities and needs of LAs in the Enlargement, Neighbourhood East and South regions?

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

The Multi-Annual Indicative Planning Document (MIPD) Serbia 2011-2013 recognised that strengthening public administration is one key area requiring improvement in order for Serbia to fully cope with the alignment and implementation of the EU acquis. According to the previous MIPD 2009-2011, consistency with the EU pre-accession and regional policy was particularly needed in the reform of the LSG as part of the decentralisation process. The Country Strategy Programme (CSP) 2014-2020 (revised in 2018), specifying the need for improvements at both central and local level, identified weak administrative capacities at local level as well as significant disparities between municipalities, and therefore an explicit need to allocate substantial assistance to the central and local government through IPA funds in preparation for future implementation of the Structural Funds. In order to mitigate the risks arising from these weaknesses, a close monitoring of the PAR and public financial management reforms in EU's political dialogue with Serbia are high on the agenda. The main leverage used by the EU towards central government to create space for and cooperate with LSGs, are the EU accession process and its PAR requirements, with the accompanying decentralisation process. Also, EU interventions like MISP, EU PRO and its predecessors[8], and WBIF infrastructure projects promote dialogue and vertical cooperation between central and local level. EU support to LSGs including the active participation of line ministries has been one way of building the cooperation between the two levels, while there is still room for improvement.

1.1.2 Involvement of LA/ALAs (JC1.2)

The institutional forum for relations between the EU and Serbian LAs is the Joint Consultative Committee between Serbia and the European Committee of the Regions, consisting of a co-chair and members from each side.[9] Set up in 2015 under the Stabilisation and Association Agreement of 2014, it brings together local politicians from the EU and Serbia, offering the possibility of policy advice and exchange of best practice. Additionally, the Standing Conference on Towns and Municipalities (SCTM, Serbian ALA) has an essential role in encouraging dialogue between LSGs and central government, a role widely recognised across donors. As part of the negotiation process of chapters of the acquis relevant to the local level, the SCTM has been invited to participate and represent the interest of LSGs (e.g. chapter 22 on Regional policy and coordination of structural instruments). Based on interviews carried out with EUD staff, SCTM plays a strong role in providing information and contributing to the programming of EU support to LSGs.

1.1.3 Adjustments to context change (JC1.3)

Available evidence suggests that EU has been providing support proportionate to the government's capacity and demand, as PAR is a closely monitored process. While decentralisation reforms are part of the PAR package, the extent of such reforms and their implementation have been rather limited by the institutional (lack of clearly defined mechanisms conducive to adequate reforms) and political context. In the 2000s, EU support was mainly focused on stabilisation and institutional building, the latter still relevant to date and covered by PAR. At the beginning of the evaluation period and before, EU engagements with LAs mainly consisted of localised and specific problem-solving projects before introducing infrastructures projects at local level (e.g. MISP, MEGLIP, WBIF), while gradually increasing support on improving administrative and technical capacities from 2015 onwards (e.g. Human Resource Management (HRM) in LSG, EU PRO). The step-by-step approach taken to engage with LSGs (as opposed to more intensified approaches) is primarily aiming at achieving incremental progress and avoiding pushback in a context where decentralisation is not a high priority.

[8] EU Progres implemented from 2010 to 2014 and European Progress implemented from 2014 and 2018
[9] https://cor.europa.eu/en/our-work/Pages/Enlargement-countries.aspx

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

EQ2: To what extent are EU implementation processes and approaches adequate to achieving the intended objectives regarding support to LAs?

1.2.1 Appropriate EU engagement with LAs (JC2.1)

Funding in support to LSGs has been allocated through the yearly national IPA programmes, the CBC programme, the Western Balkans Investment Framework (WBIF) and to some extent the CSF. Most interventions have had relatively high involvement of LSGs, often accompanied by private companies in the case of infrastructure projects, the Council of Europe for HRM and UN or EU development agencies for socio-economic development. Access to EU funding for LSGs is possible, however, a high staff turnover rate and weak capacity to absorb and manage EU-funded projects remain a bottleneck for a number of LSGs to take on large-scale and long-term projects. Nonetheless, the continuous support to the STCM by all main donors (including EU) over the past 20 years has been highly beneficial on many aspects (see sections below) (I-2.1.1). The main modality used to engage with LSGs is the project approach for IPA, CBC, CSF programmes, delivered bilaterally (I-2.1.2). Blending is often used for infrastructure development, especially in the case of WBIF. Most WBIF projects provide accompanying technical assistance (e.g. TA to Serbian Public Utility Companies, local entities in charge of taking over the management of public infrastructures like wastewater treatment plants). While international Financial institutions (IFI) are more and more involved at local level, LSGs mainly remain beneficiaries of actions coordinated at central level, due to the lack of capacities and jurisdiction to directly contract loans themselves.

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

The institutional tool for policy engagement is the Joint Consultative Committee (JCC); the EUD has been supportive and the EU Ambassador as a rule attends all JCC events held in Serbia. The impact is somewhat limited by the fact that during the evaluation period, all the Serbian members were clearly drawn from pro-government parties only. In practical terms, the JCC is run jointly by the CIVEX secretariat at the CoR HQ in Brussels, and Serbia's MPALSG. The arrangement (at Serbia's request) is unusual, as in the other JCCs, the EUs partner is an ALA, not a branch of central government.

Support from HQ on the implementation of EU support has been on an ad hoc basis, nonetheless DG NEAR has recently established a project team on sub-national governance, which can be consulted for technical and/or thematic knowledge. EUD staff are highly knowledgeable about the context in which LSGs operate in, especially long-term staff that are on the forefront of key LSG-focused interventions, forming a pillar of institutional memory. Additionally, the strategic partnership with the SCTM (which has a centre of expertise with several thematic focus area) has been highly beneficial in terms of sharing information and analyses related to LSGs.

1.2.3 Measured performance informing planning (JC2.3)

Key interventions with considerable budgets, examined for this case study, have been monitored and/or evaluated, providing reports of good quality. Additionally, important information on the progress of several decentralisation and LAs' aspects can be found in IPA annual progress reports. Documented performance of past EU interventions as well as long-term EUD staff institutional memory on best practices and effective approaches feed into planning and programming.

1.3 Coordination and complementarity (EQ 3)

EQ 3: To what extent the EU interventions providing support to LAs and ALAs have been coherent, complementary and coordinated with those carried out via other EU programmes and by other partners (e.g. Member States, IFIs, international organizations) in the three regions?

1.3.1 3Cs of EU support with other donors (JC3.1)

EU is an active participant of coordination fora organised by the central government, which unfortunately do not specifically focus on LSGs but rather public administration as a whole. In previous years, donor coordination was done more frequently (and more systematically) by the EUD among main donors. In recent years, it is often limited to peer-to-peer exchange of information, reducing wider synergies and best practice sharing. As a consequence, division of labour, joint programming and drawing on synergies became ad hoc. The biggest donors apart from the EU are Germany, Sweden, Switzerland and the US. Germany has been supporting PAR through funding for the MPALSG (implemented by GIZ since 2016). In 2006, Germany together with regional networks, SCTM and PUCs, among others, has established

the “Open Regional Fund – Modernisation of Municipal Services” in order to improve municipal services in line with the EU accession requirements through regional cooperation. Sweden has been a long-term partner of SCTM with the Swedish ALA helping to strengthen LAs’ capacities and to prepare them for EU integration. The EU PRO programme implemented by UNOPS builds on the development momentum created by its predecessors, six projects funded by the EU and Switzerland. Its predecessors included a joint programming component with SDC, which for visibility reasons was separated as two complementary programmes, i.e. EU PRO and Swiss PRO.

Wider coordination is also ensured through participation of the SCTM in the Programme Steering Committee of the EU PRO. Since SCTM is being involved in most LSG-focused projects, it has a good overview across donors and can establish synergies on an ad hoc basis.

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

Several donors including EU have been providing long-term strategic support to the SCTM, building its capacity as an association to improve services provided to municipalities, and its internal organisation. The SCTM has reached a mature state of development and has gained recognition by the central government,[10] and is in some cases de facto the coordinating actor through providing its good overview of most projects supporting LSGs in Serbia. Additionally, its centre of expertise provides valuable information and analyses both to programming and implementation.

In terms of global partnerships, the Congress of Local and Regional Authorities, an institution of the Council of Europe, responsible for strengthening local and regional democracy in its 47 member states and assessing the application of the European Charter of Local Self-Government, adopted recommendations on local and regional democracy in Serbia in 2017. The recommendations were welcomed by the Minister of Public Administration and Local Self-Government and represented an important step towards further strengthening cooperation between the Congress and the Serbian Government.

2 Effects of EU support to LAs

2.1 LAs’ enhanced engagement in development processes and in EU external action (EQ 4)

EQ 4: To what extent has EU support contributed to increased engagement of LAs and ALAs as active partners in development and in EU external action?

2.1.1 Roles and mandates of LAs (JC4.1)

While there is some progress observed over the evaluation period in terms of competences delegated to LSGs, their role and mandates remain limited due to limited resources and capacities (see sections below) – and due to the unconducive political context. Nonetheless, PAR related decentralisation processes have led to an important legislative package in recent years, further enhancing LSGs’ role but with implementation still to be further enforced (I-4.1.1). EU interventions targeting the involvement of LAs in public policy processes remain localised. For direct policy debate with the EU, the JCC with the European Committee of the Regions remains the main institutional forum.

When conditions allow, EU support mainstreams LSGs participation in the implementation of EU interventions. LSGs are at the heart of implementation when interventions are localised and target specific issues at local level (e.g. HRM in LSG, MISP, EU PRO) but have limited participation when interventions are centralised (e.g. PAR decentralisation, WBIF infrastructure investments) (I-4.1.2).

2.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

The extent to which EU support contributed to LSGs improving their political, institutional and financial sustainability is difficult to assess. Overall, EU interventions have reached a good level of results, but their sustainability has been challenged by several factors. The main challenges to this are the lack of transparency and visibility of budget allocation, and recent restrictions imposed by the Law on the maximum number of employees in the public administration[11] (I-4.2.1). For instance, limited resources are a particular issue for the Autonomous Province of Vojvodina. The 2017 Congress report on Local and regional democracy in Serbia reported that a Law on Financing of the Autonomous Province of

[10] http://www.skgo.org/pages/207

[11] Law on the Maximum Number of Employees in the Public Sector was adopted in July 2015, and implementation of this new rightsizing framework began in early 2016, Official Gazette Nos. 68/15 and 81/16. It has been regularly amended on annual basis and it is still in force till end 2020.

Vojvodina was under preparation. The delay in securing this crucial piece of legislation had been noted in the Opinions of the CoR.

While it is widely recognized that most LSGs' capacities require strengthening (see sections below), it is difficult to assess to what extent the EU has increasingly sought to develop political relations with LAs as a distinct state actor in recent years, beyond the activities of the JCC. One reason for this is that the current centralised political context might not be conducive to such approaches (I-4.2.2). Nonetheless, there seems to be an internal (DG NEAR and EUD level) search and thinking process for a better integration of subnational authorities in future policy frameworks related to the Western Balkans in the next MFF, despite limited decentralisation context (I-4.2.3).

2.1.3 LA's knowledge about EU (JC4.3)

Since Serbia's accession process has started, LAs in Serbia have become more aware of EU values and policies, as well as general aspects of EU support. However, the degree of knowledge of the EU is likely to vary, also depending on whether they have previously been involved in EU interventions (I-4.3.1). Interviews raised that language can be a barrier in some cases; municipalities with a mainly EU language speaking population have easier access to information related to the EU (e.g. Kanjiža, which is mainly inhabited by Hungarian minority). The high-profile JCC events, organized by an LSG with the help of the MPALSG and the CIVEX secretariat of the CoR, have been well attended, following which municipalities are better enabled to communicate to their citizens the benefits of engaging with the EU (I-4.3.2). The 2018-2019 CSF has provided additional EUR 500,000 for raising awareness of the EU accession process at the local level. Nonetheless, the 2019 Progress report states that domestic communication on EU accession needs to be further strengthened.

2.2 LAs' empowerment and capacities (EQ 5)

To what extent has EU support to LAs contributed to sustainably enhancing LAs' institutional capacities through increased professionalism, transparent and accountable policymaking and autonomy?

2.2.1 EU support to national framework conditions for LAs (JC5.1)

Progress has been achieved in terms of PAR, as part of a closely followed process of EU acquis, leading to relatively conducive national framework conditions for LSGs. The central government has improved consultations with LSGs on legislation with implications on the local level, notably supported by the coordination of the SCTM. Some responsibilities have been transferred to the local level in comparison to the beginning of the evaluation period, notably with the adoption of important legislative packages pertaining to the local level in recent year (I-5.1.1). Such laws include the Law on the Employees in Autonomous Provinces and Local Self-Government Units, Law on Salaries in Public Sector adopted in 2016, Law on the Planning System at local level in 2018. Amendments to the Law on Local Self-Government in 2018 bring a number of important improvements to the existing system of local self-government, but as particularly important should be highlighted provisions relating to: i) public participation in the work of local self-government; ii) expanding the scope of the municipal council; iii) regulation, functioning and supervision of local self-government - local communities; iv) and realisation of inter-municipal cooperation.

However, limited capacities at local level both in terms of financial and human resources, have been a bottleneck to the substantial empowerment of most LSGs (I-5.1.2). EU support (e.g. HRM in LSG, EU PRO) aim to address these issues, also in line with the adoption of the Strategy for Professional Development of Local Self-Government Employees in 2015 and the adoption of the Law on the Employees in Autonomous Province and Local Self-Government Units and the Law on Salaries in Public Sector in 2016. Yet, the 2019 IPA reporting on Serbia still raises that 'local administrative capacity remains weak and significant disparities between municipalities persist. Responsibilities continue to be borne at local level without proper analysis of the capacity and human and/or financial resources required'. Indeed, interviews with stakeholders indicated the lack of transparency on transfer of public fund to local level and noted the disproportion between the increase in delegated competences and in number of staff, which is restricted through the Law on the maximum number of employees in the public administration.

2.2.2 LAs' strengthened institutional capacities (JC5.2)

The weakness of LSGs' institutional capacities in Serbia is an identified key issue in EU support and one of its main priorities towards LSGs. EU interventions have been improving capacities of LSGs through the development of an HRM system (incl. training) but also through involving LSGs in investment projects and EU PRO, where administrative and management aspects are tackled, as well

as through promoting EU principles (I-5.2.1). On the one hand, the adoption of the Law on the Planning System (effective since October 2018) and a recent legislative and regulatory package are finally enabling the development of a normative framework for a unified planning system. On the other hand, the Law on the maximum number of employees in the public administration is restricting the increase of municipality staff at least until 2020. Bigger LSGs have developed institutional capacities and efficient administration with wider flexibility to operate, but are not a focus of EU support.

EU acquis calls for an involvement of the local level in three areas: 1) Promoting local development, 2) reducing local air and water pollution; and 3) building an efficient and accountable local public administration (e.g. tackling corruption, discrimination). Capacities of LAs with regards to the adoption of the EU acquis are indirectly supported through several interventions such as HRM in LSG and EU PRO. In reality, adoption of acquis at local level is mostly perceived as a transposition of central level policies rather than as EU acquis as such. Despite the understanding that the Ministry of European Integration is leading the negotiation of acquis chapters, there is no clear distinction between national policies and EU acquis (I-5.2.2).

2.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

Historically, LAs could not act as catalysts for applying territorial approaches to local development given their limited resources and political power. However, EU has assisted in improving their role through interventions such as EU PRO and its predecessors, where LAs were involved as key actors in the development and management of specific regional projects (I-5.3.1). Yet, their role as catalysts is still limited. At the beginning of the evaluation period, links from local to central institutions were insufficient. Responsibilities were shared between the Ministry for LSG and other line ministries (e.g. Ministry of Agriculture, Forestry and Water Management), requiring inter-ministry-sector cooperation in order to address municipalities' needs, and preventing strong commitment and a strategic view on LSGs. Interviews carried out during the field phase confirmed the limited space for LSGs to act as catalysts for territorial approaches; regional economic development policies are mainly led by the central level. Nevertheless, Serbia recently adopted the Law on the Planning System (effective since 29th October 2018) encouraging LSGs to structure local strategies and effectively implemented by most incapacitated LSGs (e.g. from interviews Šabac, Kanjiža). In smaller LSGs, EU PRO encourages engagements between LAs, CSOs and the private sector in regard to the development of urban plans (I-5.3.2). Additionally, EU support to Roma communities and socio-economic development (EU PRO) has been effectively supporting LSGs to reduce disparities between regions increasing economic resilience and addressing inequality issues in the population (I-5.3.3).

2.3 Accountability, participation and local democracy (EQ 6)

To what extent has EU support to LAs and ALAs contributed to increased engagement with citizens, CSOs and the private sector – thus improving accountability and strengthening local democracy?

2.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Civil society organisations' capacities (administrative and financial), especially at local level, are weak. Despite the introduction of specific provisions aimed at improving public participation in policy development, cooperation between the government and CSOs is still fragmented as the political context remains restrictive (I-6.1.1). This key issue is recognized by the current CSP and considered as a priority in the support provided by EU, particularly through the CSF. The regional ReLOaD, involving selected municipalities on voluntary basis, has contributed to CSO empowerment to some extent. EU PRO activities encourage engagements between LAs, CSOs and the private sector for the development of urban plans. This results in the presentation of the draft plan to potential investors as a mandatory step in the plan development process required by EU PRO. 19 detailed regulation plans supported by the EU are being developed accordingly. All such plans are subject to early public insight.

EU interventions such as "Participatory Budgeting Process – Community Voices Shaping Public Policies", implemented by regional CSOs, helped increase transparency and accountability of selected local public administrations through the provision of mechanisms for public participation in the municipal budget discussion, decision making and monitoring. In the same vein, the intervention "Voice of Communities on the EU – Enhancing local CSOs-government policy dialogue", aimed at empowered participating CSOs to take an active role in policy and decision-making processes at the local level. With variable levels of performance, such localised projects have limited spill-over effect on local democracy and related institutional mechanisms (I-6.1.2, I-6.1.3).

Within the evaluation period, there are no specific EU interventions geared at reconciliation and stability, although these were focus areas in the 2000s. Yet, EU interventions such as support to Roma community, CSF projects and EU PRO do contribute indirectly to reconciliation and stability through being problem-oriented projects, tackling socio-economic development and reducing geographical disparities (I-6.1.4).

2.3.2 Accountability of LAs (JC6.2)

Our evidence does not allow to fully assess to what extent EU interventions have strengthened upward and horizontal accountability in supported LSGs, as it was not a direct objective. EU has been reporting challenges in terms of weak coordination between central and local level, notably lack of transparency. In the most recent IPA report, it is noted that the Anti-Corruption Agency has provided local authorities with a model anti-corruption action plan, but only six local authorities set up a body to monitor its implementation. The Law on civil servants was amended in 2018 to include provisions concerning conflicts of interest in public administration and disciplinary procedures; however, the amendments did not sufficiently address shortcomings in transparent and merit-based recruitment, an issue addressed at the heart of HRM in LSG project. As mentioned under JC6.1, interventions like the "Participatory Budgeting Process" and "Voice of Communities on the EU – Enhancing local CSOs-government policy dialogue" helped strengthening downward accountability in participating LSGs but such localised projects have limited spill over. Such issues are less prominent in larger LSGs.

The local democratic culture over the evaluation period has shown limited improvements. According to interviews carried out during the field phase, CSOs development shows slow progress but grassroot movements can be rather active to address specific issues, as shown by recent demonstrations. For a systemic and sustainable improvement of LSGs' overall accountability and local democratic culture, several stakeholders consulted consider that change should be led by the central level through the PAR process as a driving force.

2.4 Service delivery and response to local challenges (EQ 7)

To what extent has EU support to LAs contributed to effective and sustainable local service delivery and responses to local challenges?

2.4.1 LAs delivering quality public services (JC7.1)

Infrastructure development through MISP, EU PRO and WBIF projects aimed to strengthen LSGs' role as service providers, primarily by providing resources (EU financing to infrastructure development), but also by developing their planning, technical and managerial capacities (accompanying TA). The focus on infrastructure is in response to the important infrastructure needs of Serbian municipalities to be equipped to receive transfers of responsibilities to the local level (I-7.1.1). Yet the transfer of responsibilities is still limited in some areas; the 2019 Serbia IPA progress report highlights that limited progress was made in local-level social care services, due to the lack of transparency and visibility over time of budget allocation from the central level (I-7.1.2). On some other specific aspects, such as one stop shop for building permits, there has been an effective and efficient delegation to the local level. In this specific case, investors' and donors' projects were highly affected (e.g. important delays in MISP) before the instalment of one stop shop. This example illustrates that when a service delivery is of high priority, effective delegation and capacity building can be successfully achieved.

The EU PRO intervention specifically focusses on improving business (local economy) and social cohesion at local level. Monitoring reports and interviews note significant effects on the business environment (more conducive) in beneficiary municipalities but the ultimate impact on the wider local service delivery still needs to be assessed (I-7.1.3).

2.4.2 LAs better respond to local challenges (JC7.2)

EU has been a reliable support to Serbian municipalities in facing local challenges, such as the heavy floods in 2014 and more recently the COVID-19 pandemic. During the evaluation period, EU support involving LSGs in project development and management such as MISP, EU PRO and its predecessors brought in resources and technical assistance and improved their capacities. (I-7.2.1). However, local financial resources heavily relied on external financing (EU grants). The 2019 Serbia IPA progress report highlights the lack of transparency and visibility over time on budget allocation from the central level, as austerity measures are being implemented. It is mainly with EU support that LSGs, especially smaller ones, have been able to respond to (emerging) local challenges that required resources beyond what they usually have at disposal. Both in regard to emerging (floods, migration, COVID-19) or long-term local challenges (environment, climate change), institutional capacity of local authorities needs to be strengthened and better coordination between central and local level is required for an adequate and

coordinated response (I-7.2.2). While these issues can be addressed by localised EU support, sustainability and resilience to shock can only be ensured if capacity and resource issues are addressed systemically, notably through PAR.

2.4.3 Sustainability is addressed in programming and implementation of EU interventions (JC7.3)

Decentralisation has not evolved in a linear fashion, instead facing ups and downs. It is currently slowing down, as recent (centralised) local elections have shown. EU programming considers national and local needs and priorities, and relies on the accession process as a driving force. The importance given to the top-down approach by EU support to decentralisation (through PAR) in a context like Serbia, suggests that this approach in strengthening institutions and administrations with a desired trickle-down effect could be the only approach to address the sustainability of LSGs' empowerment and ensure systemic change. Programming documents contain detailed analyses of political and institutional conditions as well as approaches to sustainability. Due to the context, EU support to LSGs has mainly been problem-oriented (local challenges), localised in smaller (weaker) municipalities or standalone. These approaches raise doubts on the possibility to have spill over effects, to scale up or to even sustain such innovative practices introduced. Nonetheless, achievements of large-scale projects such as HRM in LSG, EU PRO and its predecessors are worth noting, although their continuity is key to maintain their positive effects.

Annex 1 - Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

According to the MIPD 2009-2011, support in consistency with the EU pre-accession and regional policy was particularly needed in the reform of the local self-government as part of the decentralisation process. The MIPD Serbia 2011-2013 recognised that strengthening the rule of law and public administration were key areas requiring improvement in order for Serbia to fully cope with the alignment and implementation of the EU acquis. The CSP 2014-2020 (also the revised version from 2018), specifying the need for improvements at both central and local level, identified weak administrative capacities at local level as well as significant disparities between municipalities, and therefore an explicit need to allocate substantial assistance to the central and local government through IPA fund to prepare investment projects, and also in preparation for future implementation of the Structural Funds. In order to mitigate the risks arising from these weaknesses, a close monitoring of the PAR and public financial management reforms in EU's political dialogue with Serbia were foreseen.

Since the JCC was established, the MPALSG is participant co-organizer and the events are well-attended. However, membership on the Serbian side and presumably also participation seems to be geared towards pro-government politicians. Greater communication support from EUD could be helpful.

Interviews during the field phase revealed that while Serbia has adopted over the past years several laws aimed at increasing the role and responsibilities of LSG, the cooperation between the central government and LSG remains limited. Decentralisation reforms under PAR remains on the agenda but not yet of high priority, in that sense the EU could make better use of its leverage, especially as a condition to the accession process. Nonetheless, with EU and Member States support to the SCTM (Serbian ALA), the latter is serving as a link between the central and local level, encouraging dialogue and cooperation.

Serbia signed the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority on 8 March 2017.

1.2 Involvement of LA/ALAs (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

Under IPA, partnership with Serbia is based on the political dynamics of the EU accession processes. The central government is inevitably put in the driving seat in pushing forward the reforms required for accession and as primary interlocutor and coordinator in policy dialogue and EU support programmes. Until recent years with the strengthening of capacities of some LSGs and the SCTM, the participatory approach was limited. Based on interviews carried out with EUD staff and the SCTM, the latter plays a strong role in supporting the EU (through direct exchanges with EUD staff) contributing in the programming of EU support to tackle the specific needs of LSG, including IPA III most recently. The focus on decentralisation reforms remains limited during the evaluation period, one reason being the lack of a supportive political context. It is said that IPA III in Serbia will have a more important focus on LAs. On the other hand, WBIF projects' participatory approach is limited, most LSGs do not have the capacity to be at the forefront of such large-scale project and are rather final beneficiaries. According to its Enlargement Strategy 2014-2015 Opinion, the CoR "is pleased that a special group on Public Administration Reform (PAR) has been set up to act as a forum for policy dialogue between the European Commission and Serbia, and calls for PAR activities to be organised at sub-national level." Nevertheless, in practice the decentralisation measures are very limited.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

The Joint Consultative Committee represents direct communication between LSGs and the EU, consisting of seven members from each side (CoR and Serbia). Since its establishment in 2015, 7 committee sessions were held on various topics such as i) role of local and regional authorities in the process of SAA, ii) experience of the EU LAs in using structural and cohesion funds, iii) minority rights, iv) rule of law, E-government. Following these sessions, opinions and recommendations could be produced to encourage participating LSGs to share and promote practices discussed. However, from

interviews carried out, it is understood that the promotion of such practices is not necessarily mainstreamed throughout all LSGs.

The Standing Conference of Towns and Municipalities, while remaining a non-political entity, it has a key role in encouraging dialogue between LSG and between central and local level. As part of the negotiation process of chapters of the acquis, the Standing Conference on Towns and Municipalities (SCTM, Serbian ALA) is invited to take part in some of the relevant chapters (e.g. chapter 22 on Regional policy and coordination of structural instruments) to represent the interest of LSGs. Although this role and presence is non negligible, its influence remains rather limited.

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

The Joint Consultative Committee is the main institutional forum for dialogue with the EU. PAR has enhanced consultations between central government and local level, yet dialogue with the local level is rather on an ad hoc basis. As mentioned above, SCTM plays a strong role in supporting EU programming process (through direct exchanges with EUD staff) to tackle the specific needs of LSG, including IPA III most recently.

The ReLOaD programme addresses threats to local democracy through the financial allocation of local budgets to CSOs (LOD methodology), however beyond this programme and some other specific projects (e.g. Civil Society Facility Serbia Programme 2013 - Participatory Budgeting Process, Civil Society Facility Serbia Programme 2014 - media freedom Local Watchdogs), EU support tackling this issue is rather limited mainly due to the unconducive context and limited CSO capacities overall.

1.3 Adjustments to context change (JC1.3)

EC's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

The EC has been involved for almost three decades in stabilisation and institution building processes in Serbia, in recent years provided in the broader political framework of the EU accession. Through formalised negotiations, multi-actor dialogues and monitoring, especially in relation to the progress of the PAR and PFM reforms, the knowledge and understanding of country specific power dynamics between central and local levels is rich. Additionally, the work of institutional of actors such as the Committee of Regions provides another dimension of analysis. EUD staff, particularly long-term staff form a pillar of institutional memory regarding past and current country specific power dynamics between central and local levels.

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

Funding in support to LAs has been allocated through the yearly national IPA programmes, the CSF, CBC programme and the Western Balkans Investment Framework (WBIF). These different modalities and channels are made accessible to LAs and show willingness to move beyond central partnership, except for WBIF – loans are contracted at central level, LSG are end beneficiaries.

Most interventions have had relatively high involvement by LSGs, but often accompanied by private companies in the case of infrastructure projects, and other partners.

Overall, LSGs have been benefitting from these different EU financing instruments, however they are most of the time final beneficiaries and are not always put in the driving seat.

EU adapted its engagement strategies with LAs and seized windows of opportunities (I-1.3.3)

Serbia ratified the European Charter of Local Self-Government late 2008. The Joint Consultative Committee with the EU is active since 2015 following the Stabilisation and Association Agreement of 2014; it remains the main institutional body for dialogue between the EU and the Serbian LAs. Serbia signing the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority on in March 2017. Over the evaluation period, some progress has been observed.

In the 2000s, EU support was mainly focused on stabilisation and institutional building, the latter still relevant to date and covered by PAR. At the beginning of the evaluation period and before, EU engagements with LAs mainly consisted of localised and specific problem-solving projects before introducing infrastructures projects at local level (e.g. MISP, MEGLIP, WBIF), while gradually increasing support on improving administrative and technical capacities from 2015 onwards (e.g. Human Resource Management (HRM) in LSG, EU PRO). The step-by-step approach taken to engage with LSGs (as opposed to more intensified approaches) is primarily aiming at achieving incremental progress and avoiding blockage in a context where decentralisation is not a high priority.

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

The limited fiscal decentralisation and low levels of allocations to LSGs mean that at local level there is a keen interest to mobilise external funding, including from the EU. Funding in support to LAs has been allocated through the yearly national IPA programmes, the CSF – to some extent, the CBC programme and the Western Balkans Investment Framework (WBIF). Most interventions were implemented directly by Local authorities or – in the case of infrastructure projects – by private companies. The central government as well as CSOs and some EU MS have also received funding, while the biggest intervention within the scope of this evaluation (EUR 25 million) has been implemented by UNOPS. While there are several possibilities for LSGs to access EU funding, larger interventions are implemented and managed by other development partners due to the lack of capacities of most LSGs to manage large scale interventions.

In its Enlargement Strategy 2014-2015 Opinion, CoR expresses “hopes that an appropriate amount of pre-accession funds would be used at sub-national level” for the period 2014-2020. It is said that IPA III in Serbia will have a more important focus on LAs.

Evidence that the EU has used the ‘right mix’ of aid modalities and delivery channels (I-2.1.2)

The portfolio in support of LAs since 2010 is primarily based on a set of project interventions funded through the bilateral envelope and dealing with different dimensions of LSG empowerment in Serbia. Budget support has so far not been included to promote the decentralisation or local/territorial development agenda, beside through PAR but with a limited extent.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

Back at the beginning of the evaluation period, Serbian municipalities had limited capacities to absorb EU investment funds (e.g. lengthy administrative procedures and inefficient public utility companies (PUC). MISP 2010 was part of an ongoing series of infrastructure development projects providing continuity in reform of the sector but facing considerable delays.

Thereafter, WBIF projects were often accompanied by technical assistance supporting PUCs, yet interviews during the field phase have revealed that investment grants remain centralised, following national priorities of regional economic development and without LSG playing a prominent role in such projects.

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues (I-2.2.1)

Programming documents usually provided detailed and insightful knowledge of decentralisation, local level issues. EUD staff are very knowledgeable about the context in which LSGs operate in, especially those that are on the forefront of key LSG focused interventions and coincidently long-term staff. However, it would have been appreciated to receive more support from a dedicated unit at HQ level, as there is for ROMACTED for example.

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs (I-2.2.2)

While DG NEAR has recently established a project team on sub-national governance, during the evaluation period, there hasn’t been a dedicated team at HQ level to advise or support EUDs regarding engagement strategies with LAs. Support from HQ has rather been on an ad hoc basis and not always specifically targeting LAs issues but other issues that are pertaining to the local level e.g. PAR and governance to some extent, EU support to Roma communities.

Use of external knowledge and data (e.g. from ALAs) (I-2.2.3)

The Standing Conference on Towns and Municipalities (SCTM, Serbian ALA) has an essential role in encouraging dialogue between LSGs and central government, a role widely recognised across donors. The strategic partnership with the SCTM (which has a centre of expertise with several thematic focus area) has been highly beneficial in terms of sharing information and analyses related to LSGs.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

At macro level, the EU delegation reports annually in the EAMRs, but limited information is given on the impact the various interventions have on LA as 'actor' (e.g. in terms of empowerment, actual capacity development progress achieved, financial sustainability, etc.).

Key interventions with considerable budgets, examined for this case study, have been monitored and/or evaluated, providing reports of relatively good quality. Additionally, important information on the progress of several decentralisation and LAs' aspects can be found in IPA annual progress reports. Documented performance of past EU interventions as well as long-term EUD staff institutional memory on best practices and effective approaches feed into planning and programming.

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

In the absence of an overall intervention logic guiding EU interventions in the area of decentralisation, local governance and local/regional development, M&E systems would unlikely provide strategic information to the EUD to adapt responses or innovate. Nevertheless, the role of highly knowledgeable EUD staff about the context in which LSGs operate in, is crucial in providing institutional memory.

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

EU engage in LA-related coordination & donor fora (I-3.1.1)

EU is an active participant of coordination fora organised by the central government, which unfortunately do not specifically focus on LSGs but rather public administration as a whole. In previous years, donor coordination was done more frequently (and more systematically) by the EUD. In recent years, it is often limited to peer-to-peer exchange of information, reducing wider synergies and best practice sharing.

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

Biggest EU MS donors in Serbia are Germany, Sweden and Switzerland, biggest donor outside the EU are the US. Germany's cooperation with Serbia focusses on 1) sustainable economic development, 2) democracy, civil society and public administration, and 3) public infrastructure (energy and water) and is mainly implemented by GIZ and KfW. Germany has been supporting PAR through funding for the MPALSG (implemented by GIZ since 2016). In 2006, together with regional networks, ALAs and PUCs, among others, Germany has established the "Open Regional Fund – Modernisation of Municipal Services" in order to improve municipal services in line with the EU accession requirements through regional cooperation.

Sweden is also active in the field of democracy, human rights and public administration, supporting cooperation between SCTM and the Swedish ALA in order to strengthen LAs' capacities and to prepare them for EU integration. The Olof Palme international Centre (Swedish NGO) is increasing citizen participation in local politics to increase transparency and accountability.

Division of labour promoted (I-3.1.3)

No clear division of labour, it often happens in an ad hoc and informal way, mainly based on the historic interests of particular donors (Switzerland, Sweden, Germany, US) and related comparative advantages (for instance Switzerland has traditionally been focusing on promoting local democracy).

Evidence that synergies between development partners have been exploited (I-3.1.4)

EU is trying to create synergies with other donors in Serbia and. For instance, the biggest intervention targeting LAs, the EU PRO programme implemented by UNOPS builds on the development momentum created by its predecessors, six projects funded by the EU and Switzerland, and is complementary to a Swiss funded project focussed on enhancing good governance and social inclusion on the local level in Serbia. Indirect cooperation between EU and Switzerland is taking place in the course of the EU-funded HRM project – SCTM, which receives support from Switzerland, is one of the beneficiaries of the project. Project documents report on an excellent, even though indirect, cooperation.

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

The Standing Conference of Towns and Municipalities is the association of local and regional democracy in the country. Within the SCTM, there are eight line committees, permanent working bodies that bring together representatives of towns and municipalities about important issues in the field of local self-government activities in order to exchange experiences and formulate joint initiatives.[12] As described

[12] http://www.skgo.org/pages/207

under JC3.2, SCTM is supported by Switzerland and by the EU through the HRM project. Several donors including EU have been providing long-term strategic support to the SCTM, building its capacity as an association to improve services provided to municipalities, and its internal organisation.

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

Joint Consultative Committee events both in Serbia and in the context of the annual Enlargement Day in Brussels. Policy recommendations contained in the Committee of the Regions' Opinions, addressed to the Commission and to Serbian authorities, typically in the context of the EU's annual Enlargement Package. CoR's Enlargement Strategy 2015-2016 Opinion "points out that the Committee of the Regions and its working groups and joint consultative committees provide a good forum for contacts and for the exchange of best practices between LRAs, and welcomes the positive outcome of recent JCC and WG meetings, including the inaugural meeting of the JCC with Serbia; furthermore, looks forward to the results of the Enlargement Day which will bring together all these bodies in order to examine issues of a horizontal and thematic nature relevant to all of them."

In 2017 the Congress of Local and Regional Authorities, an institution of the Council of Europe, responsible for strengthening local and regional democracy in its 47 member states and assessing the application of the European Charter of Local Self-Government, adopted recommendations on local and regional democracy in Serbia in 2017. The recommendations were welcomed by the Minister of Public Administration and Local Self-Government, constituting an important step in strengthening further cooperation between the Congress and the Serbian Government.[13]

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

The revised CSP 2014 stresses the role local self-governments in areas such as local infrastructure, building permits, utilities, education, culture, social and child welfare, protection of the environment and agricultural land, as well as local authorities mandate for parliamentary oversight and governmental policy planning, coordination, monitoring and implementation.

EU promoting the active involvement of LAs in public policy processes mainly through PAR, in view of developing a stronger consultation progress at central level. The scope for promoting LAs in public policy process at national level is still quite limited despite the recognized role of the SCTM in advocating LSGs interest, as the ruling party maintains a centralised governance system. EU support is mainly focused on improving the capacities of LSG on several level, notably in terms of service delivery (infrastructure projects), HRM and local economic development (EU PRO, EU Progres, European Progres).

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

From the beginning of the evaluation period and even before, EU has been supporting LSG and promoted their participation in implementing EU funded projects. In the 2010s, EU support to LSG mainly consisted of localised and small projects. In the implementation of larger projects across several LSGs, they are beneficiaries, reason being that the oversight role is given to an external implementer (CoE, UNDP, UNOPS). It should also be noted that most LSGs do not have the capacity to manage large scale projects due to limited capacities.

Municipalities progressed in the area of preparing planning and technical documentation, in particular those relevant for development of technical designs for small local social infrastructure projects. However, the LSGs continue to seriously lack documentation for interventions that would facilitate their economic development, and this an area where the EU support is expected to provide significant impact. EU PRO continues the support to formulating of urban plans related to economic development by implementing 19 grants for development of Detailed Regulation Plans (DRPs) awarded in October 2018. In addition, twelve grant agreements related to development of technical documentation for projects contributing to economic development is also underway. This assistance is built upon the EU assistance provided through its predecessor programme European PROGRES. Namely, LAs were in developing planning and technical documentation, resulting in development and adoption of 36 Detailed regulation plans, 40 main designs for the construction of social, communal, environmental and economic infrastructure, i.e. of a pipeline of "ready to build" projects worth 29 million Euros.

[13] https://www.coe.int/en/web/congress/-/meeting-of-the-monitoring-committee-in-serb-1

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

Based on interviews, while there are expanding competences for LSGs, there is no systematic increase in funding incomes, this income is sometimes share not in a transparent manner. Inconsistencies between needs and capacity to operate.

The EU has however been a key donor benefitting LSGs through numerous support mechanisms, as mentioned above.

Direct political relations with LAs /ALAs (I-4.2.2)

The only formal, institutional forum for political relations with LAs is the Joint Consultative Committee, mandated under the Stabilisation and Association Agreement of 2014. Indeed, through JCC, the EU had increasingly sought to develop political relations with LAs /ALAs, but the main focus of political relations is maintained through the centralised accession process

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

There seems to be an on-going internal search for a better integration of sub-national authorities in future policy frameworks related to the Western Balkans and in the next MFF. The EUD seems to be at some kind of crossroads regarding decentralization, regional development and engagement with LAs. There is a clear commitment to ensure the local level (as driving force for change) and the LAs get a more prominent place in the programming process (IPA III in Serbia).

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU including through EUD information campaigns (I-4.3.1)

Considering the place and (financial) weight of the EU as an external actor, most LAs in Serbia are globally familiar with EU support, the SCTM has been a long-term partner and facilitator of EU support at local level, contributing to knowledge of the EU at local level. LAs' knowledge of EU has certainly increased when Serbia formally applied for membership of the European Union and when accession negotiations opened in January 2014. The Joint Consultative Committee has been meeting regularly since 2015. Its events have been well-attended, supported by the EUD and the Serbian Mission to the EU, and allowed the distribution of EU-related information. The Serbian Ministry of European Integration is the coordinating lead at central level of several major EU interventions supporting regional and local level (e.g. Danube project, European PROGRES, EU PROGRES, EU PRO). Unfortunately, the EUD does not systematically organise information campaigns in LSGs but staff are closely following up with local level interventions and often organise field visits.

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

The 2018-2019 CSF has provided additional EUR 500,000 for raising awareness of the EU accession process at the local level. Nonetheless, the 2019 Progress report states that domestic communication on EU accession needs to be further strengthened.

In the framework of the JCC, member municipalities get the opportunity to directly learn more about EU institutions their role, after which some of them (e.g. Niska Banja) are able to share and communicated on the benefits of engaging with the EU to their citizens. The SCTM also play a role in giving access to information related to EU support where relevant. However, these communications remain ad hoc.

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

The progress of the PAR and public financial management reforms is closely monitored by EU as part of the acquis. Back in 2010, the progress report noted that, while decentralisation and transfer of competencies to the local level were proceeding, there were not sufficient capacity and resources at local level to deal with these. In addition, local authorities had not been sufficiently consulted in decision making processes. The latest progress report (2019) draws a similar picture "local administrative capacity remains weak and significant disparities between municipalities persist. Responsibilities continue to be borne at local level without proper analysis of the capacity and human/financial resources required." However, some progress has been achieved over the last years, leaving Serbia "moderately prepared with the reform of its public administration" and having improved consultation with local

authorities on legislation with implications on the local level (Progress report 2019). Serbia's *Strategy of Public Administration Reform* and the corresponding Action Plan 2015-2017 have given particular attention to the civil service system and the training of civil servants on local level. In 2016, the Government further prepared the *Strategy for Professional Training of LSG units' employees* and adopted the *Law on Employees in Autonomous Provinces and Local Self-Government Unit*s. (HRM ROM report 2019).

EU has fostered these reform processes through various IPA-funded interventions, supporting the implementation of the newly adopted laws. The project "Human Resources Management in Local Self-Government" was a joint EUR 2 million project financed by EU and CoE and implemented by the latter under the IPA 2012 programme for public administration reform (2012/022-967). Main project partners were the MPALSG and the Standing Conference of Towns and Municipalities (SCTM), implementation period was from March 2016 until January 2018. The project was launched after the adoption of Strategy for Professional Development of Local Self-Government Employees in 2015 and the adoption of the Law on the Employees in Autonomous Provinces and Local Self-Government Units and the Law on Salaries in Public Sector in 2016. As a result of the project implementation, almost all LSGs in Serbia have harmonised the regulatory framework and adopted new organisational models necessary for the functioning and development of the HRM system. Sustainability of the project was assured through continuous cooperation with both central and local key stakeholders. For instance, the Council for Professional Development of local self-government employees was established by the government and supported the project at implementation level. The project also demonstrated flexibility when providing unscheduled support to the establishment of the National Academy for Professional Development in 2018.

CoR's 2018 Enlargement Package Opinion "calls on the government to respect the autonomy of local elected representatives, irrespective of their political loyalties."

CoR's 2016-2017 Enlargement Strategy Opinion "welcomes the public administration reform strategy and the training strategy on local self-government, and calls for its proper implementation and for the adoption of a civil service law for local government employees; considers the work of the National Convent on European Integration and local consultations to be positive examples."

CoR's 2014-2015 Enlargement Strategy Opinion "recommends that the Serbian government involve local-level representatives and representatives of the Autonomous Province of Vojvodina in the accession procedure from the very beginning", and "welcomes the new dedicated Ministry of Public Administration and Local Government, which is the first step towards a more efficient public administration at local level". It further "welcomes the adoption in January 2014 of a new strategy to reform public administration, covering organisational policy at central and local level, including decentralisation; urges the new Ministry of Public Administration and Local Self Government to involve all stakeholders in the identification of activities under an Action Plan."

EU assisted LAs in accessing domestic resources (I-5.1.2)

Back in 2010, the progress report noted that, while decentralisation and transfer of competencies to the local level were proceeding, there were not sufficient capacity and resources at local level to deal with these. In addition, local authorities had not been sufficiently consulted in decision making processes. The latest progress report (2019) draws a similar picture by stating that "local administrative capacity remains weak and significant disparities between municipalities persist. Responsibilities continue to be borne at local level without proper analysis of the capacity and human/financial resources required."

Lack of funds at local level remain of key concern (EAMR 2018). The 2014 CSP also identified weak capacities at local level and foresaw capacity-building activities in order to support the implementation of horizontal reforms.

Progress has been made in terms of professional development of Serbian civil servants. The National Training Academy for Public Administration was established in 2018 with a mandate to provide training for all public officials, including at local level. Strategy for professional development of local government employees further continued with the accreditation of trainings. (2018 and 2019 progress report)

According to interviews during the field phase, the temporary ban on recruitment, and the lack of transparent criteria for allocating State grants is an added challenge LSGs are currently facing, issues that EU support is not directly addressing despite PAR activities. There is an inconsistency in terms of adequate resources for local government to carry out its functions and maintain full responsibility for healthcare and education at the local level.

5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

According to the 2014 CSP, administrative capacities at local level are weak and significant disparities between municipalities exist, requiring for a revision of the legal framework for civil service. As a consequence, the law on employees in autonomous provinces and local self-government was adopted in 2016. However, the revised CSP from 2018 is still calling for substantial changes in recruitment practices in order to establish a merit based professional public administration. MISP 2010 final report from 2017 notes that some municipalities have a certain amount of competence to manage the preparation and documentation of projects, but lack the required technical and economical skills to develop a project. Technical assistance therefore continues to be necessary through the entire project development cycle. Municipalities still lack capacities to prepare and implement infrastructure investments in terms of construction permits, financial management and monitoring, submission and approval of invoices requiring EU co-financing etc.

The project “Human Resources Management in Local Self-Government” launched after the adoption of Strategy for Professional Development of Local Self-Government Employees in 2015 and the adoption of the Law on the Employees in Autonomous Provinces and Local Self-Government Units and the Law on Salaries in Public Sector in 2016. As a result of the project implementation, almost all LSGs in Serbia have harmonised the regulatory framework and adopted new organisational models necessary for the functioning and development of the HRM system. Sustainability of the project was assured through continuous cooperation with both central and local key stakeholders. For instance, the Council for Professional Development of local self-government employees was established by the government and supported the project at implementation level. The project also demonstrated flexibility when providing unscheduled support to the establishment of the National Academy for Professional Development in 2018.

According to the European Commission (EC) 2019 Progress Report, local administrative capacity remains weak and significant disparities between municipalities persist. Responsibilities continue to be borne at local level without proper analysis of the capacity and human/financial resources required.

CoR’s 2018 Enlargement Package Opinion “emphasises that the fight against corruption remains one of the country’s most important tasks”, and that attention must “focus on preventing corruption at LRA level.” It further “notes with concern that there are gaps in the LRAs' administrative capacity and that the human and financial resources allocated to them are not always commensurate with the functions to be carried out; on the other hand, welcomes the adoption in late 2017 of the law on LRA salaries”.

CoR’s 2015-2016 Enlargement Strategy Opinion “points out that local capacity is often weak and uneven, and calls for proper resources at decentralised level that are appropriate for the tasks assigned and with linkages between efficiency of public spending and subsequent income; points out that the law on Vojvodina’s financing has yet to be adopted.”

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

The Stabilisation and Association Agreement that was signed in 2008 and entered into force in 2013 explicitly calls for involvement of the local level in three areas: Promoting local development (Art. 101 and 113), and building an efficient and accountable local public administration (Art. 114). The JCC was set up on the basis of the agreement to institutionalize EU dialogue with Serbian LAs and for preparing them for accession.

“Cooperation and coordination between central and local level are key for securing conditions and capacity of local level required for taking over all responsibilities and opportunities stemming from EU accession process.” Capacities of local authorities with regards to the adoption of the EU acquis are supported through the MISP 2010, that supported the reorganisation of relevant Serbian institutions to EU standards and the establishment of an accountable system governing the relationship between institutions on central and local level. (MISP ROM). Component 1 of the MISP 2010 explicitly aimed at “accelerating the building of the project pipeline to EU standards and at furthering the capacity building of municipalities”.

The involvement of communities and local authorities in the EU negotiation process is important, given their future role in the implementation and monitoring of agreed measures. In addition to the institutional Joint Consultative Committee, the EU has funded the project “Voice of Communities on the EU - Enhancing local CSOs-government policy dialogue” from 2016 to 2019 with a total budget of EUR 440.000, that was implemented by Trag foundation and other CSOs. The project’s overall objective was to contribute to the EU integration process by empowering CSOs to take an active role in policy and decision-making processes at the local, regional and national level in Serbia”.

The project provided capacity building measures for local actors, including CSOs, LAs, media etc through informing, awareness raising, mentoring as well as facilitating partnerships and dialogue in order to ensure that the "translation" of EU negotiations went both top-down (explaining the process to local communities) and bottom-up (communicating local needs to key national stakeholders). Public

institutions: local authorities and regional institutions were directly targeted both through grass-roots' advocacy campaigns (8-12 of them) as well as through CSO-government dialogues in five regions. The project carried out a baseline study in five regions on the capacity of CSOs, local authorities and other stakeholders in order to improve their understanding and participation in the EU negotiation process.

After modest results achieved with the TAIEX Local Administration Facility ended in 2015, the pilot TAIEX Strategic support to local authorities launched in January 2018. TAIEX workshops for the benefit of Albanian municipalities have been organised on two occasions so far, bringing in the recent pre-accession experience.

While during the desk phase, several evidence has shown the importance of embedding of EU acquis at local level, interviews carried out during the field phase revealed that the understanding of EU acquis is limited at local level and that reforms carried out are rather seen as implementation of reforms from the central level.

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

In Serbia, the processes of decentralization and regional development appear to be considered separately. In the past years, regional development plans are designed at central level and implemented as such by LSGs. Last year, the law on planning system has been adopted to encourage LSGs to develop their own local strategies, but with limited evidence to date on how these have effectively unfolded in practice.

LAs' have sustainable development strategies in partnership with local and central allies (I-5.3.2)

MISP was one of the first substantial project where EU supported municipalities to elaborate sustainable strategies on how to develop their territories. Back in 2010, project documentation notes an "unfavourable institutional setup i.e. undefined and insufficient links from local to central institutions". Responsibilities are shared between the Ministry for LSG and subject-specified ministries (e.g. Ministry of Agriculture, Forestry and Water Management), requiring inter-ministry-sector cooperation in order to address municipalities' needs, and preventing "strong commitment and a strategic view" on the beneficiary side". MISP 2010 aimed at compensating this by promoting closer cooperation of local stakeholders during implementation. (ROM 2013) Generally, municipal projects emerge from a combination of national, sectoral and local strategies without any unified system for their prioritisation. Through MISP 2010 "Expanded System of Long Listed Advanced Projects" (SLAP) pipeline was prepared in line with EU requirements, as well as with local, regional and national needs and priorities", increasing transparency. However, use of SLAP at national level has not been formalized, making it dependent on individuals and reducing the system's relevance. (ROM 2013) SLAP also compensates for the missing link between central and local level by proactively linking local projects to central institutions and spanning the gaps among sectors, advocating for the use of the system in more sectors. However, ownership of SLAP database needed to be resolved (ROM 2013)

In the same vein but with a focus on socio-economic development, EU Pro and its predecessors have encouraged LSGs to develop sustainable strategies on how to develop their cities/territories. While the merits of these programmes are not negligible, they have not led to systemic change, at this stage.

LAs' increasing resilience and reducing inequalities (I-5.3.3)

While the bigger LSGs seem to be on an ascending curve in terms of resilience and capacity to act in reducing inequalities, there are limited indications that most of (small) LSGs have considerably advanced in that respect in the last decade.

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

The 2014 CSP points out that weak financial and administrative capacities of civil society organisations may affect their capacities to engage in an effective dialogue with the government. Therefore, EU implements activities under the civil society facility, the civil society task force, the working group including the European Commission, and by technical assistance at national and regional level.

Despite the introduction of specific provisions aimed at improving public participation in policy development through law amendments, cooperation between the government and CSOs is still

fragmented. CSOs claim that periods for public consultations are too short, their comments on draft laws were not considered, and the frequent use of the urgent adoption of laws further limits the participation of civil society in law making processes. (Progress report 2019)

Next steps should be 1) the adoption of a national strategy and action plan contributing to an enabling environment for civil society, 2) the inaugural of a council for civil society cooperation, and 3) the introduction of better-defined criteria for public financial support to CSOs (Progress Report 2019).

The 2018 CoR Opinion Enlargement Package "points to the role that NGOs can also play at local level and hopes that criteria for access to public funding that ensure their effectiveness and transparency will be rapidly defined; hopes that freedom of expression will be consistently upheld and that the authorities will bring the full weight of the law to bear on threats and intimidation towards journalists."

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

There is a lack of transparency and public participation in public finances management. One of the MIPD 2011-2013 objectives was to "improve the efficiency, effectiveness, transparency, commitment to non-discrimination and accountability of the public administration at both central and local level". The 2019 progress report rates Serbia as "moderately prepared" regarding financial control.

According to the 2019 progress report, lack of transparency in ownership structures of media outlets and financing from state resources, especially at local level, continue to be a feature of the media environment since the privatisation of the state media. However, amendments to the Law on state administration, the Law on local self-government and the Law on the planning system have introduced specific provisions aimed at improving public participation in policy development. (2019 progress report)

Criteria for public financial support to CSOs need to be better defined to ensure overall transparency. Most Serbian CSOs lack stable funding, which affects these organisations in playing their respective part in society. (2018 Progress reports)

EU funded the project "Participatory Budgeting Process – Community Voices Shaping Public Policies", that was implemented between November 2014 and June 2016 by regional CSOs with a total budget of EUR 115,000. The project's overall objective was to strengthen democratic values through management of public finances in line with principles of good governance, thereby supporting Serbia's EU integration process". The project specifically aimed at increasing transparency, openness and accountability of selected public administrations through provision of mechanisms for public participation in the municipal budget discussion, decision making and monitoring. The project targeted 10 LSGs as well as local CSOs, businesses and media.

CoR's 2019 Enlargement Package Opinion voices concerns regarding the "depolarisation of the political scene, including at the local level" in Serbia, and "urges all political actors and tiers of government [ ] to work closely in partnership towards the implementation of OSCE/ODIHR recommendations on improving the local electoral framework, and to engage in creating a transparent and inclusive local political environment, based on cross-party debate and free from political pressure and intimidation of political opponents".

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

The involvement of communities and local authorities in the EU negotiation process is important, given their future role in the implementation and monitoring of agreed measures. The Joint Consultative Committee is the main forum for this; in addition, the EU funded the project "Voice of Communities on the EU - Enhancing local CSOs-government policy dialogue" from 2016 to 2019 with a total budget of EUR 440,000, that was implemented by Trag foundation and other CSOs. The project's overall objective was to contribute to the EU integration process by empowering CSOs to take an active role in policy and decision-making processes at the local, regional and national level in Serbia".

The project provided capacity building measures for local actors, including CSOs, LAs, media etc through informing, awareness raising, mentoring as well as facilitating partnerships and dialogue in order to ensure that the "translation" of EU negotiations went both top-down (explaining the process to local communities) and bottom-up (communicating local needs to key national stakeholders). Public institutions: local authorities and regional institutions were directly targeted both through grass-roots' advocacy campaigns (8-12 of them) as well as through CSO-government dialogues in five regions. The project carried out a baseline study in five regions on the capacity of CSOs, local authorities and other stakeholders in order to improve their understanding and participation in the EU negotiation process.

LAs contribute to reconciliation and stability (I-6.1.4)

In the period under consideration, there are no specific EU interventions geared at reconciliation and stability, although these used to exist in the past.

The JCC has addressed the issue of national minorities. Yet it could be argued that several EU programmes examined in this evaluation do contribute indirectly to reconciliation and stability, e.g. European Union Support to Municipal Development – EU PRO, support to Roma communities, civil society programmes that seek to promote inclusive and transparent local governance systems and processes. They have the potential to reduce levels of mistrust between communities and facilitate collective action around shared development challenges.

However, also here, available evidence suggests valuable project benefits do not necessarily spill over into contributions to these higher-level objectives.

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

EAMR 2017 identifies problems with efficiency through lack of ownership and coordination between local and central levels. For instance, permits for infrastructure needs at local level are issued at central level - due to the lack of cooperation and poor communication between levels, municipalities face difficulties when applying for these. (ROM 2013)

Project HRM in Local Self Government had the overall objective to improve the commitment to accountability of public administration at local level. The ongoing European Union Support to Municipal Development – EU PRO Programme, implemented by UNOPS since 2017, aims at contributing to a more balanced socio-economic development of Serbia by enhancing competitiveness and social cohesion off 99 municipalities in two regions. The programme hereby ensures that all policies that are produced as its result will safeguard inclusive and evidence-based legislative development. Also, institution-building under this action respects effective lines of accountability between institutions, therefore avoiding any possible fragmentation of administration. Part of the activities is implemented with co-funding from the beneficiaries in order to enhance their ownership and commitment and contribute to sustainability.

The division of powers is not always clear, the system of financing needs to be made more stable, and consultations 8 with provincial and local authorities when passing new laws are often only formal and sporadic. It should also be noted that the Decentralization Strategy within the PAR is also yet to be adopted.

While the SCTM fills in the missing link between local and central governments (e.g. notably to put into practice nationally adopted laws relevant at local), mechanisms for upward accountability is lacking.

Strengthening horizontal accountability (I-6.2.2)

According to the 2019 progress report, the Anti-Corruption Agency has provided local authorities with a model anti-corruption action plan, but only six local authorities set up a body to monitor the implementation of the action plan. The in 2018 amended Law on civil servants did not sufficiently address shortcomings in transparent and merit-based recruitment.

No detailed evidence so far that EU projects focused on the internal mechanisms for accountability within LAs has achieved strengthening of horizontal accountability on a general level.

Strengthening downward accountability (I-6.2.3)

New amendments to the laws on state administration and on local government and the Law on the planning system aimed at improving the regulatory framework for public consultation – their impact has not been assessed yet by the most recent progress report.

Criteria for public financial support to CSOs need to be better defined to ensure overall transparency. Most Serbian CSOs lack stable funding, which affects these organisations in playing their respective part in society. (2018 Progress reports). EU funded the project “Participatory Budgeting Process – Community Voices Shaping Public Policies”, that was implemented between November 2014 and June 2016 by regional CSOs with a total budget of EUR 115,000. The project’s overall objective was to strengthen democratic values through management of public finances in line with principles of good governance, thereby supporting Serbia's EU integration process”. The project specifically aimed at increasing transparency, openness and accountability of selected public administrations through provision of mechanisms for public participation in the municipal budget discussion, decision making and monitoring. The project targeted 10 LSGs as well as local CSOs, businesses and media. Several EU programmes have directly or indirectly worked on the issue of downward accountability. As mentioned above, positive effects have been achieved yet progress is slow and incremental.

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

According to the 2019 progress report, “a code of ethics for civil servants aims to ensure integrity in public service. Further efforts are needed though to ensure full implementation of the existing integrity plans in the judiciary and in the public administration and to address corruption in local administration

through adoption of local action plans. The impact of the implementation of these integrity plans has yet to be assessed".

Available reports and narratives on the main EU projects presented above dealing with local governance provide evidence on dimensions of local democracy that have improved over time as a combined result of the country's own democracy path, national policies and external support (including from EU). These mainly concern the availability of information to citizens, the existence of formal channels to dialogue or participate in local affairs, the existence of feedback mechanisms (e.g. citizen's satisfaction surveys on public services) and also certain progresses at the level of the transparent programming and budgeting of municipal resources. However, it is much more difficult to assess the level of transformation in democratic culture that is actually taking place in norms, attitudes and practices (e.g. the local patronage systems).

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Increased LAs capacity and resources to deliver services (I-7.1.1)

Infrastructure needs of Serbian municipalities were enormous: back in 2013 municipalities confirmed that infrastructure projects (water supply and sewerage, environmental and district heating infrastructure, etc.) were their highest priority as transfers from central government and municipal budget revenues were not sufficient. Public utility companies' inefficiency and weak performance further widen the gap. MISP, EU PRO and its predecessor and to some extent the Danube region project, through basic infrastructure development (e.g. waste, water, education), aimed to strengthen LAs' role as service providers, primarily by providing resources (EU financing) but also developing their managerial capacities. In MISP, a particular importance has been given to building LA capacities to prepare planning and technical documentation in view of project management and procurements led at local level, as well as in preparation for PUCs to take over the management of built facilities. Despite challenges and delays faced by MISP, it has ultimately laid ground for bigger investment projects by WBIF, some of which are carried out at local level.

Increased LA capacity to properly operate and maintain facilities for service delivery (I-7.1.2)

Despite localised EU support to local service delivery as well as infrastructure building projects such as MISP, the 2019 Serbia IPA progress report highlights that "No progress was made in local-level social care services or in the de-institutionalisation process", that being mainly due to the lack of transparency and visibility over time of budget allocation from the central level. The implementation of MISP has faced major challenges, notably related to PUCs capacity building for the handover process. Emerging from interviews, there is a clear distinction between larger municipalities with effective service delivery and smaller municipalities (the majority) where basic service can represent a challenge.

Citizens and businesses reporting better access and higher quality of LA services / products (i.e. LAs can convert increased resources into tangible benefits) I-7.1.3

EU PRO specifically focus on improving business (local economy) and social cohesion at local level, which in turn would have a stronger position to hold LSG accountable for service delivery. Monitoring reports note significant effects on the business environment (more conducive) in beneficiary municipalities but the ultimate impact on the wider local service is still limited, according to interviews. 2019 Serbia IPA progress report highlights that business-related services (local courts) do not have sufficient capacities to respond to the growing needs.

Nevertheless, during interviews there has been mention of milestone achievements regarding successful delegation of key service delivery, notably the building permits one stop shop system. The issue of building permits has for many years prevent investors and donors from easy infrastructure investments/support. Some of the delays faced by MISP can be linked to the building permits issue. Yet, generally speaking, service delivery at local level remains an issue to be tackled.

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

Financial resources heavily relied on external financing (EU grants), 2019 Serbia IPA progress report highlights there is lack of transparency and visibility over time of budget allocation from the central level. EU has been a reliable support to Serbian municipalities in facing local challenges, such as the heavy floods in 2014 and more recently the COVID-19 pandemic. During the evaluation period, EU support involving LSGs in project development and management such as MISP, EU PRO and its predecessors brought in resources and technical assistance and improved their capacities. It is mainly with EU support

that LSGs, especially smaller ones, have been able to respond to (emerging) local challenges that required resources beyond what they usually have at disposal.

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

The refugee crisis in 2015 also had a significant impact on Serbia. As one of the major transit countries, over 600 000 refugees and migrants travelled through Serbia in 2015. The flow has now come to an end for the most part since the closure of the humanitarian corridor and the erection of fences along parts of the Macedonian, Hungarian and Austrian borders. In October 2016, the Serbian authorities declared the sealing of the country's borders with “the former Yugoslav Republic of Macedonia” and Bulgaria. At the end of 2016, there were 35 300 refugees and 203 100 internally displaced persons (IDPs) in Serbia, according to UNHCR. Local authorities need to pay increased attention to successfully reintegrate returnees, especially Roma, through enhanced communication and coordination with central authorities, international organisations and NGOs (2019 Progress report). Issues related to non-discrimination/ ethnic is being tackled e.g. training at all levels including local, in terms of legal protection as well (June 2018, amendments to the Law on local self-government strengthened to some extent the Councils for Interethnic Relations) CoR’s 2015-2016 Enlargement Strategy Opinion calls for the rights of national and ethnic minorities “to be ensured at local level as well (concerning education, access to media and religious services, use of minority languages including for public administration procedures and civil register, and proportional representation in the public sector).” In regard to civil protection: Serbia is “moderately prepared”, “In 2018, five local emergency protection and rescue plans were approved.” (progress report 2019)

Floods are recurring local challenges for LSG. Although not part of the evaluated portfolio, EU support to Serbia on this has been highly valuable to LSG, notably in 2014 where important relief and rebuilding needs has been supported by EU.

Both in regard to emerging (floods, migration, COVID-19) or long-term local challenges (environment, climate change), institutional capacity of local authorities needs to be strengthened and better coordination between central and local level is required for an adequate and coordinated response. While these issues can be addressed by localised EU support, sustainability and resilience to shock can only be ensured if capacity and resource issues are addressed systemically, notably through PAR.

7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage and monitored based on evidence of progress on policy reforms and their implementation (I-7.3.1)

The decentralisation process and regional development strategies have advanced in a non-linear way, with ups and down in terms of political momentum and speed of reform. PAR, among other EU cooperation with the central government, monitor on a regular basis the political will and adapt EU interventions a local level accordingly, as such projects a primarily directed (funding wise) at building and strengthening capacities of LSG (HRM in LSG and local development (EU PRO), developing infrastructure (MISP, WBIF) over projects on local democracy (ReLOaD, CSF).

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions (I-7.3.2)

EU interventions such as MISP and EU PRO combined capacity building of municipalities for accelerated project implementation with direct support to the implementation of selected projects, hereby addressing sustainability and enforcing both EU and Serbian regulations on infrastructure projects. MISP also targeted capacities within in the SCTM and Public Utility Companies (ROM 2013) One of the reasons for delays in MISP is the low capacity of PUCs to take over the implementation of infrastructures. “Cooperation of institutions on MISP implementation works well at operative level but not at the high decision-making level which is a clear indication of lack of ownership”, caused by the required, but weak intersectoral cooperation between responsible ministries. (ROM 2013)

EU interventions programming and implementation integrate other sustainability factors (e.g. existence of exit strategies) where relevant (I-7.3.3)

All EU interventions programming documents systematically integrate elements of sustainability factors, however, with interventions regarding LSG it is not pertinent to speak about long-term sustainability while needs for institutional strengthening and setting up of effective mechanisms is still being dealt with. As mentioned previously, the weakness of most LSGs linked to limited capacity is still an issue to be addressed in a systemic manner before being able to ensure the EU support have long term effect. Some solutions such as training of PUCs, empowering SCTM to ensure training and provide knowledge access to LSGs has been taken by EU support, yet ultimate objectives are still to be reached.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation (I-7.3.4)

In the 2000s, EU support was mainly focused on stabilisation and institutional building, institutional building is still primary objective and concretised by PAR process as part of EU accession processes.

At the beginning of the evaluation period, EU engagements with LAs mainly consisted of localised and specific problem-solving projects (see inventory of EU projects in Serbia in the early 2010s and before) before introducing infrastructures projects at local level (e.g. MISP, MEGLIP, WBIF), while gradually increasing support on improving administrative and technical capacities from 2015 onwards (e.g. Human Resource Management (HRM) in LSG, EU PRO and its predecessor started few year before). The step-by-step approach taken to engage with LSGs (as opposed to more intensified approaches) is primarily aiming at achieving incremental progress and avoiding pushback in a context where decentralisation is not a high priority.

Annex 2 - List of persons consulted

Name	Organisation	Position
Bojan Zivadinovic	EUD Serbia	Project Manager
Danka Bogetic	EUD Serbia	Project Manager
Ana Stankovic	EUD Serbia	Project Manager
Valentina Di Sebastiano	EUD Serbia	Project Manager
Ekmel Cizmecioglu	EUD Serbia	Project Manager
Alexandra Pesch	EUD Serbia	Project Manager
Mirjana Maksimovic	EUD Serbia	Project Manager
Aleksandar Jovanovic	Council of Europe	Programme Manager
Nikola Tarbuk	SCTM	Deputy Secretary General for Advocacy
Aleksandra Vukmirovic	SCTM	Head of Department for EU Integration and International Cooperation, Secretary of the Serbian national delegation in the Congress of Local and Regional Authorities - CoE
Jelena Mihajlovic Tanasijevic	SCTM	Head of the Local Economic Development Department in the SCTM
Jelena Ljubinković	MPALSG	Head of Unit for Collective Negotiations, Human Resources Management Division
Valentina Andjelkovic	MPALSG	Head of Group for Professional Development, Human Resources Management Division
Branko Budimir	MEI	Assistant Minister
Marko Vujacic	UNOPS	Operations Centre Manager
Faruk Suljevic	Novi Pazar	Local Economic Development Office
Dragan Nikolić	Sabac	Member of the City Council
Violeta Šestić	Sabac	Head of Local Economic Development Office
Ana Marinković	Sabac	Advisor for development projects with LED Office
Katarina Krunić	Svilanjac	Head of Sector for Investments
Slađana Nedeljkovic	Svilanjac	Head of Accounting
Saša Mladenović	Leskovac	Head of Department for Public Affairs and LED
Maja Kocić	Leskovac	LED Office representative
Đorđe Stanković	Leskovac	LED Office representative
Dejan Jovanovic	JCC CoR	Co-chair of the JCC between Serbia and the Committee of Regions from the Serbian side
Rober Fejstamer	Kanjiza municipality	"President of the Municipality Kanjiža, Representative in the Congress of Local and Regional Authorities – The Congress, in the Council of Europe, Deputy Member of the Joint Consultative Committee - JCC between Serbia and the Committee of Regions from the Serbian side
Petar Vasilev	Swiss EDA	National Programme Officer for Governance
Todd Andrews	USAID	Program Strategy and Coordination Office Director
Shanley Pinchotti	USAID	Director of the Office of Democratic Governance and Economic Growth
Ivan Vukojevic	USAID	Deputy Director, Program Strategy and Coordination Office
Snežana Vojčić	SIDA	Programme Officer
Blazo Nedic	Partners Serbia	Managing Partner
Zeljka Topalovic	UNDP	Programme Analyst, Good Governance
Ana Radojevic	UNDP	Project Assistant
Natasa Protic	UNDP	Programme Associate
Branko Mikasinovic	EPTISA	Project Director
Dragan Đorđević	CHRIS Network	President of the Committee for Human Rights Niš

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2011): Multi-annual Indicative Planning Document 2009-2011 for Serbia
- European Commission (2011): Multi-annual Indicative Planning Document 2011-2013 for Serbia
- European Commission (2014): CSP Serbia 2014-2020
- European Commission (2018): CSP Serbia 2014-2020, revised in 2018
- European Integration Office (2013): National Plan for the Adoption of the Acquis (2013-2016)
- European Commission (2014): Indicative Strategy Paper for Serbia (2014-2020)
- European Commission (2018): IPA II Serbia. Civil Society Facility and Media Programme (2018-2019)

2 EU reporting

- European Commission (2010): Serbia Progress Report
- European Commission (2012): Serbia Progress Report
- European Commission (2013): Serbia Progress Report
- European Commission (2014): Serbia Progress Report
- European Commission (2015): Serbia Progress Report
- European Commission (2016): Serbia Progress Report
- European Commission (2018): Serbia Progress Report
- European Commission (2019): Serbia Progress Report
- EUD Serbia (2011): External Assistance Management Report
- EUD Serbia (2012): External Assistance Management Report
- EUD Serbia (2013): External Assistance Management Report
- EUD Serbia (2014): External Assistance Management Report
- EUD Serbia (2015): External Assistance Management Report
- EUD Serbia (2016): External Assistance Management Report
- EUD Serbia (2017): External Assistance Management Report
- EUD Serbia (2018): External Assistance Management Report
- European Committee of the Regions (2020): Opinion: Enlargement Package 2019
- European Committee of the Regions (2018): Opinion: Enlargement Package 2019
- European Committee of the Regions (2016): Opinion: EU Enlargement Strategy 2015-2016
- European Committee of the Regions (2017): Opinion: EU Enlargement Strategy 2016-2017
- European Committee of the Regions (2016): Opinion: EU Enlargement Strategy 2015-2016
- European Committee of the Regions (2015): Opinion: EU Enlargement Strategy 2014-2015

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the following interventions (see also details in the list presented in *Table 1*).

4 Decentralisation and LA-relevant studies

- D. Del Bianco, C. Trutkowski, D. Razic Ilic, M. Todorovic/Council of Europe (2017): Report on Training Needs Analysis in the Republic of Serbia
- EU (2019): External Evaluation of Serbian Public Administration Reform Strategy
- Government of Serbia (2013): National Judicial Reform Strategy for the period 2013-2018
- Government of Serbia (2014): Public Administration Reform Strategy in the Republic Of Serbia
- OECD (2019): Monitoring Report: The Principles of Public Administration in Serbia

- The Congress of Local and Regional Authorities of the Council of Europe (2017): Local and regional democracy in Serbia
- The Congress of Local and Regional Authorities of the Council of Europe (2011): Local and regional democracy in Serbia

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note (desk-based) – Albania

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List of acronyms and abbreviations

AITR	Agency for the Implementation of the Territorial Reform
ALAs	Associations of Local Authorities
ASLG	Agency for Support Self-Local Governance
ASPA	Albanian School of Public Administration
CoR	European Committee of the Regions
CSO	Civil society organisation
CSP	Country Strategy Programme
DCI	Development Cooperation Instrument
EAMR	External Assistance Management Report
EC	European Commission
EEAS	European External Action Service
EIDHR	European Instrument for Democracy and Human Rights
EQ	Evaluation Question
EU	European Union
EUD	EU Delegation
GDP	Gross Domestic Product
GGPA	Good Governance Public Administration
HRM	Human Resources Management
HSA	Health Savings Account
IADC	Italian Agency for Development Cooperation
IFIs	International Financial Institutions
INSTAT	Institute of Statistics (Albania)
IPA	Instrument for Pre-Accession
IPMG	Integrated Policy Management Group
JC	Judgement Criteria
LA	Local authority
LGU	Local Government Unit
MC	Municipal Coverage
MFF	Multiannual Financial Framework
MIPD	Multi-Annual Indicative Planning Document
MS	Member States
MSLI	Minister of State for Local Affairs
MTR	Midterm Review
NGO	Non-governmental organisations
NIPAC	Ministry of European Integration and Foreign Affairs
OSS(H)	One-stop-shop
PAR	Public Administration Reform
PAR SG	Public Administration Special Group
PFM	Public Finance Management
PPR	Project Progress Report
PSC	Project Steering Committee
ROM	Results Oriented Monitoring
SAA	Stabilisation and Association Agreement
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
SIDA	Swedish International Development and Cooperation Agency
SMART	Specific, Measurable, Attainable, Relevant, and Time-Bound
SOP	Standard Operating Procedures
STAR	Support to Territorial and Administrative Reform
TA	Technical Assistance
TAIB	Transition Assistance and Institution Building
TAIEX	Technical Assistance and Information Exchange
TAR	Territorial and Administrative Reform
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Introduction/Context

Country context

Following the transition from a socialist state to a parliamentary system in the early 1990s, Albania has implemented major reforms to bring its political, economic, and social policies in line with international and EU standards. Albania inherited a centralised governance structure and non-participatory decision-making processes. It has also emerged from an extended period of authoritarian leadership and international isolation. In the nearly three decades since the change, Albania has sought to undergo decentralization and local government units (LGUs) have undergone several major reforms. It was generally recognised by Albanian authorities that multiple, relatively small LGUs were not economically sustainable and that progress on territorial and administrative reform in Albania would be needed. After many years with little progress on this issue, territorial and administrative reforms (TAR) took place in 2014 – 2015 and resulted in consolidating LGUs into 61 Municipalities (from a former 373 LGUs). The TAR reforms aimed to transform the quality and character of local governance and to enable local public institutions to operate with greater human and financial resources in a larger administrative space, benefitting from greater efficiency and economies of scale. The undertaking of the territorial reform was intended as a basis for further administrative and fiscal decentralization and the modernization of public administration in general. The guiding framework of this transformation is the National Crosscutting Strategy for Decentralization and Local Governance 2014-2020, which has been extended with its action plan until 2022, currently awaiting approval by the Council of Ministers. The next phase of TAR and decentralization reform consists of empowering LGUs to improve the quality and delivery of their public services to the population, in alignment with the ratification of the European Charter of Local Self-Government and the approval of the first decentralization strategy. The consolidation of the new LGUs resulting from the administrative and territorial reform is an immediate and pressing priority to ensure that the new LGUs function well and grow into their new roles, providing also continuity and improved services to citizens.

Overview of the EU support to LA

Albania and the EU

Following Albania's application for membership in 2009, the same year that the Stabilisation and Association Agreement (SAA) between Albania and EU came into force, the European Commission identified **five key areas for reform**: the judiciary (i.e., Rule of Law), the **public administration**, the fight against corruption and organised crime, and the protection of human rights. These five key priority areas have remained consistent priorities for the EU.[1]

Albania has been a candidate country for EU membership since June 2014. The EC recommended opening accession negotiations with Albania on the condition that sufficient progress in the five key priorities has been achieved, and, in particular, subject to credible progress with implementing justice reforms (i.e. re-evaluating/vetting judges and prosecutors). In April 2018, following a broadly saluted process of vetting judges, the Commission recommended that accession negotiations be opened with Albania, while still encouraging Albania to maintain and deepen the reform momentum in the key field of the Rule of Law. After setting out the path towards opening negotiations in its June 2018 Conclusions, the General Affairs Council of the EU decided to open accession negotiations with the country in March 2020.

In the past decade, Albania was strongly committed to its European future, and continued to implement the SAA and crucial reforms to bring itself in line with EU standards and requirements for membership, in particular delivering concrete results in the conditions identified in the Council Conclusions of June 2018 for the opening of accession negotiations.[2] The engagement of EU with Albania on the decentralisation agenda is formalised through the portfolio of public administration and public finance management reform. In this regard, the geo-unit has integrated aspects on local governance reform in the Public Administration Special Group (PAR SG) that is organised annually between EU and Albanian authorities, as part of the SAA process. The involvement in this area is to create a space for policy dialogue on how compliance with public administration reform (PAR) principles are applied at the local level and how the central and local level coordinate to promote compliance with the PAR principles at both levels.

Albania does not yet have a Joint Consultative Committee for preparing its LAs for the requirements of EU membership. Instead, the Committee of the Regions (CoR) Working Group on the Western Balkans

[1] See MIPD Albania 2007-13, MIPD Albania 2008-2010, MIPD Albania 2009-2011.
[2] European Commission (2019): Albania Progress Report, p3.

has facilitated policy dialogue and exchange of best practice through its events not only in Brussels but also in Albania (Tirana 2010 and 2018; Durres 2014). However, Albania has signalled that it may request the formation of a Joint Consultative Committee (JCC) following the opening of negotiations. This would enhance formal links between the EU and Albania's subnational level, bringing them formally under the Stabilization and Association umbrella.

Political context

Prior to 2014, IPA assistance was provided for Public Administration Reform (PAR), notably to strengthen capacities in a number of crucial areas such as the civil service and human resource management, Public Finance Management (PFM) including taxation and customs administration, public procurement, and external audit.[3] Ongoing IPA II assistance provides support for the implementation of the PFM and PAR strategies by means of primarily Sector Reform Contracts.

Progress within the political context of Albania's reform agenda has been noted, although some obstacles emerged in 2019. A prolonged boycott from opposition parties affected parliamentary activities, and the opposition decided not to participate in local elections held on 30 June 2019. These events have negatively affected efforts for a bipartisan electoral reform despite the majority's efforts to move forward. The European Commission called on opposition parties to constructively re-engage in the democratic institutions.[4]

Governance and the Rule of Law have been identified as key challenges Albania has to address on its way to accession. A key issue to be addressed concerns Albania's public administration, including the PAR process and its coordination, policymaking, and civil service and public administration organisation and functioning both at central and local level. Efforts are still needed to depoliticise the public service, ensure continuity (especially following elections), promote ethical standards in the administration, strengthen meritocracy in appointments, promotions and dismissals, and increase its efficiency and financial sustainability.[5]

Some progress has been made in improving the efficiency and transparency of public services delivery, improving the regulatory framework on impact assessment of policies, and there is evidence of more transparent recruitment procedures being used and an overall strengthening of the administration's capacity to undertake merit-based civil service procedures. However, consolidation of these achievements needs to advance further. Consolidating the TAR as part of a wider decentralisation agenda remains on the government's agenda, as the new legislation affecting local government has not been fully harmonised and implemented. Most notably, while municipalities have been attributed larger powers, the adequacy of financial resources available to LGUs are at risk. It is noted that the central budget allocates about 1% of GDP to LGUs, the lowest in the Western Balkans, and the overall ability of local institutions to deliver quality public services remains limited.[6]

TAR and EU supported projects

As a response to Albania's PAR challenges, the STAR project (2013-2016), funded by a multi-donor fund (excluding the EU), was designed to provide coherent technical, operational and logistical support to the reform process through the Minister of State for Local Issues (MSLI), the central institution responsible for the development and implementation of the reform. The main achievement of this project resulted in the consolidation of local government units from 373 units into 61.

Following the territorial administrative reform and decentralisation, the next main priority for the government shifted to consolidating the new LGUs. The capacities of the 61 newly established municipalities are in need of strengthening to ensure implementation of the EU integration-related policies and competences at local government level. The STAR2 project (2016-2020), a coordinated effort by donors, picked up where STAR left off. With the EU as the largest contributor to this project, the focus of the assistance has shifted to supporting the newly established LGUs to strengthen their management and administrative capacities to deliver more efficient, inclusive and equitable services of higher quality in order to meet public expectations for more efficient, effective and responsive local governments. It is a complex project that seeks to provide solutions to several immediate local government priorities at a nation-wide scale. As part of wider donor support to territorial reform, the project promotes new technologies and e-services to improve the efficiency, transparency and accessibility of LGUs to their publics. It encompasses all Albanian municipalities and engages many layers of local administrations (LAs). The project complements the assistance provided by various partners working to support LGUs and may build activities upon the best practices and models developed by other projects. In addition to the EU, this project is supported by the Swiss Agency for Development and Cooperation (SDC), the Swedish International Development and Cooperation Agency

[3] European Commission (2019): Albania Progress Report, p21.
[4] Ibid.
[5] Indicative Strategy Paper for Serbia (2014-2020), p15.
[6] Albania 2019 Progress Report, p9.

(SIDA), the Italian Agency for Development Cooperation (IADC), the US Agency for International Development (USAID) and UNDP. The Government of Albania also contributes to the project. The primary beneficiaries include the Minister of State for Local Affairs (MSLI), the Ministry of Interior (MoI), the Department of Public Administration (DOPA) and LGUs, while secondary beneficiaries include the associations of the LGUs, the Agency for the Delivery of Integrated Services (ADISA), the General Directory of Archives (GDA) and the Supreme State Audit (SSA). Target groups are the mayors, municipal councils and the staff of LGUs, with the final beneficiaries being the citizens served by the LGUs.

As a result of the project 'Municipalities for Europe', capacities of local government units have been enhanced to increase their understanding of EU policies, institutions, programmes, and funds and to promote EU principles at the local level by establishing EU desks in every municipality. The Government of Albania (GoA) has built on the project's achievement (EU desks) by upgrading the desks into EU units and making them part of the formal structure of the municipalities (by Decision of the Council of Ministers No 450 of 26 April 2018).[7] The ReLOaD program (Regional Programme on Local Democracy in the Western Balkans) in Albania focusses on the institutionalisation of interactions between local governments and civil society organisations (CSOs). As a result of the program, 12 municipalities in Albania regulated CSO funding at local level and have a budget line for this.

Furthermore, EU has supported LAs' local infrastructure and related service delivery through several interventions, for instance through improving cross-border infrastructure through the 'CBC Albania – Greece' project (C-2015/356-411) or through 'Technical assistance for Integrated Solid Waste Management Systems for selected Municipalities of Albania' (C-2017/383743).

Table 1 Overview of EU-financed interventions to the support of local authorities in Albania selected for country case study

D or C year	Title	Budget (mEUR)[8]	Typology	Implementing partner
2018	Matrix of Competences of Local Self-Government	0.02	A1	CSO - (I)NGO
2015	Support to Territorial and Administrative Reform Project – STAR2	3.5	A2	International organisation
2014	Bashkitë për në Europë / Municipalities for Europe	0.8	A2	Private company
2016	Regional Programme on Local Democracy in the Western Balkans (ReLOaD)	8.5	A2	International organisation
2013	Report on Local Government, territorial administrative reform and urban planning in Albania	0.01	A2	Private company
2016	Local Government and Territorial Reform (Analysis, Monitoring, Dialogue and Support)	0.02	A2	Private company
2018	2018 Civil Society Facility: "Rural Watch – improving CSOs role in supporting transparency and accountability of public authorities and business in the rural areas"	0.17	A2	Private company
2018	Tourism led model for local economic development support programme	60	A4	European entity
2012	2012 IPA CBC: Marubi: a cooperative model for tourist promotion between Shkodra and Ulcinj	0.19	A4	Local authority
2014	2014 CBC 'Joint action for the promotion of the common cultural characteristics focused on the two ancient theaters of Foiniki and Dodoni (MILESTONES)'	0.22	A4	Local authority
2013	IPA CBC Macedonia and Albania: Development of integrated touristic product for sustainable economic growth of Gostivar and Korca regions	0.17	A4	Local authority
2015	Women of the Mountains Empowerment Network	0.5	A4	CSO - (I)NGO

[7] EUD North Macedonia (2018): External Assistance Management Report, p24.
[8] Planned EU contribution.

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

The MIPD 2009-2011, which covered the start-up of SAA implementation, recognised that PAR and good governance including anti-corruption were key areas requiring improvement, the first particularly since strong administrative capacities were required across the board to align with the *acquis*. The goal of PAR was summarised in the MIPD 2011-2013: 'Enhancing professionalism and de-politicisation of public administration and […] strengthening a transparent, merit-based approach to appointments and promotions and strengthen the fight against corruption at all level.' The CSP 2014-2020, specifying the need for improvements at both central and local level, identified continuing lack of democratic consensus, human resource constraints, politicisation leading to rapid turnover, and lagging implementation of legislative reforms. Monitoring of implementation was characterised as weak, making it impossible to track results and impacts. In this context, STAR2 was an especially relevant intervention in moving Albania towards alignment with the standards in the European Charter on Local Self-Government and the principles of local government in the European Administrative Space – the main policy frameworks addressing LAs and Associations of Local Authorities (ALAs). It addressed concrete issues and needs identified in EC reporting on Albania.

Through projects such as STAR2, the EU support did promote dialogue and lead to cooperation between central authorities and LAs. In addition, EU, most notably through the Special Group on Public Administration Reform, has used its political power and leverage toward central government to directly promote the need to continue and accelerate decentralisation reform. One example of this was the establishment of the Consultative Council for central and local government in 2017, which serves as an institutionalised platform for consultation and dialogue between central and local governments.

1.1.2 Involvement of LA/ALAs (JC1.2)

STAR2 was developed after a process of consultation, collaboration and agreement between the Minister of State for Local Issues, LGUs, project development partners representing the European Union, development cooperation offices of Italy, Sweden, Switzerland and the US, and UNDP Albania as the donor-pooled fund manager and project implementer. Following the re-organization of government structures in 2017, the Minister of Interior is the government counterpart.[9] Building on the foundation of STAR (not an EU-financed action), STAR2 was designed as an approach inclusive of LAs and conducive to their participation. Part of the funding for STAR allowed studies to be commissioned on needs for territorial and administrative reform; these included analysis of local government units, a mapping of functional areas, local community surveys and multiple consultations across the country. The long (12 month) inception phase of STAR2 led to delays against the implementation timetable but allowed the project to be adjusted to rapidly changing political and local contexts. In the end, the project was responsive to concrete needs of LGUs because of its demand-driven nature. The survey administered to LGUs under STAR to identify their priorities, including sector priorities, had an adequate response rate and tangible impacts on STAR2 project directions; for example, the top priority identified was the creation of one-stop-shops, a component of STAR2. The project design was a result of a consultative process actively involving key project stakeholders, and high inclusion of those donors that are listed as project supporters. The MSLI was actively involved in the process of designing the project and participated throughout its development. Notably absent from the interests of the responding LAs, and from the project in general, is the issue of strengthening local participatory and consultative democracy; LAs' concerns were more practical and technical.

The direct involvement of LAs in a structured policy dialogue with the EU remains limited, partly due to the low capacity of the Albanian Associations of Municipalities (AAM). The Thematic Group of Decentralisation (GTD) is trying to address this issue by inviting representatives of local governments to the discussion of topics related to local level.

The local level has been part of the PAR SG dialogue in the last three years and it has contributed to the reform process. Additionally, the EU also organises separate dialogues accompanying and following up with authorities on agreed conclusions and reforms undertaken. This dialogue has supported to raise awareness on the systemic and government level on decentralisation aspects and as well enforce better coordination on local reforms between different institutions.

[9] After general elections in 2018, MSLI was abolished and local affairs became the responsibility of the Ministry of Interior.

1.1.3 Adjustments to context change (JC1.3)

A full understanding of LA-central government power dynamics, already difficult to achieve given the complexity of Albanian politics over the evaluation period, is complicated further by the high starting number and small size of LGUs. There has been a durable commitment on the part of central government to territorial and administrative reform (TAR) in order to improve local service provision. The STAR final evaluation cited a number of concrete examples of GoA commitment, including the electoral program, appointment of MoSLI as part of Government structure, promotion of a prompt decision-making for TAR, and implementing TAR starting from the last local elections. In order to be able to provide recommendations to the MoI on how to ensure the targeted amount of local autonomy in sectoral legislation, EU in 2019 financed an analysis of Albanian legal and sub-legal acts through the project 'Matrix of Competences of Local Self-Government'.

The EU's decision to contribute financially to STAR2 is also evidence of flexibility to respond to emerging needs. TAR was carried out under STAR. However, consolidation of the progress was required and, most critically, LGUs required empowerment and credibility. They were confronted with a classic situation in which responsibilities had been decentralised (and more were on the horizon) yet capacities and financial support from the state budget were not in place. This was particularly the case in small, remote, rural municipalities. The EU perceived a window of opportunity to build on and enhance the sustainability of achievements under STAR and seized it.

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

1.2.1 Appropriate EU engagement with LAs (JC2.1)

EU support to governance reform is through IPA. Funds for STAR2 are managed by UNDP but channelled through the Minister of State for Local Issues (MLSI)[10], responsible for TA to LGUs and general oversight of the consolidation of the TAR. Direct management through UNDP has been an appropriate approach for a number of reasons, perhaps the most important of which is the UNDP has expertise in governance and territorial and administrative reform (TAR). In a pooled-fund arrangement, someone must run the pool, and UNDP in partnership with the Ministry was an appropriate choice, increasing coherence and consistency of donors' actions in the field.

LAs are eligible for funding through the DCI NSA-LA thematic programme, but there is no information at present on what projects have been financed through this instrument. No information is available on non-project modalities such as Twinning and Blending as they have been relevant to LAs.

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

While a strategic engagement with central government is in place, and while LAs have benefitted from a participatory and consultative process, this has been channelled through central government; there is effectively no direct strategic partnership between the EU and LAs. While the Ministry of Interior and the Agency for the Support of Local Government (ASLG) are the formal beneficiary of the project 'Municipalities of Europe', which strategically fosters ownership and sustainability, the project also works directly with all 61 municipalities.

What is not clear in the Albania case is whether the EU has the proper structure, means, and incentives in place to engage directly with LAs, as it has committed. This covers EUD capacity, availability of suitable financing instruments to which LAs have adequate access, and an enabling incentive structure in Brussels. However, the EUD has managed to actively support the work of the CoR's Working Group on the Western Balkans, which covers Albania (in addition to Bosnia and Herzegovina, and Kosovo). It can be further noted that EU programming in the field of good governance in Albania for the next years foresees extensive assistance to LGUs through a variety of approaches and types. Local governance will not be dealt with at project level, but it will be part of a comprehensive programme on good governance, including budget support. Besides of the continuation of ongoing projects like STAR 3, MfE 2.0 and ReLOaD, the programme will allow a grant scheme directly to municipalities and technical assistance to the Consultative Council. A local governance dimension has also been recently included in the programming for various sectors; for instance, municipalities receive grants through the IPA 2018 Rule of Law action and through the IPA 2019 Action Programme, targeting Circular economy and green growth as well as Social inclusion.

[10] After general elections in 2018, MSLI was abolished and local affairs became the responsibility of the Ministry of Interior.

1.2.3 Measured performance informing planning (JC2.3)

Interventions within the scope of this evaluation seem to have been systematically monitored through EU ROM missions. Evaluation and monitoring reports are available for Municipalities for Europe, ReLOaD, and a couple of smaller interventions.

In addition, the STAR2 programme has been monitored according to UNDP rules, policies, processes and procedures. A 2018 ROM report found that the Project Steering Committee (PSC) had put in place a monitoring system with adequate participation by MLSI and a regular meeting schedule. Further monitoring has been carried out by the Integrated Policy Management Group (IPMG) chaired by the Minister of State for Innovation and Public Administration and put in place to track core policy and financial processes in the area of Good Governance Public Administration (GGPA). The UNDP STAR2 final evaluation strongly confirmed that monitoring has been results-oriented and confirmed impacts; 'transformative changes' in LGU working cultures have been identified through the participation of municipal staff workers in project activities (needs assessments, consultation processes, product development processes). Attitudinal change regarding standards and accountability were noted, and prospects for lasting ownership were judged good.

1.3 Coordination and complementarity (EQ 3)

1.3.1 3Cs of EU support with other donors (JC3.1)

The EU has been actively engaged in relevant coordination fora and donor working groups that directly concern LAs and related core policy processes. Coordination under the STAR2 project built on mechanisms and relationships already developed under STAR. Multiple donor coordination was already in place, the EU merely joined the team as a major player. Project representatives of other donors/organisations/government initiatives have been invited to STAR2 project steering committee (PSC) meetings in order to improve co-ordination and to reduce overlap, a risk that was identified at project formulation stage. Pooling contributions from the EU with those of EU MS (Italy and Sweden) as well as other donors (e.g. UNDP, USAID, Switzerland, and Albania itself) made a high degree of coordination necessary, and this was achieved. Coherence was guaranteed by the fact that donors pooled their resources to a common purpose. The joined-up approach with UNDP, with specific expertise in governance and territorial reform, responsible for implementation via direct management, promoted effectiveness and efficiency. Delays experienced were largely traceable to the Inception Phase and reflected factors exogenous to project design: extended discussions with stakeholders, coordination initiatives with other projects and partners, and Parliamentary elections in June 2017. In all, the final project evaluation, judged that the extension of the Inception Phase increased relevance to LGU needs.

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

The pooling of resources, the direct management relationship with UNDP, and strong role of central government can all be interpreted as strategic partnerships. What is not clear is whether, despite participatory approaches, consultations, and a high degree of relevance, truly strategic partnerships were formed, at least bilaterally, between the EU and LAs, apart from their collaboration through the Municipalities for Europe programme. There is greater likelihood of lasting effective partnerships having been formed between central and local government.

2 Effects of EU support to LAs

2.1 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

2.1.1 Roles and mandates of LAs (JC4.1)

EU support indirectly promoted the active involvement of LAs in public policy processes by strengthening the capacities of LAs to execute their functions and to train and retain personnel (Indicator I-4.1.1). There is evidence of LA involvement in both EU budget support programs to Public Administration Reform and Employment and Training (I-4.1.2). However, as discussed in assessing JC 4.2, the longer-term issue of funding LAs remains a problem. LAs' financial sustainability requires improvement, as the overall reform of public administration remains overly dependent on external donor funding.

2.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

The longer-term issue of funding LAs remains a problem (I-4.2.1). It was noted in the 2019 Progress Report that LAs' financial sustainability requires improvement, as the overall reform of public

administration remains overly dependent on external donor funding. Competences have been attributed to LAs, but financial resources are inadequate and what does go to Municipalities is tightly controlled by the centre. 3% of total fiscal revenues are going to municipalities, one of the lowest shares in the IPA region. Government funds LA project proposals through 'conditional grants, but this amounts to Municipalities competing for funds to implement what they are mandated to do. Whereas EU support through TA is already present in projects such as STAR2 or Municipalities for Europe, more direct support to local government units is lacking.

As evidenced by their involvement in the design of STAR2, the EU has sought to develop political relations with LAs. (I-4.2.2). Among stakeholders implicated were the then-Ministry of State for Local Issues, the Ministry of Interior, LGUs, project development partners representing the European Union, development cooperation offices of Italy, Sweden, Switzerland, and USAID, and UNDP Albania as the donor-pooled fund manager and project implementer. The project final evaluation found that the. notable results included: capacity building on Code of Administrative Procedures, improvement of tax collection and enforcement, assets and land management, standardization of local archives, development of e-government at local level, public engagement and consultation, the publication of municipal decisions, improved transparency in local policy making, and adoption of measures against corruption.

2.1.3 LA's knowledge about EU (JC4.3)

The Municipalities for Europe project, aiming to increase knowledge of the EU, its value and policies (including the enlargement process) and increasing awareness of IPA and relevant EU funds available to Albanian citizens and municipalities, has achieved positive results (I-4.3.1 and I-4.3.2). EU Desks / Units have been established in all 61 municipalities, albeit with differing capacities, mostly depending on municipality size. The original goal of EU information desks was to provide information to citizens to help them understand the EU, its functions, funds, institutions, policies, and Albania's EU integration process. Furthermore, the EUD launched awareness raising and communication campaigns on EU integration priorities. With the transition from Desk to Unit, responsibilities were expanded from outreach / information to assuming responsibilities for project preparation, management and EU accession related to policy making and implementation. The increase in responsibilities has not proceeded as smoothly as hoped. However, increasing local-level capacity to participate in the accession process, including project development, fills an important gap in Albanian government structures related to accession. Support is ensured to the EU Delegation and EU Information Network in the implementation of information and communication activities, including events and campaigns (I-4.3.3). Albanian participation in the events of the CoR's Working Group on the Western Balkans (and the flagship event in Brussels, the Enlargement Day, held annually since 2015) has also gone some way towards filling the gap. For the future, the possible formation of a JCC opens up new possibilities, as it would put Albanian LA representatives on an equal footing in participation and agenda-setting alongside EU representatives.

2.2 LAs' empowerment and capacities (EQ 5)

2.2.1 EU support to national framework conditions for LAs (JC5.1)

The result of TAR meant that LAs (the 61 consolidated LGUs) found themselves with broader mandates and greater autonomy, as well as additional responsibilities and new functions. Staff, however, did not have the required skills/training to undertake these new functions. The EU's support aimed to provide the necessary support and develop the capacities of staff via training so that they could deliver a broader spectrum of services to their stakeholders (I-5.1.1). While EU support to public administration reform has highlighted the fiscal constraints faced by LAs, the EU does not provide direct financial support and resources remain inconsistent with LGU's expanded mandate (I-5.1.2). High staff turnover associated with elections remains a problem. In its 2018 opinion on the Enlargement Package, CoR expresses regret on the failure of LAs to adopt merit-based recruitment methods and on the lack of proper implementation of the law on civil service at the local level.

2.2.2 LAs' strengthened institutional capacities (JC5.2)

CoR, in its opinion on the Enlargement Strategy 2013-2014 noted that LA's human resource management and financial control systems remained weak, limiting effectiveness and ownership. The CoR called for a closer coordination between different levels of government and for strengthening the role of LAAs. In line with these recommendations, EU has strengthened capacity for planning and human resources management through the STARS2 project, mostly by trainings, with over 4,000 municipal staff participating in capacity building activities (I-5.2.1). Standard Operation Procedures on finance and budget, public procurement and human resources management were developed. STAR2 was in the context of broader EU budget support-financed Public Administration Reform in Albania and conformed

to the broad principles of the European Charter of Local Self-Government. The EU-financed Municipalities for Europe project specifically aims to develop capacity to obtain access to EU funds. Although LGUs are entitled to obtain funding from the EU, their capacity to benefit from and absorb EU funds has remained low at the local level. From July 2018, EU Desks charged with outreach and information dissemination were upgraded to Europe Units and their role was strengthened to become responsible for project preparation, management and EU accession- related policy making and implementation. The upgrade has met with varying success, depending largely on the size of the municipality. Municipalities for Europe provides support to LGUs to design and submit quality projects and also with the provision of EU accession-related information to citizens. EU focal points ('Units') in each municipality strengthen the capacities of their local government units in relation to their functioning within European standards and the absorption of European project-based funds and serve as focal points for their LGU, but also for the entire community in their region, with regard to information on the European Union.

2.3 Accountability, participation and local democracy (EQ 6)

2.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

No information permitting a credible assessment of this JC was found. Through the ReLOaD regional project, 12 municipalities received funding to support local NGO projects.

2.3.2 Accountability of LAs (JC6.2)

Compliance with the Code of Administrative Procedures was addressed through development of Standard Operating Procedures (I-6.2.1). Horizontal accountability was strengthened by addressing ethics-related problems faced by municipal employees I-6.2.2). STAR2 facilitated the development of Codes of Conduct, provided relevant training to the local staff, and facilitated the development of Pilot Municipality Integrity Plans. STAR2 contributed to strengthening downward accountability (I-6.2.3), responding to local democracy challenges such transparency, accountability, and citizen participation. It designed and implemented a series of well-integrated activities that were based on LGs' own assessment regarding data availability, evidence-based policies and decision-making systems, availability of institutional instruments to ensure citizens' participation, availability of accountability instruments, and systems to ensure equity and inclusion. Outputs of the project included designing a Model Transparency Program and Measurement System of Transparency and setting up an online platform for the publication of municipal councils' decisions and is creating Standardized Municipal Websites

2.4 Service delivery and response to local challenges (EQ 7)

2.4.1 LAs delivering quality public services (JC7.1)

Under STAR2, LGUs have increased the efficiency, quality, coverage, accessibility and inclusiveness for citizens of local service delivery, as well as transparency of public services delivery, with EU support (I-7.1.1 and I-7.1.2). Achievements in this area include LGU staff capacity improvements, establishment of a national benchmark for the 61 LGUs, and development of One Stop Shop model. However, at project close, many outputs had only partially achieved benchmarks, i.e. the number of municipalities fully up to speed was limited. For example, progress on the One Stop Shop model was limited by lack, in some municipalities, of premises and IT infrastructure. Under Municipalities for Europe, while EU Desks were put in place, not all have been able to assume the more ambitious responsibilities foreseen as thy were transformed to EU Units. No information has been obtained on citizen attitudes (I-7.1.3).

2.4.2 LAs better respond to local challenges (JC7.2)

Progress was made under STAR2 in increasing LA resources and management capacities to respond to specific local challenges (I-7.2.1). LG responsibilities and resources were mapped in all 61 municipalities, with individual reports and an online platform. This provided a platform for development of STAR2 activities. Institutional capacity was built for public engagement and consultation, inclusive of vulnerable and marginalized groups. A Standard Model of Transparency was developed and piloted. Municipality websites were developed or improved in about half of all municipalities, and a system for publication of municipal acts was developed. Also, about half of all municipalities developed municipal integrity plans, despite a lack of enthusiasm on the part of local governance. Gender equality was not been fully mainstreamed as called for and, apart from representation of women in training activities, empowerment of women at local level was disappointing.

2.4.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

The project Municipalities for Europe shows strong ownership by its stakeholders and Government was fully involved in project design (I-7.3.1). Ownership was exemplified by the pre-project signature of a Memorandum of Understanding (MoU) between the then Albanian Ministry of State for Local Issues, the Albanian Ministry of European Integration (currently Ministry of European Integration and Foreign Affairs - NIPAC) and the 61 municipalities represented by their Association. The Ministry of Interior displayed strong ownership and involvement. Ownership of the municipalities was strong, but limited by their overall human, management and financial resources. Albanian School of Public Administration (ASPA) willingness to support and sustain the project results is strong, but, in this case too, affected by their human resources and budgetary limitations. Evidence on LGUs having adequate capacity and resources to implement EU interventions is mixed (I-7.3.2). The full collaboration of municipalities is a key precondition for the successful implementation of project activities. The STAR2 evaluation found that municipalities showed diversity in terms of scales of readiness to implement EU interventions (e.g., human and material resources, absorption capacities, political will and commitment to collaborate, respond and succeed). EU programming and implementation integrated sustainability factors: the evaluation of the STAR2 project found that the project used relevant methods (such as on-the-job training, peer-to-peer exchange, identification, sharing and replication of best practices, piloting and reorganizing of services, setting standards and systems) and undertook relevant activities to address the needs of local governments and to sustain results. Needs were identified through contextual and needs assessment processes, as well as consulting the project stakeholders, partners and beneficiaries. Ultimately, though, the sustainability of progress to date will be highly dependent on financing the public administration reform.

Annex 1 - Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

Key points identified based on evidence collected:

- No clear documentation found that the EU used its political power and leverage toward the central government to encourage dialogue and cooperation with LAs directly, although EU support did, in practical terms, lead to cooperation between central authorities and LAs and dialogue in projects such as STAR2. On the policy side, the government was supportive of the work in Albania of the CoR's Working Group on the Western Balkans.
- At the beginning of the evaluation period, Albania was in the early stages of implementing the SAA. PAR was one of the five main priorities identified to support ALB in implementing the SAA and was supported by IPA (2007-2013: component 1 TAIB). Since 2014 PAR has remained a priority and EU support has adapted to national developments. 'The implementation of the SAA, which has started after the final ratification on 1 April 2009, will require strong administrative capacities in almost all acquis related areas to meet the requirements identified in the SAA. […] EC assistance to Albania in the forthcoming three-year period, will address key issues such as public administration reform and rule of law enforcement, in particular as regards good governance and anti-corruption measures.' (MIPD Albania 2009-2011)
- 'The following priorities for IPA support… Strengthen rule of law, …Support the public administration reform, with a view to enhancing professionalism and de-politicisation of public administration and to strengthening a transparent, merit-based approach to appointments and promotions and strengthen the fight against corruption at all levels…' (MIPD Albania 2011-2013, Executive summary)
- The CSP Albania 2014-2020 states in regard to governance and the rule: 'A key issue to be addressed concerns Albania's public administration, including Public Administration Reform (PAR) process and its coordination, policymaking, and civil service and public administration organisation and functioning both at central and local level. […] Previous IPA assistance in the sector was provided for PAR, notably strengthening the capacities in a number of crucial areas such as PFM, including taxation and customs administration, public procurement, external audit, and statistics via tailored interventions of technical expertise. EU support over the period 2007-13 stands at more than EUR 75 million. […] 'This sector is still characterised by needs for improvement in democratic consensus building, a low degree of available human resources, a high degree of politicisation and, in general, by an insufficient implementation of the legal framework. Performance based monitoring mechanisms need to be strengthened, while impact assessment mechanisms need to be established, in order to ensure sound implementation of policies, as well as evidence-based policy making. These issues are expected to be addressed in an overall PAR strategy which is being developed.' (CSP Albania (2014-2020), PART III: The Overall Design of Pre-Accession Assistance to the Country)
- According to the STAR2 ROM report, 'the project is highly relevant and supports the Government of Albania (GoA) in implementing a set of key policy documents that are broken down in strategies and pertaining laws (listed in 3.4 of the ROM report). Its' implementation contributes to local government development, in line with the principles of the European Charter of Local Self-Government and the principles of local government (LG) enshrined in the European Administrative Space. The action also addresses recommendations deriving from consecutive European Commission (EC) reports on the need to increase the LG administrative capacities and to carry out their expanded competences.' (STAR2 ROM report 2018)
- The EU-Albania Public Administration Reform Special Group was established to monitor the implementation of the SAA and to serve as a framework for dialogue on public administration and local government. 'It serves as the main platform to advance the work of the Public

Administration Reform, and aims to include this reform in the enlargement process.' Meetings are co-chaired by EC.[11]

- The engagement of EU with Albania on the decentralisation agenda is formalised through the portfolio of public administration and public finance management reform. In this regard, the geo-unit has integrated aspects on local governance reform in the Public Administration Special Group (PAR SG) that is organised annually between EU and Albanian authorities, as part of the SAA process. The involvement in this area is to create a space for policy dialogue on how compliance with public administration reform (PAR) principles are applied at the local level and how the central and local level coordinate to promote compliance with the PAR principles at both levels. Therefore, the strategic framework and the government monitoring report serves as the basis for the dialogue[12]. Based on the PAR SG, the country receives certain policy conclusions that are agreed between DG NEAR/ D4 and the Ministry of Interior and the government and those conclusions on the PAR SG are published in the homepage of the Department of Public Administration.
- As a result of EU's engagement in policy dialogue, the Consultative Council for central and local government was set up in 2017. It serves as an institutionalised platform for consultation and dialogue between central and local governments.[13]

1.2 Involvement of LA/ALAs(JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

Key points identified based on evidence collected:

- The EU has been responsive and sensitive to the needs and priorities of Albania. An LA inclusive and participatory approach was undertaken for STAR2 and already for STAR, the predecessor project. Part of the funding for the STAR project (which wasn't supported financially by the EU) went to preparing for territorial and administrative reform (TAR): commissioning studies and research to lay the groundwork for TAR. These were e.g. an analysis of local government units, a functional areas report, a survey of local communities which resulted in a report, the development of technical criteria for the new Administrative and Territorial Reform, an analysis of the local government situation in Albania. Multiple consultations were also held across the country.[14]
- STAR2: Although the project's inception phase lasted a lengthy 12 months and led to delays in the implementation of project activities, the 'flexible, participatory and all-inclusive approach' taken meant that the project's design could be moulded to adapt to changing political and local contexts and proved responsive to the concrete needs of the LGUs. (STAR2 Final Evaluation Report)
- Strengthening administrative capacity in view of implementation of the SAA has been given a high priority to support the Albanian authorities with fulfilling the SAA's requirements. (MIPD Albania 2008-2010)
- EU contributions through IPA have supported the implementation of public administration reform and strengthening the capacity of key institutions, as a key priority. (MIPD Albania 2008-2010)
- 'To increase the impact of IPA assistance and to give greater focus to achievable results, the Commission has decided to concentrate its efforts on targeted sectors. […] The following priorities for IPA support… Support the public administration reform, with a view to enhancing professionalism and de-politicisation of public administration and to strengthening a transparent, merit-based approach to appointments and promotions and strengthen the fight against corruption at all levels.' (MIPD Albania 2011-2013)
- Regarding country challenges and needs assessment, the MIPD Albania 2011-2013 mentions: 'Following the June 2009 elections, the opposition Socialist Party (SP) began a parliamentary boycott, which officially came to an end in May 2010. However, the political stalemate remains unsolved; the political dialogue between the two main parties has deteriorated and continues to be major cause for concern. […] The public administration's capacity in Albania is largely

[11] http://dap.gov.al/publikime/dokumenta-strategjik/298-public-administration-reform-special-group-par-sg-eu-albania
[12] http://www.sigmaweb.org/publications/Monitoring-Report-2017-Albania.pdf
[13] https://www.coe.int/en/web/congress/-/consultative-council-for-central-and-local-government-set-up-in-albania
[14] https://www.al.undp.org/content/albania/en/home/operations/projects/democratic_governance/support-to-territorial-and-administrative-reform.html

insufficient, partly due to the high turnover of civil servants related to politicisation of recruitment practices.' (MIPD Albania 2011-2013)

- It has long been recognized, both by the EU and the Albanian authorities, that a high number of government units and their small size was an impediment to the efficient delivery of high-quality services to citizens. 'The relatively high number and small size of most local government units coupled with concerns of efficiency and quality of service provision has increasingly been considered as a serious obstacle to local governance and development and emerged in national policy debates since early 2003.'[15]
- The local level has been part of the PAR SG dialogue in the last three years and it has contributed to the reform process. The areas raised in the PAR SG have been mostly reforms that stem from the good principles on public administration reform but applied at the local level:

1. Strategic framework on decentralisation and monitoring framework as well as institutional responsibilities
2. Civil service reform and reform of human resource management at the local level – enforcing merit principles of civil service at the local level and as well increasing trainings
3. Reform of local finances at the local level- both in terms of fulfilling the central obligation to transfer enough budgetary resources and increasing revenue collection at the local level
4. Strengthening the consultative council as the main coordination mechanism between local and central level in policy and legislative drafting.

   Additionally, the EU besides annual meeting through PAR SG, organises as well separate dialogues accompanying and following up with authorities on agreed conclusions and reforms undertaken. This dialogue has supported to raise awareness on the systemic and government level on decentralisation aspects and as well enforce better coordination on local reforms between different institutions.

- The direct involvement of LAs in a structured policy dialogue with the EU remains limited, partly due to the low capacity of the associations of municipalities. The Thematic Group of Decentralisation (GTD) is trying to address this issue by including representatives of local governments in its discussions.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

Key points identified based on evidence collected (see also I-1.2.3 below):

- LAs' involvement in political dialogue: The STAR2 project can be considered demand driven. LAs were consulted by the project implementer, UNDP, via a survey undertaken to identify their main concerns. Their responses formed the basis for identifying the project's main areas of intervention. The response rate for the survey was overall good and feedback helped guide the project. For instance, their top priority was the creation of one-stop-shops, something which was a part of STAR2. The project design was a result of a consultative process actively involving key project stakeholders, and high inclusion of those donors that are listed as project supporters. (STAR2 2018 ROM report)
- The Minister of State for Local Affairs (MSLI) was actively involved in the process of designing the project requirements and participated throughout its development. The project's design involved consultation of key project stakeholders, mainly MSLI and AITR. Those donors that are listed as project supporters were included. (STAR2 2018 ROM report)
- 'The action is demand driven which underlines the Deputy MoI ownership potential. MSLI was actively involved in the process of designing the project requirements and participated throughout its development. The project design was a result of a consultative processes actively involving key project stakeholders, above all the MSLI and AITR. Equally so, there was a high inclusion of those donors that are listed as project supporters.' (STAR2 2018 ROM report)

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

LAs were consulted by the project implementer, UNDP, via a survey undertaken to identify the main areas for the project's intervention. 'During the project design, UNDP carried out a survey that covered all LGUs. The survey was used as a basis for identifying the main areas of project intervention. The overall response rate was 52% (49% of small municipalities and 70% of the large ones). Immediate feedback suggested that one-stop-shops are at the top of their interest (88%), followed by service reorganisation and digitalization of archives (85%). Acquiring know-how on newly given competences

[15] https://www.al.undp.org/content/albania/en/home/operations/projects/democratic_governance/support-to-territorial-and-administrative-reform.html

(74%) and receiving technical support for introduction of transparency principles (54%) were also identified as important areas.' (STAR2 2018 ROM report)

1.3 Adjustments to context change (JC1.3)

EU's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

Key points identified based on evidence collected:

- As stated below, Albania had undergone territorial and administrative reform (TAR) in time for the elections held in 2015. The STAR project (multi-donor fund, but no EU contribution) provided much needed assistance during this process. The decision to support a continuation of the project in the form of STAR2 shows that the EC recognized the achievements of STAR and was able to respond with support for its continuation (EC contributions to STAR2 are 45% of total funding). The need to equip and strengthen the capacities of these new LGUs was recognised. 'The undertaking of a territorial and administrative reform is one of the main priorities of the current Government of Albania's programme. […] The relatively high number and small size of most local government units coupled with concerns of efficiency and quality of service provision has increasingly been considered as a serious obstacle to local governance and development and emerged in national policy debates since early 2003'.[16]
- 'GoA was fully committed to TAR and openly demonstrating such commitment in a number of cases, starting from the electoral program, and appointment of MoSLI as part of Government structure, promotion of a prompt decision-making for TAR, and implementing TAR starting from the last local elections.' (STAR Evaluation Report)
- STAR2: The project had a length inception phase of 12 months, however the 'flexible, participatory and all-inclusive approach' taken meant that project design was suitable and responsive to changing political and local contexts, including the actual needs of the LGUs. 'Although the relative prolonged inception phase (12 months) caused considerable delays in starting the implementation of project activities, STAR2's flexible, participatory and all-inclusive approach was useful, as it allowed for adapting the Project design to changing political and local contexts and concrete needs of the LGUs. Moreover, the inception phase served very well to foster synergies and linkages with other new programs and projects in this area. (STAR2 Final Evaluation Report)
- Through the project 'Matrix of Competences of Local Self-Government', EU financed an analysis of legal and sub-legal acts, which regulate the various sectors involving the exercise of functions by the LSGs. The resulting report, published in early 2019, is supposed to help the different levels of government 'to share a similar understanding of the current legal and institutional framework which is relevant to the local self-government functions', and 'to provide recommendations to the Ministry of Interior […] on steps that need to be taken to ensure in the sectorial legislation relevant to local self-governance the extent of local autonomy set out in the Cross-Cutting Strategy of Decentralisation and Local Governance'.17

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

In the absence of a JCC, the CoR's Working Group on the Western Balkans remained throughout the evaluation period the only dedicated institution forum for contacts between the EU and Albanian LAs.

EU adapted its engagement strategies with LAs (over a longer period of time) and seized windows of opportunities (I-1.3.3)

Key points identified based on evidence collected:

- STAR2: Whereas the EU was not involved in STAR, it did respond to with support to a 'window of opportunity' to provide significant funding to the project's 'continuation' and thus help ALB consolidate TAR and empower the new LGUs. EU support via the project was a response directly to a request by the Minister for State and Local Issues (MSLI).
- 'STAR is already in place in Albania with an optimal number of LGUs. However, the functions already transferred to LGUs are not yet standardized, local HRM is not capable of adequately responding to new tasks, other functions are expected to be decentralized, and the financial support from the state budget is insufficient, especially in the 'rural' municipalities. Under the circumstances, a possible STAR project continuation could be fundamental to ensuring the

[16] https://www.al.undp.org/content/albania/en/home/operations/projects/democratic_governance/support-to-territorial-and-administrative-reform.html
[17] https://www.bpe.al/sites/default/files/publications/Matrix-of-Competencies.pdf

sustainability of the achievements to date. In that case, some 'unfinished business' of the existing STAR needs to be followed up, especially with regard to service quality and coverage and capacities of local governments to deal with the new responsibilities.' (STAR Evaluation Report)

- the project was launched at the request of the Minister for State and Local Issues (MSLI) (ROM report 2018)

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

Key points identified based on evidence collected:

- STAR2 – Consolidation of the Territorial and Administrative Reform is being funded by IPA (in addition to the governments of MS (Italy) and other partners (UNDP, Switzerland, USAID) with Albanian's contribution.
- UNDP is fund manager of STAR2 but MSLI, the body with a direct oversight of policy for local governance reforms and for provision of technical assistance to the new LGUs, has direct oversight of policy for local governance reforms.
- 'The present project constitutes the due process and fund management support to the Minister of State provided by the international community in Albania. The Minister of State for Local Issues is the leading national institution with a direct oversight of policy for local governance reforms and for provision of technical assistance to the new LGUs' (UNDP Project document).
- NSA-LA was not applied in Albania. Based on interviews at EUD level, EIDHR projects were implemented by NGOs, not LAs.

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

Key points identified based on evidence collected:

- STAR2 – Consolidation of the Territorial and Administrative Reform picks up from STAR. It is a project funded by multiple donors (multi-donor fund). 'Direct management is a good mechanism having in mind UNDP's experience in territorial reform. The strong point is that it provides appropriate knowledge, followed by changes in the organisational culture which is very much in short supply within the Albanian public administration reform (PAR) system. It is also more suitable for institutional strengthening rather than institutional creation'.[18]
- Municipalities of Europe: 'The TA is proving to be the appropriate modality for the intervention. The contractor experts' wide experience in good governance and the background given by the relatively recent EU-accession process is proving valuable'.[19]
- EU programming in the field of good governance in Albania for the next years foresees extensive assistance to LGUs through a variety of approaches and types. Local governance will not be dealt with at project level, but it will be part of a comprehensive programme on good governance, including budget support. Besides of the continuation of ongoing projects like STAR 3, MfE 2.0 and ReLOaD, the programme will allow a grant scheme directly to municipalities and technical assistance to the Consultative Council.[20]
- A local governance dimension has been recently included in the programming for various sectors; for instance, municipalities receive grants through the IPA 2018 Rule of Law action[21] and through the IPA 2019 Action Programme, targeting Circular economy and green growth as well as Social inclusion.[22]

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

No relevant information was found on this indicator.

[18] EU (2018): STAR 2 ROM Report.
[19] EU (2019): Municipalities for Europe ROM Report.
[20] Interviews at EUD level.
[21] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa_2018_040211_al_02_eu_for_rule_of_law.pdf
[22] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/annexes/1_en_annexe_acte_autonome_nlw_part1_v1_0.pdf

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues (I-2.2.1)

EUD supported the work in Albania of the CoR's Working Group on the Western Balkans, run from the CIVEX secretariat at CoR HQ in Brussels.

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs (I-2.2.2)

No relevant information was found on this indicator.

Use of external knowledge and data (e.g. from ALAs) (I-2.2.3)

Key points identified based on evidence collected:

STAR2: Local experts were involved in STAR2 technical assistance teams.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

Key points identified based on evidence collected:

- Interventions within the scope of this evaluation seem to have been systematically monitored through EU ROM missions. Evaluation and monitoring reports are available for Municipalities for Europe, ReLOaD, and a couple of smaller interventions.
- STAR2: regular monitoring and reporting were planned into project design. Planned M&E according to UNDP project document: 'In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following: within the annual cycle, on a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management. An Issue Log shall be activated …and updated to facilitate tracking and resolution of potential problems or requests for change. Based on the initial risk analysis, a risk log shall be activated…and regularly updated by reviewing the external environment that may affect the project implementation. Based on the above…Project Progress Reports (PPR) shall be submitted by the Project Coordinator to the Project Steering Committee through Project Assurance, using the standard report format. A project Lesson-learned log shall be activated and regularly updated …to facilitate the preparation of the Lessons-learned Report at the end of the project. A Monitoring Schedule Plan shall be activated… and updated to track key management actions/events, …in addition a close communication will be established between UNDP and Minister of Local Issues with respect to the day-to-day implementation of activities and information on the project's progress will regularly be shared and when needed with the project's stakeholders and partners.' (UNDP project document)
- STAR2: An Annual Review Report shall be prepared by the Project Coordinator and shared with the Project Steering Committee …consisting of 'the Atlas standard format covering the whole year with updated information for each above element as well as a summary of results achieved against pre-defined annual targets at the output level. The Project shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules, policies and procedures of UNDP.' (UNDP project documentation)
- STAR2: A monitoring system through the project steering committee (PSC) in place. Adequate participation by beneficiaries has been noted. PSC meetings have been used to resolve issues, manage risks and ensure the timely delivery of outputs. 'On a management level the project is monitored through the project steering committee (PSC) mechanism where beneficiaries have participated adequately. The PSC meetings have also been used to resolve outstanding issues, manage the risks which have materialised, and ensure that the delivery of outputs is on time.' (STAR2 ROM Report 2018)
- STAR2: Further monitoring by the IPMG, a sector monitoring body chaired by the Minister of State for Innovation and Public Administration. 'Beyond project scope, the Integrated Policy Management Group (IPMG) is a sector monitoring body chaired by the Minister of State for Innovation and Public Administration. As a novelty, the IPMG-GGPA (Good Governance Public Administration) constitutes high-level governance, planning and monitoring structure designed to ensure that the GGPA sector's core policy and financial processes are managed in a coherent, effective, results-oriented and integrated manner.' (STAR2 ROM Report 2018)
- STAR2: Relevant monitoring, reporting and evaluation systems captured results: See external project evaluation report. 'The STAR2 multi-stakeholder and multi-dimensional approach has demonstrated its capacity to partner with a wide range of actors in order to multiply its response

to the major needs of LG. […] Most importantly, the STAR2 project has produced transformative changes in LG working cultures. The Project has produced an effective change of mentality for municipal staff members. By actively participating in project activities, they have not only learned new skills and improved their understanding of their roles and responsibilities, but also have started to change the working practices and perceptions on service delivery to citizens, integrity and transparency, and also approach to ethics and the need for standards. Through participation in needs assessments, consultation processes and more importantly in products development processes, they have developed the ownership over project results, which will contribute to long term positive change.' (STAR2 Evaluation Report)

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

Key points identified based on evidence collected:

- STAR 1 was positively evaluated (evaluation commissioned by UNDP). Continuation of STAR into a second phase was strongly recommended by the evaluation.
- STAR2 had: ROM report 2018 (field phase mid-Feb. 2018), progress reports every 6 months, MTR 2018, final evaluation (2019).

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

Key points identified based on evidence collected:

- There is evidence of mechanisms and processes to ensure coherence, coordination and complementarity (the three C's) of EU support with EU MS and other donors at country and regional level (see STAR2).
- STAR2 is an important intervention funded by multiple donors, including a contribution from the GoA. EU support amounts to nearly 50% of total allocated resources (see ALB fiche for financial breakdown), with other donors including EU MS (Italy and Sweden contributing 38.8% of funding) and the UNDP. The project represents continuity, as all the present donors (except the EU), also funded STAR.
- A multi-donor funded project requires by definition that the partners take a coherent approach, as all the present donors have committed their resources to a common purpose: consolidating the results of the STAR project by supporting the new LGUs in their new and expanded functions. Along with a small financial contribution, the UNDP representation in Albania has maintained its role as donor pooled fund manager and project implementer for STAR2.
- 'UNDP Albania is the donor pooled fund manager and project implementer under the ownership and leadership of the Minister of State for Local Issues, the government counterpart until recently. Following the last general elections of June 2017, the new Government embarked on a full re-organization of government structures, whereby the institutional responsibility for local governance on co-ordination with local government units and local elected associations was given to the Ministry of Interior, which represents the current project counterpart.' (STAR2 MTR 2018)

EU engage in LA-related coordination & donor fora (I-3.1.1)

Key points identified based on evidence collected:

- Effectiveness and efficiency owing to coordination among donors: The positive experience of STAR 1, what has worked well, are taken forward in STAR2. Like STAR 1, STAR2 is funded by multiple donors (the same ones as before; only the EU is a new funding partner) who have pooled their contributions to support a single, nationally relevant purpose. Funding is implemented by the Minister of State for Local Issues and operational support is provided by UNDP under UNDP rules and regulations and within the legal framework of the Standard Basic Agreement between the UNDP and the Government of Albania of 17 June 1991. Project representatives of other donors/organisations/government initiatives have been invited to STAR2 project steering committee meetings in order to improve co-ordination and to reduce overlap. STAR2 – Consolidation of the Territorial and Administrative Reform (STAR2 Project Document)
- The intervention logic follows the UNDP model. Relevant circumstances and risks are presented in the risk-log. One of the assumptions has already materialised and is accordingly tackled. It concerns project overlap (other donor organisations/government initiatives in the same area overlap or contradict the project). To minimise the possibility for overlap, project representatives

have been invited to the project steering committee (PSC) meetings.' (STAR2 ROM Report 2018)

- 'STAR2 has been developed after a process of consultation, collaboration and agreement between the Minister of State for Local Issues, LGUs, project development partners representing the European Union, development cooperation offices of Italy, Sweden, Switzerland, and USAID, and UNDP Albania as the donor-pooled fund manager and project implementer. The Minister of Interior is the government counterpart following the re-organization of government structures in 2017.' (Final evaluation of STAR2)
- SDGs covered are : SDG 1 - No poverty and SDG 16 - Peace, justice and strong institutions)[23]

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

Key points identified based on evidence collected:

- STAR2 – Consolidation of the Territorial and Administrative Reform: Coordination efforts amongst EU MS and the EU: funding for STAR2 pools contributions from the EU with those of EU MS (Italy and Sweden, and other donors). Direct management undertaken by MSLI (Minister of State for Local Affairs).
- The project, by definition of it being a jointly funded, requires coordination to be built in. The choice of UNDP as fund manager and project implementor represents efficiency; capitalising on UNDP's prior knowledge (acquired during STAR) and experience with territorial reform (skills that are in short supply in ALB) promotes effectiveness of the intervention.
- Coordination efforts with UNDP, the organization directly managing the project in ALB and who also did so for the predecessor, STAR: 'Direct management is a good mechanism having in mind UNDP's experience in territorial reform. The strong point is that it provides appropriate knowledge, followed by changes in the organizational culture which is very much in short supply within the Albanian public administration reform (PAR) system. It is also more suitable for institutional strengthening rather than institutional creation.' (STAR2 ROM report 2018)
- Efficiency affected by on-going consultations with a multitude of institutions, both central and on the local level and with development partners as well as owing to external factors (e.g. elections, summer holidays). This led to some delays with beginning some project activities. 'There is an overall delay in the project implementation vis-a-vis the time-frame. Thus far 3 activities have been significantly delayed and 5 activities are slightly behind the schedule. The inception phase was late due to the on-going consultations with a high number of central and local level institutions and development partners. The process was further interrupted because of prolonged internal discussions, as well as the complex coordination with other projects and initiatives. The delays were also partially attributable to the Parliamentary Elections (June 2017) and summer holidays which pushed some of the activities to early autumn 2017.' (STAR2 ROM report 2018)
- Evidence of timely transfer of funding: 'The donor funds have been transferred on time and according to the signed agreements. The funds committed by the GoA in amount of $271,723 are not transferred yet but the funds for this purpose are allocated in the 2018 budget of the ASLG.' (STAR2 ROM report 2018)

Division of labour promoted (I-3.1.3)

Yes. Division of labour/continuity: STAR2 is implemented by UNDP, who also implemented STAR (which was funded by other donors).

Evidence that synergies between development partners have been exploited (I-3.1.4)

Key points identified based on evidence collected:

- STAR2: Solid communication channels were established during the project's inception phase; other donor-driven projects helped to identify overlaps and synergies.
- Although the project's (STAR2) inception phase lasted a lengthy 12 months and led to delays in the implementation of project activities, the 'flexible, participatory and all-inclusive approach' taken meant that the project's design proved adaptable to changing political and local contexts and proved responsive to the concrete needs of the LGUs. (STAR2 Final Evaluation Report)
- Strong communications channels established with other donor-driven projects.

[23] https://open.undp.org/projects/00092590

- 'During the inception phase, the project established solid communication channels with a number of other donor-driven projects. The inception phase was a good opportunity to identify overlaps and synergies. This was well done.' (STAR2 ROM Report 2018)
- Strong indication of synergies with funding of STAR2 because of the nature of the project: multi-donor funded project. Also, coordination with UNDP (implementing partner). EU with IPA financing is supporting nearly half the project costs (45%). Other donors include EU MS (Sweden, Italy) and co-funding by Albania and other donors include Switzerland, UNDP and USAID. Implementation is being managed by UNDP. (STAR2 Project document)

Table 2 Funding of STAR2

Total resources required	$8,168,668
Total allocated resources	$7,521,800
Government of Albania	$245,399
European Union	$3,715,499
Government of Italy	$1,273,885
Government of Sweden	$1,646,685
Government of Switzerland	$493,097
UNDP	$100,000
USAID	$100,000
Unfunded amount	$594,103

Source: STAR2 Project Document.

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

ALAs were consulted during the inception phase of STAR2. (Evaluation Report STAR2)

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

No relevant information was found on this indicator.

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

There is evidence that EU support has promoted the active involvement of LAs in public policy processes but in an indirect way: EU support under STAR2 has multiple aims: to strengthen the capacities of LAs to execute their functions, to train and retain personnel (high staff turnover was an issue during the evaluation period 2010-2018; this is linked to a highly politicised landscape (i.e. changing of staff when major political changes occur). Components of STAR2 address these points.

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

Key points identified based on evidence collected:

- The EU provided budget support in Public Administration Reform and Employment and Training (in addition to other areas). There is evidence of LA involvement in both.
- The project Municipalities for Europe was initiated following the signature of a Memorandum of Understanding (MoU) between the then Albanian Ministry of State for Local Issues, the Albanian Ministry of European Integration (currently Ministry of European Integration and Foreign Affairs - NIPAC) and the 61 municipalities represented by their Association. The MoU's purpose was to institutionalise collaboration on strengthening municipal EU related governance capacities and reach out to Albanian citizens and Albanian local administrations with information about the EU, its policies and programs.
- 'The ownership is strong overall. The partner government was fully involved in the project design. The project was initiated following the signature of the Memorandum of Understanding (MoU) between the then Albanian Ministry of State for Local Issues, the Albanian Ministry of European Integration (currently Ministry of European Integration and Foreign Affairs - NIPAC) and the 61 municipalities represented by their Association. The purpose of the MoU was collaboration on strengthening the municipal EU related governance capacities and reach out to Albanian citizens and Albanian local administrations with information about the EU, its policies

and programs. The ownership of the municipalities is strong across the board, but in line with the limitations set by their overall human, management and financial resources. The project had co-certified all trainings with the Albanian School of Public Administration (ASPA) and ASPA willingness to support and sustain the project results is strong, but, in this case too, affected by their human resources and budgetary limitations.' (Municipalities for Europe ROM Report 2019)

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

Key points identified based on evidence collected:

- The longer-term issue of funding LAs remains a problem. Fiscal decentralisation is a key area and is heavily influenced by political power struggles between different levels of government.
- It was noted in the 2019 Progress Report that LAs' financial sustainability requires improvement, as the overall reform of public administration remains overly dependent on external donor funding.
- Whereas EU support through TA is already present in projects such as STAR2 or Municipalities for Europe, more direct support to local government units is lacking. The recently published call by the European Delegation to support municipalities in implementing grant funding projects is seen as moving positively toward a direct aid approach.
- 'While the figures point to a need to deepen the government's push for deeper fiscal decentralization reforms, I think the time has come for the European Union to consider aid mechanisms too, so that local government in Albania to be directly supported by the assistance that should be provided directly to local government units. This should be not only in the form of technical assistance, which is already being provided through STAR2 or Municipalities for Europe projects, but also through financial assistance that goes directly to the support of local government units, of course conditioned by progress in meeting of standards. The recently published call by the European Delegation to support municipalities in implementing grant funding projects is a positive step towards this direct aid approach. I wish more funding of this nature would be provided to municipalities.'[24]
- Competences have been attributed to LAs, but financial resources are inadequate and what does go to Municipalities is tightly controlled by the centre. At least 1% of GDP has to go to municipalities; which is progress, at least in terms of transparency and stability. If you sum it all up, 3% of total fiscal revenues are going to municipalities – by international standards, not very high. One of lowest in IPA region. 'Conditional grant' is money government allocates to project proposals, but municipalities should not have to compete for money to do what they are mandated to do. Not good international practice. Albania does not have national standards in terms of service provision, so impossible to define what they need minus what they have.
- EUD interview: In the project 'Municipalities for Europe,' despite high turnover of administration with elections, meaning that trained persons are lost and new ones must be trained, the project made good progress. Project was supported and fully absorbed and achieved impact. Very important from standpoint of sustainability, there is evidence of behavioural change. (interview with EUD)

Direct political relations with LAs /ALAs (I-4.2.2)

Key points identified based on evidence collected:

- Yes, the EU has sought to develop political relations with LAs. This is evidenced in the development process of the STAR2 project where LGUs (among other stakeholders) were consulted and their collaboration and agreement were sought. The project intervention was found to have positively influenced the local government transformation process.
- 'STAR2 has been developed after a process of consultation, collaboration and agreement between the Minister of State for Local Issues, LGUs, project development partners representing the European Union, development cooperation offices of Italy, Sweden, Switzerland, and USAID, and UNDP Albania as the donor-pooled fund manager and project implementer. The Minister of Interior is the government counterpart following the re-organization of government structures in 2017….STAR2 has designed and employed a multidimensional,

[24] Interview with mayor. 'Successful integration, it does not only happen at the center, but across our communities' Sep.2019 http://www.bpe.al/en/successful-integration-it-does-not-only-happen-center-across-our-communities

well-integrated methodology to respond to the substantial needs of the LG in the areas of institutional development and capacity building, service delivery, and good governance. […] The multidimensional project intervention has positively influenced the LG transformation. Some of the key notable results are: capacity building on Code of Administrative Procedures, improvement of tax collection and enforcement, assets and land management, standardization of local archives, development of e-government at local level (OSSIS), public engagement and consultation, the publication of municipal decisions, compliance with HAS recommendations, as well as transparency improvement in local policy making and adoption of measures against corruption.' (UNDP Evaluation Report STAR2)

- The project Municipalities for Europe was initiated following the signature of a Memorandum of Understanding (MoU) between the then Albanian Ministry of State for Local Issues, the Albanian Ministry of European Integration (currently Ministry of European Integration and Foreign Affairs - NIPAC) and the 61 municipalities represented by their Association. The MoU's purpose was to institutionalise collaboration on strengthening municipal EU related governance capacities and reach out to Albanian citizens and Albanian local administrations with information about the EU, its policies and programs. (Municipalities for Europe ROM Report)
- The ownership is strong overall. The partner government was fully involved in the project design. The project was initiated following the signature of the Memorandum of Understanding (MoU) between the then Albanian Ministry of State for Local Issues, the Albanian Ministry of European Integration (currently Ministry of European Integration and Foreign Affairs - NIPAC) and the 61 municipalities represented by their Association. The purpose of the MoU was collaboration on strengthening the municipal EU related governance capacities and reach out to Albanian citizens and Albanian local administrations with information about the EU, its policies and programs. (Municipalities for Europe ROM Report)
- The ownership of the municipalities is strong across the board, but in line with the limitations set by their overall human, management and financial resources. The project had co-certified all trainings with the Albanian School of Public Administration (ASPA) and ASPA willingness to support and sustain the project results is strong, but, in this case too, affected by their human resources and budgetary limitations.' (Municipalities for Europe ROM Report)

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

No relevant information was found on this indicator.

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU, including through EUDs information and awareness campaigns (I-4.3.1)

Key points identified based on evidence collected:

- Increasing knowledge of the EU, its value and policies (including the enlargement process) was a direct aim of the Municipalities for Europe project, as was increasing awareness of IPA and relevant EU funds available to Albanian citizens and municipalities alike. The project lead to the creation of 'European Union Corners' in the country's municipalities. While EU desks were established in all 61 (newly re-organised) municipalities, their staff's capacities were found to vary substantially depending on the size of the municipality, leading to uneven effects of the intervention. The EU Desks /Corners infrastructure at local level was institutionalised by the Decision of the Council of Ministers from July 2018, followed by a series of technical meetings and consultations with all actors involved at central and local level. The Decision transformed the EU Desks, which were formerly focused on outreach and information dissemination into Structures of EU Integration at local level that would assume responsibilities in terms of project preparation, management and EU accession related to policy making and implementation. Most local coordinators are not fully focused on this task and rather have also other, additional responsibilities. Many also lack civil servant status, which makes them highly susceptible to reshuffle.
- 'EU desks have been established in all 61 municipalities. The EU Desks' staff capacity varies substantially between small, mid-sized and larger municipalities leaving the intervention's effects uneven. The EU Desks /Corners infrastructure at local level was institutionalised through the Decision of the Council of Ministers from July 2018, followed by a series of technical meetings and consultations with all actors involved at central and local level. The Decision transforms the EU Desks primarily focusing on outreach and information dissemination into Structures of EU Integration at local level that would assume responsibilities in terms of project preparation, management and EU accession related policy making and implementation. It

remains yet to be implemented for the local coordinators to be dedicated to this task only. Most of them currently have other responsibilities within the municipality and some don't have civil servant status either, which makes them highly susceptible to reshuffle.' (Municipalities for Europe ROM Report 2018)

- 'Specific objective 3) To increase the awareness of the Instrument for Pre-accession Assistance (IPA) and other relevant EU funds available to Albanian municipalities and citizens through success stories on concrete projects; Specific objective 5: 'To increase the knowledge and understanding of EU policies, objectives, priorities, institutions, programmes and perspectives, as well as to dispel the myths and misconceptions on the EU accession process'
- Results: Component 3: Visibility and events: 'Tailor made information disseminated on the Instrument for Pre-accession Assistance (IPA) and other relevant EU funds and programs available for Albanian municipalities and citizens; EU information products (print, audio-visual and electronic ones) delivered to target groups; Support ensured to the EU Delegation and EU Information Network in the implementation of information and communication activities, including events and campaigns;' (Municipalities for Europe ROM Report 2018)
- 'The role of the EU Corners (and today the structures of integration) in our cities is beginning to be felt more and more, thanks to the dedication of the EU coordinators as part of our staff and the support of the project team.'[25]
- EU Desks are operating effectively – a person who, while doing other jobs, can serve as a liaison for information on EU. Now 'EU Units' as integral part of LA. Process of transition from Desks to Units is not proceeding as smoothly as expected, but we are perhaps halfway. A pot of money was put aside for proposals for actions on EU-related issues in addition to what the project called for; essentially events, e,g, celebrating EU Week. EU Desks are 'local EU ambassadors,' usually young, educated people. (EUD interviews)

Concerning EUDs information and awareness campaigns, key points identified based on evidence collected are (see also I-4.3.3 below):

- Municipalities for Europe: 'The project is highly relevant in the context of the decentralisation and territorial reform undertaken in Albania since 2015. Setting up EU desks as a mechanism to communicate on EU related topics at local level, but also Units to be able to develop projects, advise on policy level issues pertaining to EU accession, was the missing link in the Albanian government structures related to EU accession. Shifting dissemination on EU related information and outreach to the local level governments is innovative and could contribute substantially to EU-related outreach activities in the country. Currently the project is in charge of making sure that the information reaching public is accurate and in line with EC visibility requirements, quality assured by EUD but it is unclear who would take on this once the project ends.' (Municipalities for Europe ROM Report)
- Results: Component 3: Visibility and events: 'Tailor made information disseminated on the Instrument for Pre-accession Assistance (IPA) and other relevant EU funds and programs available for Albanian municipalities and citizens; EU information products (print, audio-visual and electronic ones) delivered to target groups; Support ensured to the EU Delegation and EU Information Network in the implementation of information and communication activities, including events and campaigns;' (Municipalities for Europe ROM Report 2018)

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

Key points identified based on evidence collected:

- Communicating information about the EU is one aim of the Municipalities for Europe project.
- With the support of the EU, EU Information desks were established in all municipalities in Albania, providing information to citizens to help them understand the EU, its functions, funds, institutions, policies, and Albania's EU integration process. Furthermore, the EUD launched awareness raising and communication campaigns on EU integration priorities including public administration reform, employment and skills, cultural heritage, private sector development, road safety and food safety, private sector development and agriculture.

[25] http://www.bpe.al/en/successful-integration-it-does-not-only-happen-center-across-our-communities

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

Key points identified based on evidence collected:

- The result of STAR meant that LAs (the 61 consolidated LGUs) found themselves with broader mandates and greater autonomy, as well as additional responsibilities and new functions. Staff however did not have the required skills/training to undertake these new functions. The EU's support aimed to provide the necessary support and develop the capacities of staff via training so that they could deliver a broader spectrum of services to their stakeholders.
- EU support directly contributed to create the conditions for LAs to have broader mandates, greater autonomy, responsibilities and functions. During 2014, Government of Albania put forward an intensive and comprehensive reform process - Territorial and Administrative Reform (TAR). The TAR aimed at transforming the quality of local governance, enabling local public institutions to operate with greater human and financial resources. Simultaneously with beginning TAR, the STAR project (Support to Territorial Administrative Reform) was launched. The STAR project was instrumental throughout the implementation of the reform and it contributed directly to the results of the reform by providing expertise and resources along the TAR path. This included research and studies, such as developing possible options for LGUs' consolidation, conducting nationwide public consultations, undertaking an inventory of former local governments' assets and liabilities. The EU's support began with STAR2, the continuation of STAR, which was developed in line with and to continue building on the results of its predecessor. Its main aim is to strengthen the institutional and administrative capacities of the new LGUs at local level.
- In its 2018 opinion on the Enlargement Package, CoR expresses regret on the failure of LAs to adopt merit-based recruitment methods and on the lack of proper implementation of the law on civil service at the local level.

EU support has assisted LAs in accessing adequate domestic financial and human resources (I-5.1.2)

While EU support to public administration reform has highlighted the fiscal constraints faced by LAs, the EU does not provide direct financial support and resources remain inconsistent with LGU's expanded mandate. High staff turnover associated with elections remains a problem.

5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

Key points identified based on evidence collected:

- Although LGUs are entitled to obtain funding from the EU, their capacity to benefit from and absorb EU funds has remained very low at the local level. EU support via the Municipalities for Europe is a capacity development project aimed to address this issue. It provides support to local government units with designing and submitting quality projects and also with the provision of EU accession-related information to citizens. (Municipalities for Europe ToR)
- The project seeks to set up an EU office in each municipality that will be the point of reference not only for local administrative employees but also for all citizens and groups of interest at local level. On the operational level, the 'EU Corners' strengthen the capacities of their local government units in relation to their functioning within European standards and the absorption of European project-based funds and serve as focal points for their local government unit, but also for the entire community in their region, with regard to information on the European Union. (Municipalities for Europe ToR)
- The local government units are entitled to obtain funding from EU. The level of capacity to benefit from and absorb EU funds at local level is very low. Through this intervention, local government units are supported in designing and submitting quality projects and reach out with the EU accession-related information. (Municipalities for Europe ROM Report)
- 'The Project Municipalities for Europe is an initiative of the European Union which aims to increase the capacities of the Local Government Units in Albania in the framework of the European integration process of the country by setting up an EU office in each municipality that will be the point of reference in each respective municipality, not only for local administrative employees but also for all citizens and groups of interest at local level. In the operational level

the EU Corners become the closest collaborator of the project, having two functions: i) Strengthening the capacities of their local government units in relation to their functioning within European standards and the absorption of European project-based funds; ii) Serving as focal points for their local government unit, but also for the entire community in their region, with regard to information on the European Union'[26]

- 'The overall objective of STAR2 was to ensure functionality, recognized by citizens, of the newly established local governments, so that local administrative and service delivery outcomes are effective, qualitative, participatory, and inclusive, and correspond to evolving decentralised competencies and responsibilities. The project aimed to strengthen institutional and administrative capacities of local administrations, increase local service delivery efficiency, quality, coverage, accessibility and inclusiveness for men and women, and enhance local democracy through fostering citizens-oriented governance and participatory decision making, leveraging the roles of women as actors of change. Main results so far include[27]: 4.260 municipal staff participated in capacity building activities; 37 Standard Operational Procedures on finance & budget, public procurement and HRM developed with contribution of 9 pilot municipalities; all 61 municipalities now regularly publish their municipal councils' decisions on-line'[28] (STAR2 Project fiche)
- Through the STAR2 contribution, 50 out of 61 municipalities in Albania have their one stop shop established and functional. (Source: EUD)
- CoR, in its opinion on the Enlargement Strategy 2013-2014 noted that LA's human resource management and financial control systems remained weak, limiting effectiveness and ownership. The CoR called for a closer coordination between different levels of government and for strengthening the role of LAAs.

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

Key points identified based on evidence collected:

- Following Albania's achievement of EU Candidate Status in 2014, it was necessary to further increase knowledge of Albania's integration process and its implications. As the accession will progress, local administration governments will be faced with increasing demands.
- The network of 61 EU local coordinators has strengthened the LGUs' involvement in the EU accession process, raising more awareness of EU policies and the acquis. The so-called 'EU desks' in municipalities have been upgraded into structured units, based on a Council of Ministers decision of July 2018. The overall objective of Bashkitë për në Europë/Municipalities for Europe is to strengthen the municipal EU related governance capacities and provide outreach to Albanian citizens and Albanian local administrations with information about the EU, its policies and programmes.
- 'The Project Municipalities for Europe is an initiative of the European Union which aims to increase the capacities of the Local Government Units in Albania in the framework of the European integration process of the country by setting up an EU office in each municipality that will be the point of reference in each respective municipality, not only for local administrative employees but also for all citizens and groups of interest at local level. In the operational level the EU Corners become the closest collaborator of the project'[29]
- 'Following its EU candidate status in 2014, the need to further increase knowledge of Albania's integration process and its implications in becoming a Candidate was needed. As accession will progress, local administration governments will face increasing demands. The overall objective of Bashkitë për në Europë/Municipalities for Europe is to strengthen the municipal EU related governance capacities and reach out to Albanian citizens and Albanian local administrations with information about the EU, its policies and programmes. […] This action seeks to primarily engage with local administrations to be able to deal more effectively with the EU accession process in terms of project preparation, dissemination of information to citizen and cooperation with civil society (CS) and multipliers.' (Municipalities of Europe ROM Report 2019)
- 'EU desks have been established in all 61 municipalities. The EU Desks' staff capacity varies substantially between small, mid-sized and larger municipalities leaving the intervention's effects uneven. The EU Desks /Corners infrastructure at local level was institutionalised through

[26] http://www.bpe.al/en/project-services-municipalities-europe
[27] https://www.al.undp.org/content/albania/en/home/projects/star-2---consolidation-of-the-territorial-and-administrative-ref.html
[28] www.vendime.al
[29] http://www.bpe.al/en/project-services-municipalities-europe

the Decision of the Council of Ministers from July 2018, followed by a series of technical meetings and consultations with all actors involved at central and local level. The Decision transforms the EU Desks primarily focusing on outreach and information dissemination into Structures of EU Integration at local level that would assume responsibilities in terms of project preparation, management and EU accession related policy making and implementation. It remains yet to be implemented for the local coordinators to be dedicated to this task only. Most of them currently have other responsibilities within the municipality and some don't have civil servant status either, which makes them highly susceptible to reshuffle' (Municipalities for Europe ROM Report 2018)

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

Key points identified based on evidence collected:

- 'Following STAR1 approach, the establishment of the Steering Committee and its periodic meetings resulted in a functional structure that used its leadership to ensure effective project implementation and synergies with other related initiatives - avoiding overlapping and at the same time monitoring activities and the quality of outputs, and closely evaluating the process of achieving outcomes and impact.' (STAR2 Evaluation Report)
- The burden of ensuring coordination, complementarity and synergy did not fall only on UNDP, but primarily on the central government and donors (Donors coordination group on LG). The Integrated Planning and Management Group (IPMG) on Public Administration Reform and Good Governance and related thematic working groups on decentralization and local self-governance were the appropriate platforms to ensure coordination, complementarity and synergy among different interventions and development partners in the relevant area. (STAR2 Evaluation Report)
- However, cross-sectoral collaboration is still relatively weak and bringing different ministries, development partners and other stakeholders to the same discussion table requires special efforts. In most cases, the IPMG meetings lack meaningful policy discussions and strategic overview of the interventions. They mostly include a simple tour de table to present ongoing activities. Local actors should be more adequately represented.' (STAR2 Evaluation Report)

LAs' have sustainable development strategies in partnership with local and central allies (I-5.2.2)

No relevant information was found on this indicator.

LAs' increasing resilience and reducing inequalities (I-5.2.3)

No relevant information was found on this indicator.

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

No relevant information was found on this indicator.

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

No relevant information was found on this indicator.

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

No relevant information was found on this indicator.

LAs contribute to reconciliation and stability (I-6.1.4)

The rival pro-government and pro-opposition ALAs did on occasion co-operate under EU auspices, such as in the context of the CoR's Working Group for the Western Balkans.

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

Key points identified based on evidence collected:

- ‘Project activities were designed in a very effective way to respond to the main problems of LG: (STAR°2 Evaluation Report)
- The compliance with the Code of Administrative Procedures was addressed through a well-integrated and deliberately designed set of activities related to the development of SOP (situational analysis, development of Training Plan, delivery of training, facilitate SOP process, organizing workshops and trainings).
- The need to improve the management of assets and land was addressed through designing and implementing a series of activities which were primarily focused on training relevant employees and organizing workshops.
- Poor compliance with the requirements of the High State Control was addressed through conducting situational analysis, involving HSA experts, training related staff, and developing a guideline toolkit.’

Strengthening horizontal accountability (I-6.2.2)

‘Project activities were designed in a very effective way to respond to the main problems of LG: In response to the ethics-related problems and dilemma faced by municipal employees, the project has facilitated the development of **Codes of Conduct**, has provided relevant training to the local staff, and has also facilitated the Pilot Municipality Integrity Plans.’ (STAR°2 Evaluation Report)

Strengthening downward accountability (I-6.2.3)

Key points identified based on evidence collected:

- There is evidence that EU-supported action has contributed to strengthening downward accountability. STAR2 responded to local democracy challenges such transparency, accountability and citizen participation. STAR2 designed and implemented a series of well-integrated activities that were based on LGs’ own assessment regarding data availability, evidence-based policies and decision-making systems, availability of institutional instruments to ensure citizens’ participation, availability of accountability instruments, and systems to ensure equity and inclusion. Outputs of the project included designing a Model Transparency Program and Measurement System of Transparency and setting up an online platform for the publication of municipal councils’ decisions (Vendime.al) and is creating Standardized Municipal Websites.
- Project activities were designed in a very effective way to respond to the main problems of LG: In response to the problem of service delivery, the Project has designed and is currently implementing the OSS model. […] In response to the challenges of local democracy pertaining to transparency, accountability and citizen participation, STAR2 has designed and implemented a series of well-integrated activities based on the assessment of LGs on the availability of data, evidence-based policies and decision making systems, availability of institutional instruments to ensure citizen participation, availability of accountability instruments, and systems to ensure equity and inclusion. STAR2 has designed a Model Transparency Program and Measurement System of Transparency. It has set up an online platform for the publication of municipal councils’ decisions (Vendime.al) and is currently creating Standardized Municipal Websites’ (STAR°2 Evaluation Report)

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

Key points identified based on evidence collected (see also I-6.2.3 above):

- ‘All project interventions were based on thorough needs assessment processes conducted in all the targeted municipalities. The information gathered from the needs and situational assessment processes has informed the intervention, which has been well-aligned with the identified priorities and needs. The data gathered were disaggregated by gender and subpopulation groups.’ (STAR°2 Evaluation Report)

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Evidence of increased LAs capacity and resources to deliver services. (I-7.1.1)

Key points identified based on evidence collected:

- Government of Albania and LGU put continuous efforts to increase efficiency and transparency of public services delivery, in particular through e-services. (EAMR 2018)
- One of the main objectives of the STAR2 project is to increase local service delivery in terms of its efficiency, quality, coverage, accessibility and inclusiveness for citizens. According to the

ROM report from April 2018 (pg.4), the achievements of this outcome are already visible: capacities of staff members as regards services delivery have increased, a national benchmark system has been established in 61 LGUs, and the development of One Stop Shop (OSSH) model, which is a necessity for more efficient services, is in progress.

Capacity to operate and maintain facilities for service delivery improved. (I-7.1.2)

Key points identified based on evidence collected:

- Regarding strengthening Institutional and Administrative Capacities of LGUs: Component 2 of STAR2 project is 'Increased local service delivery, efficiency, quality, coverage, accessibility and inclusiveness for men and women.' The evaluation reports that of six main activities only one activity was completed at the time of the evaluation- five activities had a level of completion of ongoing activities that was less than 70% completed. (STAR°2 Evaluation Report)
- An important momentum has been achieved in establishing local structures, but their consolidation will likely need more time and efforts. Even though EU Desks have been established, and the evolution towards EU Units is ongoing, the results' consolidation will need more time and capacity development of the beneficiaries and further sensitisation of Mayors. The project can be seen as laying foundations for the desks to become operational, whereas working towards more sustainable results would require more time and resources through follow-up assistance. (Municipalities for Europe Consolidated ROM Report)
- 'The development of the OSS (one-stop-shop) model, as well as its roll out and scale-up is progressing. As of May 2019, its implementation stage is estimated at 65%. Out of 49 municipality planned, currently 13 municipalities are using OSS, 7 have received relevant training, and are ready to go live in May 2019. […] With regards to the OSS rollout plan: even though the preparatory work is completed, the lack of OSS infrastructure (computers, scanners, printers, network devices, as well as office premises and equipment) constrains the ability of the system to 'go live' in 28 municipalities. […] The second component seeks to increase local service delivery, efficiency, quality, coverage, accessibility and inclusiveness for men and women. Six main activities were envisaged for this component, but only one of them is fully completed: a unique system of LG physical archive was developed and adopted nation-wide. Other activities are still in the process of implementation, as shown below.' (STAR°2 Evaluation Report)

Table 3 Component 2 of STAR2 project

Component 2: Increased local service delivery, efficiency, quality, coverage, accessibility and inclusiveness for men and women	
2.1.1 Improve the way services are planned, organized, managed and delivered 2.1.2 Addressing challenges and capacity building for a full takeover of new delegated functions 2.1.3 Assist in reorganization of selected services in terms of efficiency and standards	
Planned	Achieved
Municipal coverage: 61 (training) 300 technical municipal staff trained on the way services are planned, organized and managed 300 staff trained on the new competences Up to 3 municipalities/municipal clusters be assisted in re-organization of 3 selected services Timeline: June 2017- January 2019	Inception report finalized Questionnaires to assess the situation and challenges LGUs with regard to service delivery are drafted 30% implementation Timeline: continue till Dec 2019
2.2.1 Establish a national benchmark system on LG administrative and public services	
Municipal coverage: 61 Timeline: July 2017 – July 2019	Inception report delivered 20% implementation Expected to get finalized in Aug 2019
2.3.1 Develop a one-stop-shop model and scale it up at national level	
Municipal Coverage: 49 Timeline: July 2017 – Sep 2019	System deployment for 49 Municipalities, mainly on central municipalities, not expanded in most of administrative units Training and configuration, system deployment and set up completed in 47 municipalities Roll out plan prepared 13 Municipalities are using OSS / 7 are ready to go live within May Timeline: December 2019
2.4.1 Develop a unique system of LG archiving and adopt it national wide	

Municipal coverage; 61 Municipalities 500 archives and protocol staff trained Timeline: July 2017 – Oct 2018	Municipal coverage: 61 Municipalities SMART objectives and job descriptions for archives and protocol staff in line with the existing legal requirements are drafted Documentation of standardized workflows Practitioner's training manual for archiving is developed, Best practices manual on LG archives Provision of professional boxes and files to 61 municipalities A total of 430 Local Archive Specialists out of 456 targeted were trained 343 local Archive Specialists received performance certification 59 municipalities concluded the archives inventory conform legal requirements Timeline: Aug 2017 – Dec 2018

Source: STAR2 Evaluation Report.

- 'With regards to the establishment of a national benchmark system on LG administrative and public services, the implementation status is only 20%. The delays in finalizing the related sub-activities are mainly due to the organization of several coordination meetings with INSTAT, as well as the relevant Swiss funded projects with focus on data and aiming, to avoid overlaps and create synergy for the benchmarking system. Moreover, the lack of data, issues with reliability, and standardization of data hindered the implementation of this activity. An ongoing limiting factor is the LGU's ability to demonstrate a vision and a structured demand for the type and use of local data; this weakness also exists at the line ministry level. The successful finalization of the benchmark system requires intense efforts and ongoing coordination.' (STAR°2 Evaluation Report)

Citizens and businesses higher quality of LA services / products (I-7.1.3)

No relevant information was found on this indicator.

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

Key points identified based on evidence collected:

- 'The third component seeks to enhance local democracy by fostering citizen-oriented governance and participatory decision making while leveraging the roles of women as agent of change. Out of seven activities planned, three are completed as shown below.' (STAR°2 Evaluation Report)

Table 4 Component 2 of STAR2 project

Component 3: Enhanced local democracy through fostering citizen-oriented governance and participatory decision-making, leveraging the roles of women as actors of change	
3.1.1 Conduct LG mapping	
Planned	Achieved
Municipal coverage: 61 Approximately12.500 citizens and local public officials involved Timeline: Nov 2016- May 2017 & end 2019	Municipality coverage: 61 municipalities Individual Reports for the 61 municipalities drafted Aggregate Report with Data from the 61 Municipalities An Online platform with the Data of LG Mapping for the 61 municipalities is developed and accessible (http://www.star2lgm.com/en/) 12 citizens and 400 municipality officials involved 1st round – June 2017
3.2.1 Build institutional capacity for public engagement and consultation, inclusive of vulnerable and marginalized groups	
Municipal coverage: 61 municipalities 30 training sessions organized 300 managers and coordinators on the right to information participate in the training Timeline: Sep 2017 – Oct 2018	Municipal coverage: 61 municipalities 28 training sessions organized 505 municipal officials have benefited from the training Timeline: ended in March 2019
3.2.3 Introduce practices to strengthen local officials' accountability – Promote programs of transparency	
Pilot Municipal Coverage: 5-6 municipalities Replicate in 50 Municipalities	Standard Model of Transparency Programme and Measurement System developed (became obligatory by the Commissioner on the Right to information 10th Sep 2018

Organize 13 workshops/training sessions Target participants: 275 Timeline: Oct 2017 – Nov 2018	13 workshops/training sessions organized 250 participants benefitted from the activities Timeline: December 2018
3.2.4 Support development and application of systems allowing publication of municipal acts and regulations	
Municipal coverage; 31 Municipalities Target group: 31 municipal councils Timeline: Aug 2017 – Mar 2019	Municipal coverage: 33 Municipalities Assessment on the extent to which municipalities publish MC decisions undertaken Municipal Council Decisions of 33 municipalities published online (vendime.al) Timeline: Dec 2017 – Mar 2019
3.2.6 Develop standard municipal websites, or improve them, and increase capacities of PR staff	
Target: 30-40 municipalities for web - design; 61 municipalities for template and training Timeline: Jun 2017-Aug 2018	Assessment process undertaken; 13 municipalities needed assistance Standard model of webpage developed and tested and accepted by 13 municipalities Capacity building program finalized Final report expected to be delivered Timeline: Aug 2018 – May 2019
3.2.7 Increase LG public ethics and integrity 3.2.8 Pilot municipal integrity plans	
Municipal coverage: 61 municipalities Target participants; 720 trainees Target Pilot 6 municipalities Timeline: Oct 2017- Mar 2019	Integrity assessment methodology drafted 50% implementation rate Timeline: Oct 2018 – Dec 2019

Source: STAR°2 Evaluation Report.

- 'The first round of LG Mapping was completed and presented on time and provided a foundation for the development of other STAR2 activities. The 2nd round of LG Mapping is planned to start around September 2019 to measure the impact of the project as well as to articulate the overall progress of local governance during the project lifetime. A significant output in terms of public engagement and consultation is the capacity building program which offered to LGUs a guiding operational toolkit and the measurement system on public engagement and consultation. This program was certified by ASPA and thus ensuring sustainability for future use. In terms of the Programs of Transparency at the municipal level, STAR2 has provided some essential tools, such as a Standard Model of Transparency Program and Measurement System, Awareness Raising Instrument, and an online help desk platform; all were supported with the capacity building program. However, municipalities are slow in adopting the order of the Commissioner on the new Transparency Program. In the remaining period, STAR2 is exploring ways to further promote the adoption of the new Transparency Program in cooperation with the Commissioner. This is an appropriate approach to ensure sustainability. The online publication of municipal council decisions (vendime.al) is successfully completed and the Project is now exploring ways on how to further increase the usage of the online platform. The development or improvement of standardized municipal websites is in progress and its successful implementation requires training for the relevant municipality staff. Bolstering LG public ethics and integrity and piloting municipal integrity plans are being implemented jointly, and focus is required for their completion. Challenges remain regarding the motivation and willingness of municipal senior leadership to adopt these plans. Gender equality has not been fully mainstreamed as envisioned in the project objectives and action plan. Although data are disaggregated by gender and equal gender participation in trainings has been taken in consideration, further efforts are needed for the empowerment of women at the local level.' (STAR°2 Evaluation Report)

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

No relevant information was found on this indicator.

7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage (I-7.3.1)

Key points identified based on evidence collected:

- The project Municipalities for Europe shows strong ownership by its stakeholders and the GoA was fully involved in project design. The project was initiated following the signature of the

Memorandum of Understanding (MoU) between the then Albanian Ministry of State for Local Issues, the Albanian Ministry of European Integration (currently Ministry of European Integration and Foreign Affairs - NIPAC) and the 61 municipalities represented by their Association. The MoU's purpose was to institutionalise collaboration on strengthening municipal EU related governance capacities and reach out to Albanian citizens and Albanian local administrations with information about the EU, its policies and programs. (Municipalities for Europe ROM Report)

- The ownership is strong overall. The partner government was fully involved in the project design. The project was initiated following the signature of the Memorandum of Understanding (MoU) between the then Albanian Ministry of State for Local Issues, the Albanian Ministry of European Integration (currently Ministry of European Integration and Foreign Affairs - NIPAC) and the 61 municipalities represented by their Association. The purpose of the MoU was collaboration on strengthening the municipal EU related governance capacities and reach out to Albanian citizens and Albanian local administrations with information about the EU, its policies and programs. (Municipalities for Europe ROM Report)
- The ownership of the municipalities is strong across the board, but in line with the limitations set by their overall human, management and financial resources. The project had co-certified all trainings with the Albanian School of Public Administration (ASPA) and ASPA willingness to support and sustain the project results is strong, but, in this case too, affected by their human resources and budgetary limitations. (Municipalities for Europe ROM Report)
- The project was ambitiously planned in terms of both budget and time allocation. The incidentals budget is quite modest given the fact that the project is covering 61 municipalities across Albania, and the fact that the capacity building requires continuity over a longer period of time to bring sustainable results. The project relies on synergies with other initiatives, such as with the pilot TAIEX Strategic support to local authorities launched in January 2018. TAIEX workshops for the benefit of Albanian municipalities have been organised on two occasions so far, bringing in the recent pre-accession experience. Particular complementarity and synergy exist between the project and the Europe House project. The project uses brochures and leaflets form the Europe House to fill in the contents of the EU desks. This is important in view of the fact that the EU Information Points in Vlora and Shkodra have been abolished leaving only Tirana with EU Info Centre i.e. Europe House. (Municipalities for Europe ROM Report)
- Evidence of solid ownership by beneficiaries: GoA, LGUs, deputy MoI: 'The ownership among the beneficiary structures can be generally assessed as good. The Government of Albania (GoA) strongly supports the project implementation. It provides critical political support. The involved LGU's are committed to cooperate with the project team. The Deputy MoI as the main institutional stakeholder for LG reform has shown strong ownership over the implementation of the project and is involved in the majority of activities and work components.' (STAR2 ROM Report 2018)
- The Government of Albania strongly supports the implementation of the STAR2 project. The Deputy Minister of Interior, as main institutional stakeholder for LG reform, has shown strong ownership over the implementation of the project and is involved in the majority of activities and work components. (STAR2 ROM Report 2018). However, it is recognized that in order to ensure a consistent policy-making system, the government needs to step up efforts to upgrade administrative capacity in strategic policy making and policy monitoring. (STAR2 Progress report 2019)

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions. (I-7.3.2)

Key points identified based on evidence collected:

- Evidence on LGUs having adequate capacity and resources to implement EU interventions is mixed. The STAR2 evaluation found that municipalities showed diversity in terms of scales of readiness to implement EU interventions (e.g. human and material resources, absorption capacities, political will and commitment to collaborate, respond and succeed). The Project has continued to work with such diversity and make efforts to nurture specific partnerships and dialogue with individual municipalities. (STAR2 Evaluation Report)
- Challenges at municipal level: institutional, infrastructural and human: 'The full collaboration of municipalities is a key precondition for the successful implementation of project activities. However, municipalities have different scales of readiness in terms of human and material resources, in their absorption capacities and the political will and commitment to collaborate, respond and succeed. The Project had to and still has to deal with such diversity and is

constantly making efforts to nurture specific partnerships and dialogue with each of the municipalities at scope.' (STAR2 Evaluation Report)

- Insufficient quality and reliable data: 'At the time of project design, inception, and initial implementation phases, there was no consolidated system for local data collection. Issues related to the lack of local data, quality difference, accuracy and standards were identified from municipality to municipality. Limited technical capacities to collect, process and utilize data were found at municipal level.' (STAR2 Evaluation Report)
- Coordination of multiple activities in a relatively limited timeframe: 'Interviewees stated that it was very challenging to manage the coordination of multiple training events that were designed and implemented by different project components. Also, the pace of program implementation was very fast, which put a lot of pressure on municipalities, particularly considering the presence of other interventions in the same area.' (STAR2 Evaluation Report)
- Political context: 'The Project has not really suffered any major impact from elections along its life cycle until 2019, where the situation of local elections is so unprecedented and municipal leadership and local administrations are increasingly getting confused with the political direction and decision to go forward. The situation during the writing of this evaluation report was not clear and not giving any hint on how the situation would have been managed as the election date of 30 June is approaching.' (STAR2 Evaluation Report)

EU interventions integrate other sustainability factors (e.g. existence of exit strategies) (I-7.3.3)

Key points identified based on evidence collected:

- EU interventions programming and implementation integrated sustainability factors: the evaluation of the STAR2 project found that the project used relevant methods (such as on the job training, peer to peer exchange, identification, sharing and replication of best practices, piloting and reorganizing of services, setting standards and systems) and undertook relevant activities to address the needs of local governments and to sustain results. Needs were identified through contextual and needs assessment processes, as well as consulting the project stakeholders, partners and beneficiaries. (STAR2 Evaluation Report)
- 'STAR2 used relevant methods (on the job training, peer to peer exchange, identification, sharing and replication of best practices, piloting and reorganizing of services, setting standards and systems) and activities to address the needs and sustain results, that were identified through contextual and needs assessment processes and a series of consultations with the project stakeholders, partners and beneficiaries' (STAR2 Evaluation Report)

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation. (I-7.3.4)

As noted in STAR2 ROM report, the project's approach strongly supports the sustainability of results and services. It is recognized that ownership by beneficiaries and project partners is promising, and that sustainability will, beside others, be ensured by Albanian budget allocations for PAR. In order to ensure sustainability, the Council of Ministers adopted the Cross-cutting Public Administration Reform Strategy and its Action Plan 2015-2020, with detailed estimation of the potential costs and determination of sources of financing.

Annex 2 - List of persons consulted

Name	*Organisation*	*Position*
FUSCO, Orlando	EEAS Tirana	Programme manager

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2014): Commission Implementing Decision
- European Commission (2015): Commission Implementing Decision
- European Commission (2016): Commission Implementing Decision
- European Commission (2011): Multi-annual Indicative Planning Document 2011-2013 for Albania
- European Commission (2014): Indicative Strategy Paper for Albania (2014-2020)
- EU Committee of the Regions: Opinion: Enlargement Strategy and Main Challenges 2013-2014

- EU Committee of the Regions: Opinion: Enlargement Strategy and Main Challenges 2014-2015
- EU Committee of the Regions: Opinion: Enlargement Strategy and Main Challenges 2015-2016
- EU Committee of the Regions: Opinion: Enlargement Strategy and Main Challenges 2016-2017
- EU Committee of the Regions: Opinion: Enlargement Package 2018
- EU Committee of the Regions: Opinion: Enlargement Package 2019

2 EU reporting

- European Commission (2011): Albania Progress Report
- European Commission (2012): Albania Progress Report
- European Commission (2013): Albania Progress Report
- European Commission (2014): Albania Progress Report
- European Commission (2015): Albania Progress Report
- European Commission (2016): Albania Progress Report
- European Commission (2018): Albania Progress Report
- European Commission (2019): Albania Progress Report
- EUD Albania (2011): External Assistance Management Report
- EUD Albania (2012): External Assistance Management Report
- EUD Albania (2013): External Assistance Management Report
- EUD Albania (2014): External Assistance Management Report
- EUD Albania (2015): External Assistance Management Report
- EUD Albania (2016): External Assistance Management Report
- EUD Albania (2017): External Assistance Management Report
- EUD Albania (2018): External Assistance Management Report

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the interventions featured in

Furthermore, EU has supported LAs' local infrastructure and related service delivery through several interventions, for instance through improving cross-border infrastructure through the 'CBC Albania – Greece' project (C-2015/356-411) or through 'Technical assistance for Integrated Solid Waste Management Systems for selected Municipalities of Albania' (C-2017/383743).

Table 1 of section 0.

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note - Ukraine

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List of acronyms and abbreviations

AHs	Amalgamated *hromadas*
ALA	Associations of Local Authorities
ASC	Administrative Service Centres
ATC	Amalgamated Territorial Communities
AUC	Association of Ukrainian Cities
CBA	Community Based Approach to Local Development (project implemented by UNDP)
CoR	European Committee of the Regions
CRO	Central Reform Office
CSO	Civil Society Organization
DESPRO	Decentralization Support Project
DOBRE	Decentralization Offering Better Results and Efficiency
EAMR	External Assistance Management Report
EEAS	European External Action Service
ENI	European Neighbourhood Instrument
ENPI	European Neighbourhood and Partnership Instrument
EQ	Evaluation Question
EU	European Union
EUD	EU Delegation
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HQ	Headquarters
JC	Judgement Criterion
LA	Local Authority
LED	Local economic development
LGDC	Local Government Development Centre
MS	Member State
NGO	Non-Governmental Organization
PAR	Public Administration Reform
PFM	Public Financial Management
PPP	Public-Private Partnership
RACI	Responsible, Accountable, Consulted and Informed
ROM	Results Oriented Monitoring
SBS	Sector Budget Support
SDG	Sustainable Development Goals
SFRD	State Fund for Regional Development
SGUA	Support Group for Ukraine
SIDA	Swedish International Development Cooperation Agency
SRC	Statistical Requirements Compendium
SSRD	State Strategy of Regional Development
TA	Technical Assistance
TSP	Thematic Support Packages
UAH	Ukrainian Hryvnia
UAVSC	Ukrainian Association of Village and Settlement Councils
U-LEAD	Ukraine Local Empowerment, Accountability and Development Programme
UNDP	United Nations Development Programme
VASSR	All-Ukrainian Association of Village and Settlement Councils

Introduction

Country context

Ukraine has undergone dramatic changes during the evaluation period. Prior to the 2014 'Euromaidan revolution of dignity', Ukraine was a highly centralized state, with weak capacities at local level and high inter-regional inequality in terms of income and access to social services.[1] This was seen as a fundamental obstacle to the creation of a sustainable, functional and legitimate state. Top down, centralised multi-level governance structures that remained rooted in pre-independence practices were among the key challenges facing the country.[2]

The context for local authorities changed with the reforms inaugurated by the 2014 revolution. In 2014–15, reformers launched several simultaneous changes aimed at improving multi-level governance, promoting subnational democracy and fostering local economic development. Especially important in this context was the landmark the Cabinet of Ministers' Resolution #333 of April 1, 2014, 'Concept on Local Self-Government and Territorial Organisation of Power in Ukraine' (page 11). Their ambitious and comprehensive decentralization plan aimed to empower local self-governments, as well as to redraw the country's administrative-territorial map to improve the state's capacity to deliver public services.[3]

Governments at the subnational level in Ukraine comprises elements of state administration in the form of region (oblast) and district (rayon) heads who are appointed by the central authorities, as well as elements of self-government, represented by councils at the regional, district, and municipal level and elected municipality heads. In this 'dual model of authority', state administration has traditionally been much more powerful than self-governments. At the municipal level, executive heads are directly elected along with legislative councils, but appointed governors and district heads in practice wield great influence over the affairs of the municipalities.[4]

A key element of the decentralisation reform concerns the merger of the lowest level of local authorities (*hromada*) into so-called amalgamated territorial communities (ATCs), coupled with a devolution of powers and resources from districts to the newly formed ATCs. The creation of larger municipalities is intended to remedy two obstacles of local self-government in Ukraine. The first of these is the inability of most municipalities to generate substantial revenues. Before the decentralization reform, the lion's share of municipal budgets generally consisted of transfers from higher-level state administrations. Local authorities moreover largely lacked the power to decide on how funds were disbursed inside their districts. The dearth of self-generated resources and limited financial autonomy are arguable core drivers for the low quality of service delivery in the municipalities. The second obstacle to effective self-government that the creation of larger municipalities addresses is the shortage of qualified professional staff in the executive committees of the municipalities. Many rural communities in Ukraine are confronted with depopulation, with young people in particular moving away. Many of the over ten thousand rural municipalities, half of which had fewer than 1,000 residents, that existed before the start of the reform had a shortage of qualified professional staff.[5]

Ukraine is a priority partner for the EU and the signing of an Association Agreement, including a deep and comprehensive free trade area between the EU and Ukraine in 2014 cemented this partnership. The Association Agreement promotes deeper political ties, stronger economic links and the respect for common values. The signing also has a strong signalling effect of Ukraine's ambitions to follow a European path of approximation to the standards, practices and values of the EU.

Overview of the EU support to LA

EU support to LA has also faced substantial changes following the 2014 revolution. Prior to that, focus was on smaller engagements with local authorities, but with limited systemic ambitions. Thus the 2007 to 2013 country strategy paper mentioned that local governments were a part of the priority area under democratic development and good governance. Most projects in this space were implemented by civil society organisations (CSOs) and international organisations (e.g. UNDP), with only one major exception; the support to regional policy.

However, with the 2014 revolution the context changed dramatically and to respond appropriately and without delay, the EU adopted a 'special measure' in 2014 that outlined the short and medium term

[1] OECD (2013): Territorial Reviews: Ukraine.
[2] OECD (2018): Maintaining the momentum of decentralisation in Ukraine.
[3] The most important among these reforms was arguably the Concept Framework of Reform of Local Self-Government and the Territorial Organisation of Power in Ukraine, adopted in 2014.
[4] Bader, 'Decentralisation and the risk of elite capture in Ukraine' in Umland (edt.): Ukraine's Decentralization: Challenges and Implications of the Local Governance Reform, 2018.
[5] Ibid.

measures to help stabilise the economic and financial situation in Ukraine, assist with the transition and encourage political and economic reforms, with participation of the civil society.[6] The annual special measure was in lieu of multi-annual programming exercises and continued until 2018, when the EU made a single support framework for 2018 to 2020. More substantially, the emphasis also changed with more engagements focussed on fundamental reforms to intergovernmental relations with a view of empowering LAs. Moreover, funding also increased, with some major programmes such as U-LEAD and complementary support to e.g. PFM reforms and public administrative restructuring.

Table 1 Overview of EU-financed interventions to support local authorities in Ukraine selected for the case study

D or C year	Title	Budget (mEUR)[7]	Typology	Implementing partner
2015 2017	Budget support to Ukraine's Regional Policy - Sector Policy Support Programme, (both budget support and TA)	53.1	A.1 National LA-specific frameworks A.2 LAs' political, financial and administrative capacities	Central government, Private company
2016	Ukraine Local Empowerment, Accountability and Development Programme (U-LEAD)	93.3	A.2 (LAs' political financial and administrative capacities), but clearly also with elements of A1, A3 and A4.	EU development agencies (GIZ, SIDA)
2017	Thermo-modernization of the Palace of Culture and the Sports complex buildings with the use of renewable sources - Kyiv region, Ukraine	0.8	A.3 Local infrastructure and related service delivery	Local authority
2017	Slavutych is a growth driver of open and free economy of the region'	0.6	A.3 Local infrastructure and related service delivery	Local authority
2014	Community Based Approach to Local Development in Ukraine, Phase III	22.6	A.4 Local (economic) development	International organisation
2017	Different Communities – Joint Decisions for Economic Growth, Chernivtsi Oblast	0.5	A.4 Local (economic) development	Local authority
2017	Youth-driven Organic Business Cluster in Baranivka amalgamated community	0.7	A.4 Local (economic) development	Local authority
2017	M4EG – Cowboyky	0.9	A.4 Local (economic) development	Local authority
2016	CSO-LA - A Partnership for All: Developing Strategies for Socio-Economic Cooperation Between Roma Communities and Local Authorities in Ukraine	0.4	A.4 Local (economic) development	CSO

[6] EU (2014): Commission Implementing Decision of 29.4.2014 on a Special measure 2014 in favour of Ukraine to be financed from the general budget of the European Union, Brussels.
[7] Planned EU contribution.

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

Since 2014 EU has been able to substantially encourage and support the central government in dialoguing with LAs and ALAs. Thus EU's leverage vis-a-vis the government of Ukraine increased after the 2014 revolution, as the country started on a journey towards closer ties with EU and also signed the Association Agreement that further committed Ukraine to pursue reform that would closer align its legal, regulatory and financial frameworks to those of EU. In general, EU has used the policy frameworks and instruments strategically in its engagements with LAs. The approach prior to 2014 was one of utilizing mostly localised engagement and using international organisations that prepared LAs primarily for better service delivery and responsiveness to local constituencies. However, this also allowed them for better engagement with central authorities once the space for that opened around 2014. In the post-2014 context EU could more easily roll out a more comprehensive package of support measures that could translate the EU policies on decentralisation, LA empowerment and increased localised accountability into practices. U-LEAD is clearly the most evident example of this materialising.

Thus, EU has clearly been able to translate its policy frameworks on LAs into relevant and context sensitive strategies. It is also clear, and perhaps self-evident, that the scope for engaging substantially and meaningfully, especially with the central government, is to a large extent determined by the (central) government's willingness and commitment to decentralisation and meaningful empowerment of LAs. While the EU has made good use of the policy framework, concerns have been raised during interviews concerning the agility and speed by these policy frameworks allow EU to engage with LAs, which may be compensated by other development partners' more nibble (and typically smaller) projects.

1.1.2 Involvement of LA/ALAs (JC1.2)

LAs and ALAs have become successively more involved in both EU design and in the general policy conversation over the evaluation period. In the pre-2014, the involvement of LAs was more ad-hoc, responding to local opportunities as and when they appeared. The direct involvement in overall strategy drafting has been limited, but there is evidence that it is more substantial at concrete engagement level, such as U-LEAD and (less so) in the regional policy support. At local level there have been CfP type of programmes where the LAs defined the locally specific issues to be addressed, but this did not have country wide significance (I-1.2.1). The scope for systemic involvement of LAs and their representative ALAs in *policy and political dialogue* increased substantially after 2013 and there are several indications of three ALAs with 'all-Ukrainian status' are becoming a key part in establishing and maintaining fora for policy dialogue on topics such as decentralisation, intergovernmental fiscal relations, local democracy, service delivery and local development, again with U-LEAD being a main driver (I-1.2.2). However, the political dialogue around major sector policy reforms is less institutionalised and supported by the EU, but efforts are under way to partly address this. Legally, central authorities are obliged to engage LAs and their associations in law-making and budgetary issues that affects LAs. Thus, the more powerful ALAs are being consulted on all major legislative changes (I-1.2.3).

Overall, LAs and their representatives have arguably been increasingly engaged in policy dialogue as the space for broadening out such conversation opened up dramatically from 2014 onwards. EU has supported such inclusion. In 2015, the European Committee of the Regions (CoR) set up a Ukraine Task Force to intensify bilateral relations, support decentralisation reform and provide both political and technical support aiming to help Ukrainian partners achieve good governance at all levels. However, there is still room for more policy dialogue and coordination between LAs and central, especially at sectoral level (e.g. education and health).

1.1.3 Adjustments to context change (JC1.3)

The framework conditions for LAs in Ukraine has changed considerably. The 2014 revolution marked a drastic change in both the political, economic and security context, with substantial decentralisation reforms being promoted, more economic resources directed towards LAs and some LAs facing increased security threats and rising humanitarian crises. The EU response has been timely, in large part due to the flexibility that the 'special measures' for Ukraine allowed for. The first special measure was adopted in early 2014 and was followed-up in 2015, 2016 and 2017, after which ENI bilateral assistance became channelled through the conventional single support frameworks.

The Ukrainian experience suggest that EU initially took a more restrictive and bottom-up approach that strengthened demand side aspects of LA reform process and also had reasonable understanding of the

specific dynamics between the centre and lower levels of government, with the central level engagements having a realistic level of ambitions. This indicate that the EU had (and has) adequate knowledge of the opportunities and restraints between central and local authorities (I-1.3.1). The EU frameworks and incentives have in the evaluation period allowed for engagement with LAs directly, both in nation-wide engagement (such as CBA prior to 2014) and more localised engagements such as those under the M4EG and other regional programmes, but there are arguably still strong incentives to focus on central levels and the monitoring of LA engagement is weak (I-1.3.2).

A window of opportunity was opened by the revolution of dignity that allowed for significant changes to the state configuration, including that of fundamentally reform the relations between central and local authorities. The EU has seized this opportunity and assisted both at central level with policy issues as well as empowering local authorities, primarily through the U-LEAD programme (I-1.3.3). Through cooperation with the CoR, a match-making exercise was organised in 2018 and five EU-Ukrainian local peer-to-peer initiatives were established within the framework of U-LEAD.

Consequently, the EU has demonstrated its ability to reorient and respond to changes and opportunities, arguably also helped by the significant political and geo-strategic importance attached to Ukraine, which made such agility a necessity for EU to remain relevant. The experiences from pre-2014 engagements with LAs also underpinned the formulation of new engagements that leveraged the opportunities created by the macro-political changes.

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

1.2.1 Appropriate EU engagement with LAs (JC2.1)

The financing instruments and aid modalities have allowed both to engage increasingly directly with LAs, but also to improve centrally dictated framework conditions shaping the fiscal and political environment for LAs. The financing instruments have allowed for support directly to LAs both in terms of country specific ENI support but also thematic support, with latter at times incurring some transaction costs for the EU (I-2.1.1). Budget support with explicit objectives relating to LAs fiscal autonomy has been successfully combined with technical assistance (TA) which proved a highly synergistic packages that both incentivised and supported the government financially and on the subject matter of designing and implementing reforms. The regional programmes complemented bilateral ones with a clear thematic focus and expertise (I-2.1.2). EU has also helped LAs leverage funds from IFIs, although the additionality is difficult to quantify (I-2.1.3).

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Overall, the allocation of human resources to manage the Ukraine portfolio has increased substantially since the 2014 events. However, the portfolio has also increased substantially in size, notably regarding the engagements relating to LAs. Current indications are that staff level are commensurate with the tasks and that both EU Delegation (EUD) and HQ have adequate knowledge to engage meaningfully with the relevant subjects (I-2.2.1). Some trainings and workshops on LA related issues have also been offered to part of the EUD staff (I-2.2.2).

EU in general and the EUD in particular have also draw extensively on the expertise of outside sources, not least ALAs, which in turn has shaped the design and implementation of the flagship programme U-LEAD. This has both made for better contextualised design as well as increased local ownership and engagement. The project specific engagements have also been drawing on local expertise and knowledge (I-2.2.3).

1.2.3 Measured performance informing planning (JC2.3)

The larger, more systemic engagements have detailed results and monitoring frameworks that aim to capture a wide range of outputs, outcomes and (partially at least) impacts. Smaller projects have more simple monitoring systems and tend to focus on easily quantifiable inputs and activities (I-2.3.1). However, monitoring and evaluation is only useful if it feeds into and improves policy-making and project design; and there are clear examples of monitoring being institutionalised in policy settings. Evaluations and ROM reports seem particularly useful for drawing lessons for new phases of the major programmes. However, EUD reports some challenges for smaller projects where M&E information is more rudimentary and less actionable (I-2.3.2).

1.3 Coordination and complementarity (EQ 3)

1.3.1 3Cs of EU support with other donors (JC3.1)

EU has been at the forefront of coordination activities most strongly expressed in the U-LEAD programme and by being a key supporter of the donor board on decentralisation where all development partners

supporting decentralisation coordinate their engagement and undertake joint analysis, which has improved coherence and boosted aid effectiveness. Not least the so-call RACI process (responsible, accountable, consulted and informed) has instituted common approaches to systematically coordinate monthly activity planning of the regional offices, whereby both MinRegion and U-LEAD would communicate their respective priorities. U-LEAD has also support better coordination between LAs, MinRegion and sector ministries (I-3.1.1). Joint programming is also being explored for future engagements and U-LEAD has served as an example in that context (I-3.1.2). U-LEAD is also the most evident example of division of labour among Member States, but EU also supports other initiatives that improves and clarifies domestic division of labour (I-3.1.3). Finally, EU has also attempted to seek synergies in new areas, such as municipal finance by leveraging the expertise and funding from development finance institutions (I-3.1.4).

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

EU in Ukraine has entered into partnerships that had some strategic elements to them and has also engaged ALAs with a more strategic perspective. The donor board is one forum where more strategic partnerships can be initiated and also include ALAs. However, most ALAs are still rather weak analytically and suffer from fragmentation, limiting the ability to forge long-lasting strategic partnerships.

2 Effects of EU support to LAs

1.4 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

1.4.1 Roles and mandates of LAs (JC4.1)

The EU has attempted to both promote and nurture the mandates and roles of LAs, most successfully in the post-2014, when the context was more conducive. Efforts have been concentrated in the specific programmes and reforms dealing with LAs, most notably U-LEAD and the regional policy support programme, the latter also including budget support with tranche release indicators linked to better fiscal autonomy of LAs. In the pre-2014 period EU worked mostly in a bottom-up fashion to create demand for a better role for LAs and for respecting their mandates. This work has subsequently also informed later reforms. Especially AUC has become a more effective actor in the public policy space (I-4.1.1).

Beyond the engagements directly targeted toward LAs, there is somewhat limited efforts to mainstream their participation in design and implementation of EU engagements. This pertains to the large-scale budget support reform programmes, both in terms of core governance and administrative capacity (e.g. macro-financial assistance, PFM and PAR) but also sector-level reforms within environment and energy. In all these areas, LAs play a key role and are affected by (and often supposed to implement) the policies and practices promoted. Thus, in this secondary support areas, limited efforts have been invested in including LAs, but there are ambitions to rectify this (I-4.1.2).

1.4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

The EU has made a very substantial effort in order to improve LAs political institutional and financial standing. Significant gains have been made in e.g. increasing both the overall funding envelope as well as broadening the autonomy and fiscal responsibilities of LAs, with better localised delivery by LAs incentivising tax compliance and promoting an accountability compact between citizen and LAs (I-4.2.1). The EU has used both budget support and project approaches in delivering on this important funding objective, but also backed this up by comprehensive reforms and capacity development of the LAs in order for them to be able to deliver on their new institutional role and mandate as well as improving the ability to provide effective services delivery and hence more value for the additional money that are being allocated.

U-LEAD, while being clearly a government driven programme, has opened up entry points for the EU to develop more direct relations with LAs and their associations and this offered opportunities to further bolster their legitimacy. Especially the amalgamed *hromadas* have become important actors and the improved institutional framework governing intergovernmental relations which has also reduced arbitrariness and in the way they are treated by central government. (I-4.2.2). As a consequence, the EU is taking LAs more seriously as partners and development actors that can promote the core shared values of transparency, democratic accountability and inclusive service delivery. (I-4.2.3)

Two outcomes are emerging. Firstly, amalgamated *hromadas* have higher voluntary tax compliance as the social compact between taxpayers and tax collectors/spenders (LAs) has strengthened as taxpayers can more directly observe the use of their payments, whereas LAs have a stronger incentive to proper collection and use. This is clearly a virtuous circle with both citizens and businesses applying peer (and moral)

pressure on each other.[8] A second related effect is that businesses tend to grow faster in amalgamated *hromadas* partly due to the better services they receive (e.g. infrastructure, faster and more transparent processing of requests and licences) which obviously also grow the tax base further underpinning the above virtuous circle.[9]

1.4.3 LA's knowledge about EU (JC4.3)

EU's engagement in decentralisation and wider intergovernmental reforms has accelerated and LAs and their citizen are increasingly aware of its support, not least the U-LEAD programme. However, while knowledge of the funding availability is clearly there, the degree to which LAs and ALAs are aware of the underlying values and policies of EU is probably varying (I-4.3.1). Concerted efforts have been made to engage LAs under the U-LEAD programme and this has reached virtually all LAs, making U-LEAD one of the most well-known EU support engagements in Ukraine (I-4.3.2).

1.5 LAs' empowerment and capacities (EQ 5)

1.5.1 EU support to national framework conditions for LAs (JC5.1)

The EU has made significant contributions to the improvement of framework conditions facing LAs. The engagements have been relevant and proportional to the opportunities available to the EU. Thus, prior to 2014, EU engaged in more modest reforms of the framework conditions ensuring both increased funding envelope and more autonomy over the funding. In the post 2014 period, the scope for reforms expanded and EU responded by extensive support to the most comprehensive programme of decentralisation and reform of intergovernmental relation ever seen in Ukraine's post-independence history. While the results and outcomes are still to fully materialise, there is no doubt that the framework conditions, both economically and politically have improved, also with the assistance of CoE. Moreover, major reform initiatives with PFM, PAR and anti-corruption have also contributed to improving the framework conditions although the full effects are still to materialise and concerns have been raised about the lack of LAs' (and ALAs') involvement in the design and implementation of these (I-5.1.1).

While framework conditions have improved, EU has also worked with LAs to make them better able to take advantage of the new more enabling context. This has taken the form of capacity development to LAs (e.g. through U-LEAD and prior to that CBA) both in terms of supporting domestic structures that will have permanency but also directly in its more bilateral engagement. Nevertheless, funding for LAs has improved considerably as has the predictability, strongly supported by the U-LEAD. The local peer-to-peer initiatives, implemented in cooperation with the CoR in 2018, were bilateral projects between the EU and Ukrainian local authorities, through which Estonian, German, Hungarian, Lithuanian and Polish communities shared their experience in areas identified as priorities by their Ukrainian partners – drawing up economic-development plans, supporting rural areas, helping small and medium-sized enterprises, boosting tourism, increasing transparency.[10]

The bilateral LA engagements under e.g. M4EG have also made attempts to increase the revenue based, allowing LAs to have a more adequate funding base. The main theory of change has been that increased business activity, catalysed by local economic development (LED), would lead to higher incomes, more jobs and increased formalisation of businesses, that in turn would increase the income from taxes. However, the evidence on the degree to which this is actually happening is still weak (I-5.1.2).

1.5.2 LAs' strengthened institutional capacities (JC5.2)

EU has worked to strengthen LAs' institutional capacity throughout the evaluation period. There have been two kinds of support in this space: first, and especially relating to U-LEAD, has been efforts to systemically and targeting core aspects of LAs capacities. Especially amalgamated *hromadas* (AHs) have benefitted from this and U-LEAD has helped establish a cadre of support experts in various thematic areas that can help develop needed capacities in e.g. local PFM, change management, local leadership and human resource development. However, developing appropriate capacities is a long-term endeavour and while training has been a key priority, it is only one among many ingredients EU is trying to address the most important ones, including the incentive framework facing LAs, but clearly getting all these elements in place is a long-term undertaking. Thus, it is not surprising that while overall progress has been reasonable, there are also setbacks and delays.

[8] Hamaniuk, Herrmann, Palchuk (2020): 'Local versus global tax compliance? Or Go local, get tax compliance?' Kyiv School of Economics. Draft version.
[9] Harus (2020): In unity there is strength: The effects of decentralisation reform on local budgets in Ukraine, MA Tehsis.
[10] U-LEAD staff indicated that this helped forged a more European identity among Ukrainian participations. Interviews with GiZ and Sida, June 2020.

As concerns direct support to individual LAs capacities these have typically been single purpose focussed, with LED engagements aimed to improve business support capacities of LAs and energy efficiency engagements boosting capacities for infrastructure and equipment management. Other partners see such engagement as a 'stamp' of improved capacity and view those LAs participating in the CoM more favourable when considering investments (I-5.2.1).

1.5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

Despite a generally adverse environment before 2014, EU did have entry points into more policy level conversations on the status, mandate and configuration of LAs in the wider society, most notably the support to regional policy development. This allowed for engagement in reshaping the framework conditions fundamentally and EU proved agile in seizing the opportunities for catalysing these changes, simultaneously providing support to both central and local levels (I-5.2.1). The EU has also empowered LAs to do more comprehensive and sustainable strategic planning that encompasses both private sector actors, inter-municipal cooperation (p2p) and more robust linkages to central authorities. Initially, work started mainly in a bottom-up fashion, but over time the approach has become more comprehensive and ambitious, with more partnerships and so far, promising results, with LAs being more involved in wider strategic planning (I-5.2.2). However, a key ambition throughout the evaluation period has been to reduce inequities between regions and LAs, but while LAs have generally prospered (apart from the conflict areas in the east) inter-regional disparities seems to persist. On the other hand, most LAs have seen their economic and political resilience increase while there is also some evidence of increased climatic resilience at LA level (I-5.2.3).

EU has thus supported the agency of LAs and also assisted in shaping a more empowering legal and economic framework that allows LAs to better plan, execute and sustain local development initiatives, using more comprehensive approaches that encompasses a multiplicity of stakeholders. Especially the U-LEAD programme has pioneered these approaches which has many resemblances to EU territorial approach to local development (TALD), but there is still an unfinished and highly complex agenda of reducing inequality among LAs. Nevertheless, their resilience has generally been increased also in conflict-affected areas.

1.6 Accountability, participation and local democracy (EQ 6)

1.6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Two types of support have been made. Firstly, project-focused support, such as those interventions aimed at promoting local development in a specific sector (e.g. tourism) has generally been opening up space for the private sector to voice its concerns and opinions, but narrowly confined to the project specific topics. Nevertheless, these projects seem to have strengthened the interface between local businesses and authorities (I-6.1.1 and I-6.1.3). More systemic and institutionalised mechanisms have been promoted through especially U-LEAD, which has organised regular consultations with CSOs and private sector representatives, as well as learning course aimed at promoting engagement, transparency and collaborate governance at LA level. Public private partnerships have also been systematically promoted but these is still only starting to emerge (in e.g. waste management). The Administrative Service Centres (ASCs) is also seen as a key institutional innovation that can drive improved transparency and governance, especially because it is linked with e-governance initiatives (I-6.1.2).

In the wider perspective, the decentralisation efforts supported by EU can (and clearly has the ambition to) improve stability and reconciliation, by making LAs more responsive and accountable, strengthening wider state legitimacy and cohesion, which is much needed (I-6.1.4). However, while indications are positive, there is still inconclusive evidence on this aspect.

1.6.2 Accountability of LAs (JC6.2)

Various measures have been supported to improve accountability of LAs. U-LEAD itself provides rather strong monitoring support of the roll out, but for the longer term a new function of 'prefects' is supposed to provide more permanent upward accountability (I-6.2.1). However, this will require politically complex legal changes that are still to be implemented and so far AUC (supported by EU) has played a constructive role in defending the rights of LAs in a process that also offers opportunities for recentralisation. As regards LA-internal accountability strengthening (I-6.2.2) considerable focus has been on strengthening procedures, practices and internal controls that allow for more transparent and fair management of LAs. Similarly, the increased power to tax and retain taxes from local citizen is also expected to drive increase bottom up pressures for more accountable LAs. Moreover, work has also been done in this context by strengthening communities at the lowest level but often centred around accountability related to specific projects / funding streams. Some project (e.g. on Roma rights) have also improved accountability towards specific sections of the local community and with decentralisation, LAs have been better able to respond to such pressures and address their demands (I-6.2.3).

The verdict is arguably still out on the degree to which the reforms have permanently created a more democratic and accountable culture, as this is a long-term endeavour with many technical, capacity, legal and political challenges that remains to be overcome. However, there are promising signs that a fundamental change of norms and incentives are taking place, which may permanently change the configuration and relations between LAs and their citizen for the better.

1.7 Service delivery and response to local challenges (EQ 7)

1.7.1 LAs delivering quality public services (JC7.1)

Capacity development of the supported LAs has featured prominently in most interventions and both nation-wide initiatives and more localised ones have made significant progress. Considerable training, peer learning, guidelines and at the same time the resource envelope for LAs has also increased as transferred from central government have been boosted whereas income from own local level taxation has also increased. This has clearly provided conducive conditions for delivering better services and products to their citizen revolutionising the interface between citizens, businesses and LAs (I-7.1.1).

This has also increased LAs ability to operate and maintain crucial infrastructure and facilities that is instrumental in producing and providing the services and products, right from schools, roads and energy and the ongoing decentralisation and amalgamation is also increasing sustainability prospects. (I-7.1.2). Available evidence on how the ultimate beneficiaries (i.e. local citizen and businesses, I-7.1.3) perceive the quality changes is overwhelmingly positive, corroborated during the field phase and academic literature.

1.7.2 LAs better respond to local challenges (JC7.2)

The EU has empowered LAs to respond better to local challenges, most notably after 2014 with U-LEAD again spearheading efforts. On the input side, substantial capacity development has been a key feature in most project and programmes, most comprehensively in the case of U-LEAD. Moreover, additional funding has also been provided consistently, and in the case of U-LEAD also beyond project specific funding streams (I-7.2.1). These resources and capacities have been put to use in diverse context such as tourism development, energy optimisation, agricultural production and improving security in conflict affected areas.

Perhaps the best indicator of improved ability to respond to relevant local challenges is the significant increase in voluntary tax compliance that reformed LAs have experienced: Clearly citizens reward better responding LAs.

1.7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Sustainability issues of EU supported interventions for LAs are generally integrated into design and monitored during the implementation; ROM design makes that a mandatory theme to address and most project and programme templates also have this as a standard feature. In U-LEAD, the key thrust of programme is the strong political willingness to fundamentally alter inter-governmental relations and it thus builds on the political commitment and will to implement sweeping reforms (I-7.3.1). The macro level political commitment that is a key precondition for sustainable decentralisation reforms is thus there and continuously being monitored through e.g. close dialogue with the government and other development partners. Perhaps more fundamentally, U-LEAD helps embed decentralisation and local self-governance into the fabric of Ukraine's governance structures and society's expectations, clearly bolstering systemic sustainability. Municipalities that are seen as accountable and high performing by the wider electorate is arguably the best bulwark against reversing the gains and consequently also improves sustainability prospects.

The EU has also made substantial efforts in sustainably increase the resources and capacities of LAs to implement the reforms and specific projects (I-7.3.2). At macro level, U-LEAD (and the predecessor programme for regional policy support) have ensured increased revenue streams as well as systematic capacity development programmes. At individual project level there seems to be a frequent conflation of capacity development and training, which could prove challenging.

Most EU supported engagement have an exit strategy, but the degree to which they are detailed and make explicit varies (I-7.3.3). Most often, the exit strategy has been reliance on Ukrainian authorities to take over the activities initiated, that being the case in U-LEAD and the energy efficiency projects. This generally seems like a viable exit strategy with often explicit commitment from relevant authorities (LAs included) to continue post-project. Perhaps least explicit are the LED projects' exit strategies where it seems as to be a reliance of PPPs being able to continue activities post-project.

Overall, EU has been addressing the institutional set-up of LAs with a view to strengthen the sustainability prospects, most prominently in the major nationwide systemic programmes, but also in the discreet energy

efficiency projects (I-7.2.3). However again the LED projects are probably the most vulnerable as they often depend on *both* commercial sustainability *and* LA commitment.

Annex 1 - Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

Since 2014 EU has been able to substantially encourage and support the central government in dialoguing with LAs and ALAs. U-LEAD has become the most important platform for EU to encourage the central government to dialogue and cooperate with LAs. An explicit result of U-LEAD is to establish vertical and horizontal coordination mechanisms for shaping the decentralisation reform and in this context dialogue with LAs and citizens is seen as crucial. The government has been consistent in its support to the reform efforts and the intensified dialogue with LAs and hence the EU has arguably not needed to apply much leverage. However, it is evident that EU has used its resources and convening power to bring about such as dialogue and cooperation.

A concrete manifestation of such dialogue has been the creation of U-LEAD supported forums, where municipalities were able to introduce their issues and experiences regarding the implementation of the decentralisation reform. 73 forums (target is 100) for dialogue with relevant national and regional decision makers have been created; an expression of improved cooperation at multiple governance levels.[11]

Beyond U-LEAD, EU is (and has been) an active member of the Donor Board on Decentralization Reform that ensures coordination and synergies, not only between donors and the central government, but also between various stakeholders at regional and district level. Thus the composition of the board and its associated working groups is very broad and includes: the Association of Cities of Ukraine (an ALA); parliamentary (Verhovna Rada) representatives; Association of Amalgamated Territorial Communities (another ALA); Association of Villages, Settlements Councils; Ministry for Regional Development (MinRegion, now Ministry for Communities and Territories Development of Ukraine) and Ministry of Finance. Clearly the EU has been a founding member of the Board and has supported it consistently.[12] While there are concerns that it is now more formalistic and ritualistic, the Board is nevertheless widely recognised for bringing all relevant stakeholders.

Again, there is a sharp shift happening in 2014 regarding the ability to engage LAs and central government in dialogue. Before 2014 much focus was on bottom-up approaches to supporting willing LAs in more concrete efforts, often infrastructure related. Here EU use of regional programmes (e.g. under CoM) helped to empower LAs that enabled them to better dialogue with the central authorities. Moreover, EU also worked at the level of communities, organizing them around better demand side pressure, while simultaneously also aimed to strengthen the LAs capacity to deliver local services, through e.g. micro-projects such as those under the Community Based Approach to Local Development (CBA, implemented by UNDP), but most dialogue in this context was between the communities and the oblast/ rayon level. With the amalgamation, coordination has been made easier as there are fewer levels of governments to coordinate, also making dialogue less hierarchical and more efficient. At the central level, the support to Ukraine's regional policy development was arguably more limited in ambition than later post 2014 engagements, but it nevertheless facilitated an ongoing dialogue between the central government, the regions and various think tanks. One example of this is the CBA. The 2017 external assessment of CBA concluded that the project had facilitated 'the agency of citizens and their communities to shape their own futures, and in making them active partners of local government'.[13]

It would seem that EU's leverage has been best utilised in large programmes, such as U-LEAD and that the policy frameworks have allowed for such sustained and substantial engagement. Several informants consequently claimed that EU's comparative advantage was in going for such comprehensive long-term programmes, whereas the current policy frameworks and modalities made smaller and more nimble projects within LA support less obvious for the EU to support, perhaps better left to other development partners, MSs included.[14]

Clearly there is still an unfinished agenda regarding the dialogue and cooperation between LAs, ALAs and central government. Some of the ALAs are still not fully capable of meaningfully engaging in dialogue and there may be a need to consolidate and forge more joint positions among the ALAs possibly through

[11] EU (2019): U-LEAD mid-term evaluation.
[12] See Romanova, Umland (2019): Ukraine's Decentralization Reforms Since 2014: Initial Achievements and Future Challenges.
[13] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine
[14] Interviews with EUD and MSs staff, June 2020.

mergers, even if that is politically challenging. Moreover, cross-sectoral decentralization efforts (within health, education and land use). while improving, are still inadequate to ensure effective implementation.[15] And the remaining non-merged *hromadas* may prove more resistant to reform and hence require better management and supervision, from U-LEAD and other development partners.[16]

1.2 Involvement of LA/ALAs (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

The *process* by which the EU designed its interventions is relatively thinly documented but based on interviews with key stakeholders it seems evident that central authorities have been the default partner, also when designing engagements affecting LAs (e.g. U-LEAD), with only demand-driven instruments (e.g. CoM, and M4EG) being clearly driven by the LAs themselves. However, the main reform initiatives have been driven by Ukrainian actors, especially in the immediate aftermath of the 2014 revolution and this has also opened space for more inclusive design processes.

Thus, the flagship U-LEAD programme was clearly a response to the new government's drive to empower local government, improve the state's capacity to deliver public services, and fundamentally redesign the country's administrative structure and territorial divisions. This included the ambition to promote the amalgamation of territorial communities and granting the new ATCs additional tax-raising powers.[17] Here the EU took the lead in supporting the government and offered unprecedented levels of finance and TA to the government.[18]

As for the budget support to Ukraine's Regional Policy - Sector Policy Support Programme, this is clearly built on the central government's priorities and finance through the central government. There is limited evidence that LAs have been closely involved in this (often they are not central parties to budget support operations) although the final evaluation of the programme states that the 'involvement of local administrations and civil society is reported but the extent to which it reflects their perceptions of local needs remains unclear'. While the intervention logic of the sector reform contract for regional policy support covered the main steps in the reform of the regional development system, and support initiation of relevant development actions, the extent to which regional and local stakeholders were involved in the determination of the nature and scheduling of the disbursement indicators is also not evident.[19] Evidence from interviews with EUD staff suggests limited involvement as the design predated the revolution of dignity and hence took place in a highly centralised context.

Most of the other interventions have similar lack of description of the inclusiveness in terms of soliciting the needs of LAs in the design. According to interviewed municipalities, those under the sustainable municipal development initiative and the mayors for economic growth, have been primarily demand driven (CfP style) with LAs developing funding proposals reflecting their priorities. The field phase largely confirmed this pattern, but also documented the increasing involvement of ALAs (especially the Association of Ukrainian Cities, AUC) as they have become more capable and have obtained a more central position in policy consultations, including in sector budget programmes. However, interviews suggest that the involvement centred mostly on the last stages of the design process.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

The flagship U-LEAD programme promotion of the board on decentralisation reform in Ukraine is an evident example of the EU (and the other partners in U-LEAD) assisting in making LAs participate in the policy dialogues on decentralisation. However, these seem to have centred around more technical issues related to U-LEAD implementation (based on reviewing minutes of the working groups). *Political* dialogue appears to have become a prominent feature over time, given the focus on U-LEAD governance and the growing capacities of the ALAs, AUC included. EU's role in this may be more indirect but still significant in having political dialogues around the LAs standing in Ukraine, with ALAs increasingly gaining a say in the drafting of new legislation and constitutional amendments.[20] The External Assistance Management Report (EAMR) report from 2015 does state that there is continuous dialogue with the Association of Ukrainian Cities and other local self- governance associations (i.e. ALAs) but their input into the preparation of the U-LEAD

[15] OECD (2018): Maintaining the momentum of decentralisation in Ukraine.
[16] EU (2019): U-LEAD mid-term evaluation.
[17] Harus (2020): In unity there is strength: The effect of decentralisation reform on local budgets in Ukraine, MA thesis, Kyiv School of Economics.
[18] Romanova, Umland (2019): Ukraine's Decentralization Reforms Since 2014.
[19] Ecorys (2020): Evaluation of budget support to Ukraine's regional policy.
[20] One possible example of LAs' involvement in political dialogue is the bill on amendments to the Constitution of Ukraine Concerning the Decentralization of Power (No. 2598) that the Association of Ukrainian Cities (the biggest ALA) heavily criticised for undermining the autonomy of LAs and eroding their revenue base. Subsequently the government removed the bill and decided to engage with the Association of Ukrainian Cities.

programme was limited, with MinRegion clearly driving the process. Three ALAs with 'all-Ukrainian' status (AUC, UAROR and VASSR) have the right to be consulted on draft legislation prepared by the Cabinet of Ministers before submission to Parliament (Verkhovna Rada), which gives them more formal influence over this aspect of policy-making than might be the case in other countries.[21] Moreover, with the European CoR setting up the Ukraine Task Force in 2015 the political dialogue was intensified as was technical support so that Ukrainian partners promote good governance at all levels.

The support to Ukraine's regional policy also entailed measures aimed at improving coordination of the activities of local authorities in the formulation and implementation of state regional policy. However, the recent evaluation of the programme argues that 'horizontal coordination is still very weak with MinRegion exerting limited influence on policies carried out by other line ministries. A stronger involvement of local actors is also lacking at the design stage, which reduces the relevance of regional policy to the needs of cities and municipalities.'[22]

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

Legally, central authorities are obliged to engage LAs and their associations in law-making and budgetary issues that affects LAs. Thus, the more powerful ALAs are being consulted on all major legislative changes (including sub-laws). With increasing empowerment and capacities of LAs and ALAs they have become stronger actors and been able to better fulfil their mandates. This has clearly been seen in the proposed instalment of *prefects* as supervisory institutions that would possibly re-centralise authority. Especially AUC was able to successfully block this law and demand changes that respected the integrity of LAs. So clearly these dialogue mechanisms also have some teeth in the sense that the allow ALAs to block LA adverse legislation.

There are also more technical and policy mechanisms have been made available to LAs, e.g. in the context of the board on decentralisation where ALAs are participating. Whether this is adequate (as this indicator ask for answer to) for appropriate policy and political dialogue is obviously debatable, with ALAs unsurprisingly arguing during interviews that more effective and empowering mechanisms are needed. What seems evident is that EU has support the creation of mechanisms that allow for both dialogue and LA engagement.

1.3 Adjustments to context change (JC1.3)

EC's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

The overall design of projects and the rapid shift in emphasis in the post- 2014 period indicate that EU has considerable knowledge of the power dynamics and, crucially, also able to translate this knowledge into tangible actions. Thus the pre-2014 projects were very much focussed on bottom-up engagement with communities and local authorities willing to cooperate (such as the project entitled 'Community Based Approach to Local Development' implemented by UNDP), thus trying to work with the demand side for improved services, more accountability and inclusive local economic development.[23] Moreover, the work on regional policy reforms, which also predates the 2014 revolution, clearly also worked politically savvy by engaging both the central government and regional based think tanks that helped push the government to (although initially modest) reforms of the position of regions through the elaboration of a state strategy for regional development. In the post-2014 period EU could dramatically accelerate support to the roll-out of the regional policy reform process (including increased use of budget support) although the devolution of political power to the regional level is still contentious.[24]

The period around 2014 was arguably a window of opportunity for widespread reforms including those determining the relations between the central and local levels and EU demonstrated its ability to assist that process. Thus, the Delegation, through TA and directly, worked with the government in the preparation of new legislation, including changes to the constitution, and public consultations. The 'Concept on Local Self-Government and Territorial Organisation of Power in Ukraine' was adopted in 2014 addressing what the EU termed the 'de-facto excessive centralisation of the system, the fiscal dependence on the central government and limited financial resources'.[25] Similarly, in response to the persistently worsening security situation in the East and large displacements in population, €17 million of ENPI was reoriented for immediate support implemented through local authorities.[26]

[21] Written communication with U-LEAD, dated 23 June 2020.
[22] Ecorys (2020): Evaluation of budget support to Ukraine's regional policy. p23.
[23] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine.
[24] The Ukraine government seems hesitant to empower regions (as opposed to lower levels such as ATCs, municipalities and cities), as this could encourage more calls for regional autonomy that could weaken the integrity of the state. See Romanova, Umland (2019): Ukraine's Decentralization Reforms Since 2014.
[25] EUD Ukraine (2015): External Assistance Management Report.
[26] Ibid.

According to interviews with development partners, even the CBA project that was designed in the pre-2014 period has also been adjusted to reflect new realities, including in the east, where EU has allowed for greater flexibility and higher levels of grants to reflect the unique challenges in that region.

In sum, EU and the EUD in particular has been able to leverage its knowledge of the power dynamics and windows of opportunities open to design relevant and impacting engagements. Clearly, the initial focus was on assisting the central authorities in translating their ambitious decentralisation agenda into an implementable programme, but as LAs gradually became capacitated, they also became more involved in the design and implementation processes. It should be noted that this analytical capacity and political astuteness rest with comparatively few people and the continuity will depend on being able to maintain this high level even as staff may be transferred.

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

There are several direct engagements with LAs and hence EU institutional and financial frameworks *do* allow for engagement beyond centralised partnerships. In U-LEAD, EU works directly with many AHs through the 24 regional centres that have been established (which also gives good visibility at local level). Moreover, many regional and cross-border cooperation projects engage directly with LAs making them the implementing partner. A (partial at least) incentive to engage directly with LAs can be found in the monitoring the EAMRs, where EUDs (incl. Kyiv) must report on their dialogue with civil society and local authorities (question 3 to 6), including the number of meetings and projects they have. While the EUD does report on this, it is conflated into one number counting both LAs and CSOs making it hard to gauge the specific engagement with LAs.

However, a disincentive to handing over responsibilities to LAs has been the low capacity of these to design and implement internationally and locally funded projects, as well as the difficulties to comply with both the national legislation and the EU requirements (for example on procurement).[27]

Interviews with both EUD staff as well as municipalities reveal that, under the LA-CSO thematic budget line, CSOs tend to be more focused on and capable of complying with such rules as compared to LAs.

EU adapted its engagement strategies with LAs and seized windows of opportunities (I-1.3.3)

Clearly the events around 2014 called for a drastic rethink of its engagement strategies and the above-mentioned special measure for Ukraine was the overall framework for seizing the opportunities. In the LA space, this resulted in almost instant support to drafting of new legislation on local self- government division of powers in Ukraine, that laid the groundwork for more substantial reforms and empowerment of LAs, most notably in the form of U-LEAD but also in the form of better coordination among partners in the decentralization space. Moreover, the volume of primary support to LAs increased from EUR 39 million in the 2010-2013 period to EUR 203 million in the 2014-2018 period.[28] Also under U-LEAD, a peer-to-peer cooperation initiative was launched in 2018 with CoR, where five partnerships where formed. The pairs agreed on the action plans for the year and determined concrete topics of cooperation: local economic development, tourism, energy efficiency, rural development and citizens' involvement.

There seems to have been somewhat more continuity in the infrastructure related projects, although the volume has increased over time as more funding has been forthcoming. Here the EU seems to have been able to identify willing and able LAs that were committed to implement e.g. energy efficiency initiatives.

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

U-LEAD (financed under ENI) has provided direct support to both LAs and ALAs and all indications from the field phase and documentation studies suggest that the support has been appreciated and appropriately used by the LAs and ALAs. This has been the most extensive and substantial support EU has ever provided to LAs in Ukraine, and probably anywhere among DG NEAR's partner countries.

Financing for the CBA was through UNDP and allowed LAs to gain access to funds for smaller projects through a CfP process. These projects have allowed LAs (and lower level community organisations) to provide valuable infrastructure projects that have reasonable impact and high sustainability.[29]

[27] EUD Ukraine (2015): External Assistance Management Report. These findings however, informed the design of U-LEAD which allocated significant financial and human resources to develop the skills and unlock the potential of regional and local actors to access international and national funding.
[28] Based on the inventory and categorisation according to the 4 key areas of EU support to LAs.
[29] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine and interviews.

According to interviews with EUD staff and EU project beneficiaries, the thematic focused projects within LED and energy efficiency have responded to identified local needs within the respective sectors and indications are that the facilities are appropriate for LAs. Interviews with LAs confirm that they had only minor difficulties in complying to the financing instruments, with the partial exception of CBC projects. However, there are transaction costs for the EUD, associated with the monitoring and follow up on comparatively small LA specific projects within these channels.

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

The regional policy development support was the first budget support engagement that had decentralisation and LA empowerment as explicit objectives and tranche release triggers in Ukraine. It was also complemented by TA, which proved to be useful. The EU had consistently been involved with the various actions to promote Regional Policy reform prior to the budget support agreement (and thereafter), through policy dialogue, agreement on a concept paper, the original strategy and the reform roadmap, and the provision of expert TA in such areas as the drafting of legislation, and the revision of the strategy and action plan (the latest being the 'Support to Ukraine's Regional Development Programme' TA project, launched in January 2013, and extended through the execution of the budget support programme to 2019). This mix proved highly useful as the budget support triggers had an incentivising and awareness raising aspect to it (e.g. putting LAs finance and autonomy on the agenda), whereas the TA was instrumental in supporting the fundamental legal and regulatory changes that happened as a consequence of the 2014 revolution.[30]

According to interviews carried out during the field phase, the CBA project also proved to be highly useful in paving the way for the much larger U-LEAD programme as many of the CBA communities were capacitated allowing many of them to become part of the first wave of amalgamation. Thus, EU had a good sequential mix of aid modalities and channels over time.

The projects within CoM are clearly thematically focussed on assisting LAs in implementing sustainable energy policies, reducing their dependency on fossil fuels, improving the security of energy supply and facilitated their contribution to climate change mitigation and adaptation. Here the indications are that the initiative provided good support in the form of assistance in making Sustainable Energy Action Plan (SEAP) that was the overarching framework for energy that identified appropriate measures to be taken in order to improve energy efficiency and reduce carbon emissions.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

Based on interviewed EUD staff, EU does help the leveraging of funding for especially energy efficiency under e.g. E5P and the EU does have an approach that can demonstrate additionality of EU grants. All IFIs (bar EBRD) now do engage directly with municipalities, encouraged by EU financing. LAs would probably engage with IFIs anyway but the EU has helped to direct this into more sustainable engagements.

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues (I-2.2.1)

Ukraine is a priority partner for the EU and with the EU-Ukraine Association and Free Trade Agreement signed in 2014, the relations have achieved an unprecedented level of closeness. This has also manifested itself in increased human resource availability allocated to Ukraine, including support to LAs. In Brussels, the support group for Ukraine (SGUA) has been established with staff engaging in especially governance and rule of law, justice and home affairs, economic governance, agriculture, energy, infrastructure, health, education, and communications. As can be noted, decentralization is not part of this portfolio, but many of the sectors and themes shape the framework conditions for LAs and are hence important.

The EU delegation has several staff engaged in LA related support, mostly associated concrete projects and programmes. Their knowledge of and insight into local authorities have appeared comprehensive and adequate, but staff levels may still be too limited for meaningful engagement with some Ukrainian counterparts at local level (including beneficiaries), especially for the discreet projects financed under CoM, M4EG and the CSO-LA budget line.[31] On the other hand, interviews with EUD staff suggest there is clearly sufficient capacity to have effective engagements with ALAs and relevant central authorities, but part of the lowest level engagement is to a certain extent outsourced to SIDA and project managers. The interviewees find the EUD resources adequate.

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs (I-2.2.2)

In general, the EAMR reports have limited information on specific LA-related support from HQ to the delegation. During the field phase, evidence of such training was found in the form of individual training

[30] Arguably, the extraordinary role played by the TA could not have been envisaged by the designer and hence also constitute a lucky coincidence that they were in place at the right time.
[31] Interviews with LAs representatives from different oblast.

(incl. online courses) and workshops. In addition, backstopping from HQ has clearly been present and appreciated.

Use of external knowledge and data from e.g. ALAs (I-2.2.3)

U-LEAD's design and implementation has clearly been informed and involved key ALAs including the Ukrainian Association of Rayon and Oblast Councils, Association of Ukrainian Cities, Ukrainian Association of Village and Settlement Councils, Association of Small Ukrainian Cities and the Association of Amalgamated Territorial Communities. According to interviews of various stakeholders, this process has both informed the design (including of phase II) as well as increased ownership and inclusion in the process, although different interests persist (e.g. Rayons remain critical of handing over authority and resources to AHs).

There is limited evidence regarding the involvement of ALAs in the regional policy support programme design, but in the subsequent monitoring of tranche release eligibility, the Association of Ukrainian Cities was charged by the EU delegation to collect information pertaining to the indicator on share or local budget revenues under the responsibility of LAs.

The CBA did not engage extensively with formal nationwide ALAs but worked more in a bottom-up fashion, identifying and at times also establishing small community associations, seeks to help them identify pressing needs and challenges that the project could help in addressing. Interviews reveal that many of these community associations continue to function. The final assessment singled out wider engagement with ALAs as agents of change as one issue to be addressing going forward.[32]

The individual projects covering both LED and energy efficiency also relied heavily on local knowledge and data, with e.g. the energy efficiency project in Ukrainka city also relied on extensive power consumption information from the LAs. However, this was more context and project specific but clearly aided in the formulation and subsequent implementation of the projects.

The donor board on decentralisation is also a source of knowledge and data with donors sharing this through various technical working groups, but some interviewees have argued that the board has had declining utility as it has become too formalised and ritualistic.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

At macro level, the EU delegation reports annually in the EAMRs, but very limited information is given on the LA specific results and that is obviously not their primary purpose either.

U-LEAD, on the other hand, has a rather extensive monitoring framework that seeks to capture the key policy priority areas, such as amalgamation, municipal development, sector & fiscal decentralisation regional policy. However, there is often a tendency for results framework and monitoring systems in U-LEAD to focus on numbers of activities and products developed (e.g. trainings, toolkits/guidance notes etc.). This is done to better reflect progress towards achieving results, such as whether training and other activities have enabled AHs to adjust internal procedures and asking event participants to name specific examples of how they had equipped them to perform tasks better in their daily routines. However, the actual service level and accountability strengthening is only vaguely monitored in these.[33] It is of course also more challenging to monitor these non-quantifiable aspects, but ROM missions and evaluations tend to take a more comprehensive view of the engagements. However, even evaluations often limited analysis of the impact on as regards the core objectives realisation and there is arguably still an evidencing challenge in convincingly demonstrating the lasting changes from the major engagements such as U-LEAD, regional policy support and CBA.[34]

As for the energy efficiency projects, impact is arguably more easily monitored than the more complex and multifaceted programmes. Similar for the LED projects, but actual monitoring still tends to be based on activities and inputs provided.[35]

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

U-LEAD clearly provides detailed monitoring matrices to the steering committees that have the potential to influence the roll-out and also take adjustment as needed. Clearly, the monitoring from phase I of U-LEAD also helped shape the design of the next phase.[36] However the mid-term evaluation qualified its assessment

[32] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine, p54
[33] See e.g. GIZ (2018): Monitoring Key outputs for steering committee.
[34] All of these have been subjected to independent evaluations, yet there is only scant discussion of impact.
[35] See e.g. Hlyboka Settlement Council (2019): Progress Report - Different Communities – Joint Decisions for Economic Growth 2018-2019. The progress report is primarily a long list of activities with limited reflection on outcomes and impacts.
[36] E.g. the Action Document mentions ROM reports as one source of lessons learned.

of the monitoring framework as generating only a 'partial picture' of the programme's progress after 3 years, in large part due to its complexity, but also due to the fact that a second phase will be needed to realise the full potential of the programme.[37]

The regional development policy support aimed to improve the systemic monitoring framework line with the Law "On Fundamentals of State Regional Policy". Responsibilities and procedures for performing monitoring and evaluation of the State Regional Policy and assessing the results of the State Strategy of Regional Development (SSRD) and its action plans were consequently detailed in two government resolutions adopted in 2015.[38] The development of performance frameworks in all planning documents was a real step forward in integrating monitoring and learning into policy making.[39]

Several EU programme managers report that they do use the information for decision making and adaptation but that for smaller ones, there was both limited actionable M&E information as well as limited time to do proper project management, reflecting higher transactions cost involved in monitoring and managing smaller projects.

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

EU engage in LA-related coordination & donor fora (I-3.1.1)

At the central level EU has played a catalysing role in reducing aid fragmentation and promoting more coherence and coordination. The first major step was in 2016 when EU initiated what was known as the 'common results framework' which was meant to ensure that all development partners active in the decentralisation reforms were optimising synergies and all aiming to achieve the same overarching objectives. The common results framework is still in effect and used, although perhaps becoming somewhat bloated, extending to some 44 pages.[40] The next step, also with support of EU, but led by SDC, was the establishment of the donor board on decentralisation reform in 2017, which has been the de facto coordination body in this space. EU, through U-LEAD is active in virtually all aspects of the donor board, including all but one of the 14 working groups.

There are concerns that the board has become overly formalised and meetings too regularised that has reduced the value of the board, stifling the flexibility and informality that was a key initial strength. However, most informants agreed that the board, despite its shortcomings, still provided a valuable platform for information exchange and wider learnings.

EU has also been supporting the Central Reform Office (CRO) as a joint effort of MinRegion and the donor community envisaged to promote the amalgamation process as well as the implementation of the decentralization and regional policy reforms. CRO was intended to act as a platform for information exchange and coordination between MinRegion officials, the Local Government Development Centre (LGDC) management (national and regional levels), and U-LEAD, as well as third-party programmes, such as Swiss-Ukrainian Decentralization Support Project (DESPRO), Decentralization Offering Better Results and Efficiency (DOBRE), Policy for Ukraine Local Self-Governance (PULSE) and UNDP. According to the mid-term evaluation of U-LEAD, vertical coordination of information worked well, but U-LEAD's steering committee decided that the CRO should be absolved during early 2019 and instead nine CRO experts were integrated into U-LEAD programme units. These experts were thereafter tasked with supporting MinRegion to implement its 2019 operational plan. This transformation of the CRO was a more proactive response to MinRegion priorities and workplans throughout 2019, resulting in a series of coordination meetings directly between MinRegion and U-LEAD, but also through the Donor Board on Decentralisation which led to a commonly agreed operational plan for 2019. In addition, this included the transition to an explicit responsibility assignment process (i.e. RACI – responsible, accountable, consulted and informed) and closer collaboration with MinRegion to facilitate joint coordination at all levels. The RACI process at U-LEAD includes a common approach to systematically coordinate monthly activity planning of the regional offices, whereby both MinRegion and U-LEAD would communicate their respective priorities for consideration as the regional offices prepare their future workplans.[41]

According to an informant from a core sector ministry, real and effective coordination between U-LEAD, MinRegion and sector ministries has increased and become more relevant over time. At the same time, it

[37] See p25.
[38] EU (2020): Evaluation of budget support to Ukraine's regional policy. However, the evaluation also noted several gaps such as lack of baselines and targets. See p33.
[39] The performance framework annexed to the Strategy consists of process and output indicators but without baselines and targets. Result indicators are defined in both action plans but without baseline data and targets and no links to the performance framework of the SSRD.
[40] The donor board's reforms framework is available at http://bit.ly/2OSYTm6
[41] Based on written feedback from U-LEAD component 1, 23 June 2020.

was mentioned by several interviewees that Donor Board became more formalised and that de facto coordination between different donors is working well but relying more on personal relations. This necessitates to change mechanisms of Donor Board operation and to develop it institutionally.

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

The donor board and especially U-LEAD are clearly engaging a number of member states and like-minded development partners. U-LEAD is supported by Denmark, Estonia, Germany, Poland and Sweden and two member state development agencies, GIZ (Germany) and SIDA (Sweden) are responsible for the implementation of component one and two respectively. Thus U-LEAD is a good example of a joint programme with delegated management to MSs and financing from several other MSs. Clearly this has improved aid effectiveness substantially and made U-LEAD (and hence also EU and its MSs supporting it) the flagship programme within decentralisation.[42] The EU and MSs are continuing to explore joint programming for the future, with inspiration from the U-LEAD. Again U-LEAD has arguably been a pioneer in this space. Several examples of how *hromadas* participated in EU-funded projects and then attracted additional resources from EU member states, and vice versa, were highlighted during interviews.

Division of labour promoted (I-3.1.3)

Evidently U-LEAD is an example of division of labour among development partners with GIZ and SIDA having distinct roles and responsibilities within a coherent and highly complementary programme framework. The donor board on decentralisation is also an instrument for promoting division of labour, albeit less ambitious than U-LEAD. U-LEAD has also aimed at strengthening domestic streamlining of roles and responsibilities among the various government levels (centre, oblast, rayon, and AH) in order to avoid duplication and overlapping mandates. This process is ongoing and politically sensitive, but clearly also one way of promoting better division of labour among the Ukrainian partners. While USAid does participate in the donor board, interviews reveal concerns that more could be done to ensure that its DOBRE is better coordinated with the U-LEAD and vice versa. EUD interviewees notably mentioned that DOBRE pilots numerous interesting innovations and U-LEAD could mainstream what works.

Evidence that synergies between development partners have been exploited (I-3.1.4)

U-LEAD is the best example of joint analysis, programming and implementation but the donor board on decentralisation also has working groups doing analytical exercises that feed into programming and planning. Also, after 2014, EU has worked to leverage finance for municipalities much more aggressively, through engaging especially development financial institutions such as KfW, EIB, EBRD and WB-IFC for e.g. energy efficiency through the Eastern Europe Energy efficiency and environment partnership (E5P). It would seem as EU and its member states have been able to foster highly satisfactory synergies between the EU Commission and member states each adding unique value to the work on rolling out decentralisation (e.g. Estonia providing highly appreciated competencies in e-government though its e-governance academy (eGA) and Ukraine has generally been inspired by the Polish decentralisation reforms it implemented in the mid-1990s.[43]

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

In Ukraine, the main forum for systemic engagement has been the donor board for decentralisation where various LA associations, that play a strategic role in shaping the conversation around decentralisation, local democracy, bottom-up accountability and intergovernmental relations.

EU has also supported the inclusion of the newly established Association of AHs and it is active in national/international knowledge exchange platforms, such as the local governments associations, international exposure visits and P2P programs with the aim to promote problem driven iterative adaptation/best fit solutions.[44] However, the association is still weak capacity wise and struggles to assert itself as an effective representative for the amalgamated *hromadas* and concerns have been raised during EUD staff interviews: its donor dependency could weaken its downward links and accountability. Most ALAs suffer from these issues.

A partial exception is the AUC which is considered as an ALA with robust capacity. It has benefitted from support from various donors over the last decade, with EU and MSs contributing through specific projects that have had strategic elements to them, but core funding has not been provided. AUC also sits on the donor board and engage in policy and coordination work there. USAid and Norway have also been contributing to AUCs work and the organisation is arguably one of the best funded ALAs in Ukraine and the

[42] Given the fragility and volatility of the situation in Ukraine, portfolio level joint EU programming is only expected to start in 2020. See EUD Ukraine (2017): EAMR.
[43] OECD (2018) : Maintaining the Momentum of the Decentralisation Reforms in Ukraine, as well as interviews.
[44] See e.g. EU (2019): U-LEAD mid-term evaluation.

one with strong strategic and analytical powers, in an area with a plethora of ALAs at national, city, oblast, rayon *hromada* and community level.[45] According to several interviewed actors, such a large number of ALAs is justified, because each association has its own focus. While all-Ukrainian ALAs are lobbyists for the interests of local governments in their relations with the central government, regional associations were described by an LA as a platform for discussing local and regional specifics.

The regional policy support programme also engaged an ALA strategically as the key analyser of the tranche realise criteria relating to the conditions that at least 25% of the budget of local authorities should be under their full responsibility. This was done on behalf of the delegation and used the AUC as the monitor and data collector.

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

The major global partnerships for Ukraine include Mayors for Economic Growth (M4EG), Covenant of Mayors (CoM), and the Eastern Europe Energy Efficiency and Environment Partnership (E5P). The EU delegation reports mixed performance of these initiatives with issues relating to monitoring and follow-up from the delegation as well as the cost-benefit ratio. Nevertheless, based on interviews of M4EG/CoM signatories and programme managers, both the M4EG and even more so the CoM seems to have been able to project EU values and a sense of pan-European identity among the participants.

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

The scope for promoting LAs in public policy process at regional and national level was limited before the revolution of dignity, as the then ruling party maintained a centralised governance system.[46] Here the key leverage was arguably the support for regional policy development which initially (2011-2012) focused on TA for strategy development and was later (2013) complemented with budget support. Most of the focus was on central level policy, but the LAs were involved. More important was the stipulations that at least 1% of government revenues should be channelled to a state fund for regional development and that local authorities should control at least 25% of their budget. The latter was to be monitored by the AUC.[47] The regional development policy support programme also worked to involve local authorities more consistently into regional development planning exercises and encouraged cross municipal cooperation for larger infrastructure projects.

However, through U-LEAD, EU has arguable taken LAs' engagement in public policy processes to the next level with U-LEAD having facilitated the establishment of regional groups organised around sector issues to provide input into Oblast (regional level) as one element in overcoming the coordination challenges in public policy in especially education and health.[48] Thus U-LEAD also supports a number of SDGs, including goal no. 5 (gender equality), goal no. 11 (sustainable cities and communities) and goal no. 16 (peace, justice and strong institutions) as well as 'Leaving no one behind' through its support to a balanced development at local and regional levels. However, as pointed out by the mid-term evaluation 'its support to SDG interlinkages may be somewhat understated as the decentralisation reform inherently strengthens a territorial approach to local SDG interlinkages across most SDGs. To this end, Ukraine's strong commitment to decentralisation, and hence its effort to strengthen SDG interlinkages, may also be a showcase for Ukraine's Voluntary National Review related to the 2030 Agenda for Sustainable Development.'[49] In general, interviews carried out suggest that U-LEAD has supported both LAs and ALAs to play a more proactive role in the conversation around public policy of relevance to LAs, although this is still an unfinished agenda.

The CBA project had a less direct national level policy focus working mostly bottom up (reflection of the fact that it was designed prior to 2014) and the final assessment of the project concluded that it was not possible to generate data for indicators that could capture the impact of a community's needs and interests on higher levels of government policy formulation, planning and the quality of implementation. Nevertheless, the assessment also argued that project was highly instrumental in delivering on EU's global ambitions to support 'national policy development and institutional innovation *from below* by using smart project approaches to support selected, issue-driven operations that foster local experimentation of scalable

[45] 232 ALAs (incl. all-Ukrainian, reginal, oblast, rayon) according to AUC, interview with AUC representative.
[46] OECD (2014): Territorial Review of Ukraine.
[47] The 1% of government revenues was never achieved, but the 25% of LAs budgets under own control was reached in 2016 and onwards. See Ecorys (2020): Evaluation of budget support to Ukraine's regional policy, p116.
[48] EU (2019): U-LEAD mid-term evaluation, p21.
[49] Ibid. p25.

institutional innovations in order first, to make the most of existing policy frameworks and then to demonstrate the need, and build the constituency, for further policy reform'.[50] However, the assessment found it difficult to quantify this impact and argued that insufficient efforts had been invested in fully disseminating the 'bottom up' findings that could better inform decentralisation policy.

The smaller discreet interventions at LA level (e.g. on energy, LED and climate) had less ambitious goals vis-à-vis influencing national policy, but emphasised more the implementation of existing ones, as well as providing demonstration to other LAs on how best to sequence and address the policy challenges in the specific fields. An example of this is the EU support to the establishment of the automated system for energy resources monitoring for the budget institutions of the Ukrainka city and thermo-modernization of the Palace of Culture and the Sports complex buildings with the use of renewable sources. Here the objective was not only to improve energy efficiency (a national policy goal), but also to learn from the experiences and disseminate good implementation practices to around 100 other smaller cities in Ukraine, thus optimising policy implementation and in the process strengthening the agency of LAs.[51]

In sum the AUC is probably the most active in shaping public policy around the role of LAs and the overall framework conditions. EU has supported that role even before the 2014 revolution of dignity but accelerated after. According to interviews, this support has been in the form of project specific engagements (as opposed to core support) and while most of its staff is wholly and partly donor financed, there is no evidence to suggest that AUC has lost its connections to its constituencies nor become unrepresentative.

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

Prior to 2014, the scope for mainstreaming LAs into implementation of EU interventions was reduced as the legal and de facto institutionally set-up restricted meaningful participation. However, attempts were made such as the inclusion of the Association of Ukrainian Cities in the regional policy support programme (which also included a budget support component), described above.

With the 2014 changes, the scope for mainstreaming LAs (and their ALAs) increased and U-LEAD has clearly played a role in seizing these opportunities as also described above. However, the main programmes aimed at improving the overall economic and governance context, and there is limited mainstreaming and engagement of LAs. According to EUD staff interviews, this pertains to the macro-financial assistance[52], the support to comprehensive public administration in Ukraine and the public financial management programme (EU4PFM). While there are passing references to LAs in some of the documentation, there is no evidence that they have been involved in the design, nor that they are considered as actors in the implementation of the programmes. Clearly much of the focus is on central level capacities, but issues of economic governance and transparency in public administrative decision-making and implementation is equally important at local level.[53] Thus, there is limited mainstreaming and participation in what this evaluation term as secondary support areas, which may be a reflection of the still emerging capacity levels of LAs. Clearly it is the prerogative of the central government to set national policy direction and both U-LEAD and PAR.

As for the sector specific interventions in e.g. environment (the SBS programme: Support for the implementation of an Environment Strategy of Ukraine) and energy (also an SBS programme called Continued support for the implementation of Ukraine's energy strategy) these also have limited engagement and mentioning of LAs while both sectors have strong localised impacts.[54]

In the case of energy, however, there are several examples of direct engagement at LA level where the EU supports LAs in the implementation of the policies and strategies, but that does not amount to mainstreaming at higher level.[55]

[50] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine.
[51] Based on EU (2018): Action Fiche on 'Establishment of the automated system for energy resources monitoring for the budget institutions of the city and thermo-modernization of the Palace of Culture and the Sports complex buildings with the use of renewable sources. The degree to which these ambitions were realised is still to be determined.
[52] Macro-financial assistance is primarily general budget support to cover the external financing needs and support structural reforms including economic governance and transparency. See e.g. EU (2018): Ex-ante evaluation statement on EU macro-financial assistance to Ukraine.
[53] While the PAR, implemented through the SIGMA by OECD, is in principle also covering local level in practice, resource constraints undermine this ambition and de facto focus is on the central level (also backed up by interviews with EU staff managing the SIGMA programme).
[54] See EU (2012): TAPs on *Continued support for the implementation of Ukraine's energy strategy* and EU (2009): TAPs on *Support for the implementation of an Environment Strategy of Ukraine*
[55] E.g. the project on the 'Establishment of the automated system for energy resources monitoring with the use of renewable sources in Ukrainka' is one such example where EU supports an LA to implement national level policies on energy efficiency and reduction of CO2 emissions.

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

The EU has made several, mutually reinforcing attempts to address and improve the funding base of LAs. At the policy level, EU supported the first fundamental reform that increased transparency, and a funding formula for equitable distribution of resources, spearheaded with the introduction of the amendments of the Budget and Tax Codes of Ukraine on decentralisation of finance that were adopted in 2014.[56] This aimed at strengthening the fiscal autonomy of local authorities and available figure suggest it has been successful in this. LAs own revenues have increased significantly, rising from UAH 68,4bn in 2014 to UAH 234,1bn in 2018 representing 6,6% of GDP in 2018 compared to 5,1% in 2014.[57] Evidence suggests that tax compliance in the context of paying taxes to LAs (as opposed to central government) has increased.[58] As a corollary, expenditures have also increased significantly with especially infrastructure.[59]

A few engagements in this space predate 2014, such as the regional policy support programme which, as stated above, had indicators relating to the share of the local level budget that was under the political control and discretion of the LAs themselves. The indicator was also a tranche release indicator and was successful in the sense that LAs eventually reached this level of control over their budgets. However, the target of allocating 1% of total government revenues to a regional development fund was never reached (only 0.7% in 2018).

U-LEAD has also been instrumental in shaping both the framework conditions (post-2014) and in providing direct financial support to pilot initiatives that benefit amalgamated territorial municipalities (*hromadas*). Thus a new concept of horizontal fiscal equalization was introduced, reducing the leverage for arbitrary transfers from central government to local governments has been implemented and the scope for raising own LA revenues has also increased (in this context U-LEAD has advised but is not responsible for a new concept of fiscal equalisation). As a consequence of increased scope for retaining own generated tax revenue (60% of income tax), LAs now have a stronger incentive to attract and formalise businesses, thus stimulating local economic development. Taking this into account, LAs are becoming more effective and efficient in administration of such taxes are being transferred to LAs more fiscal powers in administration of local taxes. This is also a key step in the second phase of decentralisation reform.[60]

The effects are still being documented as the changes have occurred recently, but new studies suggest drastic improvements in two key areas. First of all, amalgamated *hromadas* have higher tax compliance driven in part by the fact that the social compact between taxpayers (i.e. local citizen and businesses) and tax collectors/spenders (e.g. the amalgamated *hromadas*) has been strengthened. Thus, taxpayers can now more directly observe the use of their payments, whereas LAs have a stronger incentive to ensure tax compliance and to spend the proceeds well. This is clearly a virtuous circle with both citizen and businesses applying peer (and moral) pressure on each other to pay the correct taxes while also increasing monitoring efforts on the LAs to ensure proper spending.[61] A second related effect is that businesses tend to grow faster in amalgamated *hromadas* partly due to the better services they receive (e.g. infrastructure, faster and more transparent processing of requests and licences) which obviously also grow the tax base further underpinning the above virtuous circle.[62]

In this context, the various municipality level support to local economic development are also pathways to increased funding by encouraging the growth of taxable business. E.g. the Cowboyky project on tourism development (under M4EG) states that it will 'increase revenues to the local budget and increase the value of land resources' the latter also bringing in increased property taxes.[63] Similarly in the project entitled 'Different Communities - Joint Decisions for Economic Growth' it is argued that the LED promoted with the project will 'facilitate job preservation, creation of new jobs, and stable local budget revenue that will resolve the *hromada*'s social issues as well'.[64] However, the field phase failed to find evidence that this has yet

[56] The amendments introduced an equalisation mechanism for subnational government revenues rather than expenditures, basing it on two taxes: the personal income tax (PIT) (for oblasts, rayon, regional towns and communities) and the corporate profit tax (CPT, only for regional budgets).
[57] Government of Ukraine (2019): Monitoring the process of decentralisation of power and local self-government reform, National Project of Decentralisation.
[58] Hamaniuk, Herrmann, Palchuk (2020): 'Local versus global tax compliance? Or Go local, get tax compliance?, Draft.
[59] Harus (2020): In unity there is strength – the effects of decentralisation reform on local budgets.
[60] Interviews with LAs in Chernivtsi and Chernihiv oblasts.
[61] Hamaniuk, Herrmann, Palchuk (2020): 'Local versus global tax compliance? Or Go local, get tax compliance?' Kyiv School of Economics. Draft version.
[62] Harus (2020): In unity there is strength: The effects of decentralisation reform on local budgets in Ukraine, MA Thesis.
[63] EU (2018): M4EG – Cowboyky – Ukraine Wild West. However, while fiscal autonomy of local authorities has increased, own-source taxes still represent only a small, albeit growing, proportion of LAs' tax revenues. The share of local taxes in local budgets revenues increased from 3.3% in 2013 to 10.8% in 2018.
[64] EU (2017): CN M4EG - Different Communities - Joint Decisions for Economic Growth.

materialised, but clearly the adverse external environment (macro-economic crisis and later corona crisis) have also impacted negatively on both economic growth and job creation.

Direct political relations with LAs /ALAs (I-4.2.2)

The EU has consistently, but with varying intensity, engaged with LAs and ALAs as a committed partner and supporter of LAs as distinct political actors that can deliver on the principles of subsidiarity as well as improve local democracy, accountability and development outcomes. Initially the CBA was one main platform where efforts were made to improve the agency of LAs in a bottom-up fashion. However, with project implementation outsourced to UNDP, the degree to which EU political relations were developed is uncertain.

U-LEAD is a more ambitious attempt to support the government's effort to strengthen LAs, in particular by merging those communities that are too small and too poor to provide public services to their citizen. EU has clearly developed robust relationships with the ATCs, where EU visibility is also quite prominent. This is arguably the most direct political engagement with LAs to date allowing for regular interactions and cooperation. ROM monitoring reports also indicate high commitment from AHs and small cities to the programme and see strong benefits in having their capacities and agency improved.[65]

The more discreet projects - directly aimed at LAs in the field of e.g. energy efficiency, LED and environment - have also empowered the LAs at the concrete level in terms of improving service delivery and infrastructure. However, these interventions have not fundamentally aimed to change the political status and relations with other levels of government and the political leverage is thus more limited. They were more focused on solving problems in the implementation of projects as e.g. established working groups or community forums with representatives of LAs, district and oblast authorities. This contributed to greater mutual understanding between levels of government.[66]

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

Clearly the EU is reflecting on the role and utility of LAs and their associations and those reflections have intensified in the post-2014 era. The annual 'special measures' that were the main strategic documents in the period from 2014 to 2017 clearly entailed increased awareness of the potential of LAs to fundamentally transform government citizen relations.[67] This was translated into the U-LEAD programme that has as its objective to establish multilevel governance, which is transparent, accountable and responsive to the needs of the population, though capacity development at central, regional and local level as well as strengthen their intergovernmental relations. Moreover, U-LEAD will also aim to improve local administrative service delivery through establishment or modernization of up to 600 locally adapted and well-functioning ASCs, using citizen-oriented performance emphasising participation and transparent service delivery. Clearly this has been based on reflections on how to seize the window of opportunity that opened in 2014.

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU, including through EUDs information and awareness campaigns (I-4.3.1)

Prior to 2014, there was limited engagement with LAs and ALAs, with the main programme, the CBA, working at the lowest levels of communities and small *hromadas*. The direct knowledge and visibility of EU was somewhat diminished by the fact that UNDP was the implementer and front end of the programme, but clearly loyal to the principles and practices that the EU seeks to expose through its engagement with LAs. In addition, the regional policy support programme also had a regional development fund that LAs could access, this generated quite some interest in the obtaining funding, but the degree to which this also entailed obtaining knowledge about EU and EU values as regarding LAs and decentralisation is difficult to assess.[68]

With CBA support, CBA helped catalyse improvement of national legislation to bring it into line with the principles of the European Charter of Local Self-Governance, including subsidiarity, guarantee of financial capacity, and autonomy of local self-governance. This was primarily through the creation of so-called knowledge management hubs, in particular with the Association of Village and Settlement Councils (UAVSC, an ALA). In this process the UAVSC also become more aware of the EU's policies and values in these core areas.[69] Similarly with the regional development policy support programme, which also promoted these values, but primarily at oblast and central level.[70]

[65] E.g. EU (2017): ROM U-LEAD Component 2.
[66] Interview with CBA representative.
[67] EU: Special Measure 2014 and 2015.
[68] EUD Ukraine (2013): External Assistance Management Report.
[69] UNDP (2017): CBA – Final Report.
[70] EU (2020): Evaluation of budget support to Ukraine's regional policy.

U-LEAD has arguably made the biggest improvement in terms of LAs knowledge about EU and its values. U-LEAD has created an extensive network of interventions across the country and 'direct contacts with local authorities which constitutes the channel to widely communicate benefits of EU integration'.[71] LAs and ALAs are partners and key stakeholders in U-LEAD and especially the 24 regional centres supported by the EU act both as resource centre for the amalgamation process, decentralisation and development, but they have also developed into an important regional outreach and contact points for information on EU and other EU funded projects.[72] Moreover, in 2017, a professional communication agency was hired to do large scale umbrella campaigns on the free trade agreement, conflict response and decentralisation. Media monitoring done by the EUD suggests that on average U-LEAD is mentioned more than 300 times every month, the highest share, while the CBA was mentioned around 100 times a month.[73] In 2016, the EUD launched a campaign on energy efficiency in the context of support to municipalities (including CoM and E5P) but the impact of these in terms of LAs awareness is poorly documented.[74] Evidence from interviews with LAs reveal that, at the same time, as U-LEAD mostly works with LAs, ordinary citizens are almost unaware of this.

The bilateral activities have more localised impacts and often objectives that are not closely tied to the values of EU's engagement with LAs as they tend to focus on solving concrete challenge such as energy provision, infrastructure and environment, but clearly LAs gain more exposure to EU standards and also often gain more contacts with EU counterparts (e.g. through the CoM).

The ALAs clearly also value the efforts of EUD and claim that.

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

The above-mentioned resource centres can clearly be accessed by the LAs and do have information on EU. While their primary purpose is to support the decentralisation and amalgamation process, they have also hosted regular "open days" where they have provided information to the public and interested stakeholders on both the EU and U-LEAD with Europe to garner trust, exhibit transparency and invite partnerships. However, it is clear that there is a widespread awareness of EU in general and U-LEAD in particular, possibly communicated through both media, but partly also by LAs. U-LEAD has also helped establish 19 partnerships between EU and Ukrainian LAs, and organised 83 study tours to the EU Member States by 319 AHs as of June 2020.

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

Throughout the evaluation period EU has engaged consistently with the central government, with a view to improve framework conditions that could allow LAs in Ukraine to increase their autonomy, fulfilling their mandates and assume greater responsibilities, by transferring relevant functions from the central to the local level, also consistent with the EU principles of subsidiarity and proportionality. However, the intensity and ambitions of this engagement has increased dramatically since 2014.

The support to regional policy was the first major engagement in this space, which comprised initially TA support to the drafting of the Law on Fundamentals of State Regional Policy in 2011 that including the State Fund for Regional Development (SFRD) that was established in January 2012, with strong commitments to funding of 1% of the national budget. However, while more funding from the SFRD became available to LAs there was relatively limited transfer of authority and the relations between central and local authorities consequently remained largely intact. Nevertheless, the support opened up an entry point to the government for addressing policy level systemic issues relating to intergovernmental relations and fiscal decentralisation.

That entry point proved valuable in the late 2013 and early 2014 when the government changed it priorities and made sweeping legislative changes with EU supporting the core legislative drafting and assisting in designing the needed constitutional amendments.[75]

The main engagement from 2016 onwards became the U-LEAD which has provided support both at national and sub-national level. At the centre, U-LEAD supported the establishment of the CRO to steer the reform process but also as a platform for information exchange and coordination between MinRegion (now Ministry of Communities and Territories Development) and the U-LEAD programme units, as well as third-party programmes, such as Swiss-Ukrainian Decentralization Support Project (DESPRO), Decentralization

[71] EUD Ukraine (2017): External Assistance Management Report.
[72] EU (2019): U-LEAD mid-term evaluation.
[73] EUD Ukraine (2017): External Assistance Management Report.
[74] EUD Ukraine (2016): External Assistance Management Report.
[75] EUD Ukraine (2015): External Assistance Management Report.

Offering Better Results and Efficiency (DOBRE), Policy for Ukraine Local Self-Governance (PULSE) and UNDP. However, indications are that CRO has not fully delivered on the ambitions and may now be merged with U-LEAD.[76] Support is also provided to national institutions such as the National Agency of Ukraine on Civil Service (NACS) and the National Academy for Public Administration (NAPA) responsible for capacity development of the civil service, which should also improve the government's capacity to drive the decentralisation reforms. In this context a main focus is on 'assisting MinRegion in fiscal analysis and monitoring to inform decentralisation policy'[77]

U-LEAD has also supported the government's efforts in its creation of regional level institutions that can assist in improving intergovernmental relations, the local government development centres (LGDCs located at regional level, hence also known as regional centres). These are providing both reform coordination between central level and the *hromadas* especially concerning amalgamation as well as capacity development services.

The part of the peer-to-peer support managed by CoR has resulted in pairing Ukrainian LAs with their Estonian, German, Hungarian, Lithuanian and Polish. Here they have shared their experience in areas identified as priorities by their Ukrainian partners – drawing up economic-development plans, supporting rural areas, helping small and medium-sized enterprises, boosting tourism and in increasing transparency.

Outside direct support to decentralisation EU has also support policy reforms that shape framework conditions for both local and central authorities, most notably in PFM, PAR and anticorruption. While there is some coordination these programmes are mainly targeted at central level, when benefits eventually trickling down to LAs in the form of better, more accountable and predictable service deliver from the central authorities. However, based on interviews carried out in various phases of the evaluation, there is limited direct interaction of LAs and ALAs in shaping these reform programmes and both in Ukraine and elsewhere there could be scope for more localisation of such programmes, resources allowing.

EU assisted LAs in accessing domestic resources (I-5.1.2)

The work on establishing the state fund for regional development under the regional policy support programme was one of the first attempts to improve the LAs ability to access domestic financial resource and had explicit goals for both the share of LA's budgets under own control (which were achieved) as well as increases in the share of government revenue that should be allocated to the regional development fund. The TA provided under the regional policy support programme also supported the legislative changes that increased the resources (both financial and human) made available to LAs. This has been fundamental in subsequent efforts that has allowed for further decentralisation and empowerment of LAs.

Prior to 2014, the main support was through the CBA project which provided direct funding and capacity development (hence not primarily domestic but donor mediated). However, the CBA managed to increase the capacity of LAs to also access domestic fund (and other donor funding) as a result of the training and methodologies development. Thus, at project end in 2017 of the 819 LAs that had already implemented CBA III micro- projects, 400 had subsequently used the CBA methodology to secure and implement projects with an estimated $2.8m of financial support secured from other (non-CBA) funds. This leveraging of the CBA grants suggests a strong institutional and financial capacity has been developed.[78]

As for U-LEAD, a core part of the thrust of the project is to make LAs better able to access domestic finance, whether from own revenues or from sources or from central/regional authorities. For the AHs this seems to have been achieved. As the mid-term evaluation points out:

'Significant increase in local revenues, notably, by retaining 60% of personal income taxes and with improved access to regional development funding and state transfers. Observations from the field phase also suggest that, at present, AHs do not seem to experience unfunded mandates or high staff turnovers.'[79] More recent studies also document the significant improvement in revenue mobilisation for amalgamated *hromadas*, again corroborating the 'virtuous circle' of improving the compact between LAs and local citizens/businesses in which tax compliance increases as transparency and service delivery is improved.[80] Moreover, grant finance from central to local authorities has also improved as has the predictability of the grants, in sharp contrast to the pre-revolution area.

This is in sharp contrast to the situation prior to the reform process where LAs were chronically underfunded. On the non-financial side U-LEAD has set-up quite extensive system of support to the capacity development primarily through the regional centres. U-LEAD has in this context strengthened the capacities of LAs to engage in evidence- based local and regional developments activities, e.g. within spatial planning, project cycle management and funds mobilization (including access to the State Fund for Regional Development),

[76] EU (2019): U-LEAD mid-term evaluation.
[77] U-LEAD (2018): Linking policy priorities in territorial-administrative reform to U-LEAD results.
[78] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine.
[79] EU (2019): U-LEAD mid-term evaluation, p29.
[80] See e.g. Harus (2020): In unity there is strength: The effect of decentralisation reform on local budgets in Ukraine, MA thesis, Kyiv School of Economics.

and fast-tracking of administrative services for small businesses. U-LEAD has also assisted in setting up structures ensuring that LAs are supported to engage more actively in local infrastructure and mobility development and in embracing their functions within environmental protection.[81]

In the direct engagements with LAs under e.g. the mayors for economic growth also tend to have as an explicit aim to generate local revenues by widening the tax base as increased local economic development is expected to increase taxable income and profits also through formalisation of businesses and through increased tax compliance. In the case the project 'Different Communities – Joint Decisions for Economic Growth' the progress report from 2019 participants were informed about the tax code, rates of taxation and the setting of local tax rates. The beneficiaries in this project did not expect an increase in tax revenues but improving the well-being of households involved into cooperatives. It was expected they these households no longer seek social assistance as before. E.g. thanks to the created cooperative 'Dobri Gazdy' in Hlyboka *hromada* Chernivtsi oblast, 40 households received approximately UAH 800,000 of income per year.[82] In the frame of CBA in cooperative 'Rador' in Khmelnytskyi oblast there were created 3 jobs with taxes paid to local budget.[83]

5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

Prior to 2014, CBA did some work in this space, but this was to a large extent very instrumental and focused on capacity to obtain external funding (e.g. project development, proposal writing and fund management) and only to a limited degree wider more routine capacity. However, U-LEAD has a whole component (1) dedicated to capacity development, including at local level. Under this component it has conducted over 7,000 events with over 170,000 participants on various subjects including such as amalgamation process management, financial management, planning and human resource development. There have been over 328,000 participations from around 90,000 unique participants (as of 10 June 2020). U-LEAD is pioneering the concept of Thematic Support Packages (TSPs) as a systematic and quality-led approach to build up expertise in all the key dimensions that LAs need to tackle. The TSPs comprise a mix of training and other learning instruments, e.g. study tours, eLearning (u-learn.org.ua), peer-to-peer exchange and on-the-job consultations to develop both individual competences and institutional capabilities. So far the effectiveness of this support is overall good but with some delays, especially with financial management where LAs still struggle to develop costed budgets for the service delivery envisaged under U-LEAD.[84] At the same time, interviews carried out during the field phase reveal that capacity development package proposed by U-LEAD does not sufficiently take into account the different needs of ATHs as it is more focused on supporting newly created ATHs and does not take into account the specifics of ATHs that have passed the stage of formation.

The direct support to individual LAs is more targeted to reach the specific objectives of the engagement. E.g. the 'Slavutych is a growth driver of an open and free economy of the region' project (under M4EG) had training for the one-stop-shop and business park that the project helped establish, but core capacities of the LAs were not developed systemically.[85]

In some LED focused engagements there is more emphasis on the internal capacities of LAs to do economic planning and promotion. Thus the 'Different Communities - Joint Decisions for Economic Growth' project had training for LA administrators engaged in promoting economic growth.[86] Based on interviews, all communities participated in this project involved business in the development of economic plans, making the planning process more open and business-oriented.

As for energy efficiency focus engagements, a similar approach can be detected, but here the focus is on developing energy management capacities within the LAs. This to enable them to sustainably manage new infrastructure and equipment optimizing savings and reducing emissions.[87] In addition, according to interviews, LAs that have engaged in CoM are being prioritised in other financing schemes such as the Nordic Environment Finance Corporation, which value the competencies and capacities that the CoM has installed.

[81] EU (2019): U-LEAD mid-term evaluation, p32.
[82] Interview with LA in Chernivtsi oblast.
[83] Interview with Head of cooperative in Khmelnytskyi oblast.
[84] EU (2019): U-LEAD mid-term evaluation, Annex 8.
[85] EU (2018): DoA 'Slavutych is a growth driver of open and free economy of the region'.
[86] Hlyboka Settlement Council (2019): Progress report on Different Communities - Joint Decisions for Economic Growth'.
[87] EU (2017): DoA - Establishment of the automated system for energy resources monitoring for the budget institutions of the city and thermo-modernization of the Palace of Culture and the Sports complex buildings with the use of renewable sources.

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

Not relevant in Ukraine.

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

At the policy level, the reform efforts in late 2013 and early 2014, supported by EU, were directly aimed at reforming territorial governance systems with an explicit objective of aligned itself closer to EU standards, which entailed decentralisation, amalgamation, increased fiscal autonomy to the AHs and introducing a new system of fiscal equalisation to ensure more permanent, stable and efficient funding of local policies.[88]

While most EU supported interventions assisted in implementing the above-mentioned territorial development ambitions, only U-LEAD has a comprehensive approach. A key ingredient of U-LEAD, the amalgamation of smaller communities in larger ones, is directly aimed at improving their ability to promote wider and more coherent territorial development, as AHs are expected to achieve economies of scale and have the necessary capacity to undertake more ambitious endeavours.[89] To this end U-LEAD has assisted LAs by delivering comprehensive training packages and facilitations (especially under the TSPs) which include spatial planning, catalytic infrastructure development targeting *hromadas* leaders, senior managers, department heads etc. So far there are only emerging findings as to the effectiveness, but the mid-term evaluation is cautiously optimistic arguing that U-LEAD promoted reforms inherently strengthens a territorial approach to local SDG interlinkages across most SDGs.[90]

The CBA also had strong support to the promotion of more territorial approach to local development, but arguably focusing more narrowly on selected aspects related to the lowest level of self-government and in that context mainly on designing implementation process and maintaining specific projects and their funding. Nevertheless the final assessment of the CBA concluded that: 'CBA is found to be fully in line with the EU guidance on *Supporting decentralisation, local governance and local development through a territorial approach*, which aims to re-establish the link between decentralisation and development and to combine the bottom-up territorial approach to development with the elaboration of supportive national decentralisation policies and institutional changes.'[91]

LAs' have sustainable development strategies in partnership with local and central allies (I-5.3.2)

U-LEAD is the most prominent and comprehensive support to LAs in terms of strategic development planning. Moreover U-LEAD is linked to the project EGOV4UKRAINE, which delivers broad e-governance support to Ukraine, including the establishment of web-based work processes and service delivery between government institutions, private sector and citizens at large, further facilitating more comprehensive planning that has a broader engagement of actors, including the private sector and other government levels.[92] In addition to the establishment and functioning of the amalgamated LAs, U-LEAD is also aiming to enhance citizen-oriented LAs performance in terms of participation and transparent service delivery.

U-LEAD has also promoted inter-municipal cooperation that has led to more comprehensive planning approaches and also enhanced peer-to-peer partnerships with other LAs, e.g. in areas such as waste management.[93]

Finally, U-LEAD has also been supporting good practices in the involvement of the private sector with service delivery and reduced costs. Such initiatives, even if they are small-scale, may lower LA expenditures and increase service efficiency and quality.[94] According to interviews, by giving communities more strategic options, the results of the U-LEAD intervention are not immediately apparent, but they will yield positive results in the future.

Other engagements also had elements of multi-partner planning process but were generally less comprehensive in terms of the themes and breadth of stakeholders. LED engagement, such as the Cowboyky in Western Ukraine also had strong involvement of relevant local businesses (especially within tourism and service sector), NGOs and LAs. Similarly, the energy efficiency programmes where LAs have

[88] Amendments to the Budget and Tax code were adopted in December 2014.
[89] In addition, the aim has also been to comply with the European Charter on Local Self-government.
[90] P29.
[91] P8.
[92] SIDA is the main donor to the e-government initiative.
[93] EU (2019): U-LEAD mid-term evaluation, p5.
[94] Ibid. p38.

developed sustainable energy action plans (SEAPs) that have encompassed both public and private partners where relevant, often resulting in more locally anchored and realistic plans.[95]

LAs' increasing resilience and reducing inequalities (I-5.3.3)

A key ambition of the 2014 revolution was to 'create the conditions for dynamic and balanced development throughout the country to ensure social and economic cohesion and improve living standards and social equality for all citizens regardless of where they live.'[96] The support to regional policy development has had this objective explicitly in the financing agreement, however there is surprisingly little evidence to document if regional inequality has actually been reduced. There is limited evidence on the success in reducing imbalances across the country. At the macro-level, indications are that the Kyiv region (accounting for almost 60% of national GDP growth between 2004-14) is continuing to leap ahead of the rest of Ukraine, while especially the eastern parts are falling behind.[97]

Strengthening the resilience of LAs is arguably an inherent part of most engagements in this space, if not always formulated explicitly. Thus, both the regional development support and U-LEAD aim to improve the framework conditions of the LAs, in the process increasing the economic and political resilience by increasing their revenue streams (and the predictability of these) and making legal changes that strengthen the powers and mandate vis-à-vis other governmental levels (and hence also increase political power). The energy efficiency projects, supported by the covenant of mayors and other mechanisms clearly also have a climate resilience aspect in terms of reducing CO2 emission but also in terms of reducing dependence on fossil fuels. So far, the indications are that the energy efficiency projects have been successful in that respect. Finally, much focus on support to LAs in the conflict affected areas in the east have also aimed to strengthen their resilience in the face of adversity, with clear indications (based on interviews) that LAs do have increased capacity to provide recovery services and immediate humanitarian assistance, but with challenges in developing long term capacity, give the instability and fragility.

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

The LED focused engaged under e.g. the M4EG initiative clearly engage with local businesses but typically narrowly in scope (and hence not involved in general LA affairs). The Cowboyky project clearly aimed at involving those in the hospitality sector (hotels, b'n'b, restaurants, food / beverage producers and event makers). Moreover, outside investors are also actively solicited. In the case of the project 'Different communities – Joint decisions for economic growth' the main focus has been on activating local businesses especially through cooperatives and wider clustering activities. According to interviewees in Chernivtsi oblast, community money invested in cooperatives as well as their inclusion in the tourist cluster of Chernivtsi oblast could ensure greater sustainability of this initiative. Similarly, with the project 'Youth-driven organic business cluster in Baranivka amalgamated community' where efforts are also focused on clustering and infrastructural improvement. The outcome of these projects is still to be fully evidenced, but the engagement of the private sector is primarily project instrumental in the sense of promoting a specific business sector.

U-LEAD has arguably taken a more comprehensive approach to engaging both the private sector and civil society. It has thus supported efforts aimed at increasing the attractiveness of AHs for business investors and in that context facilitated 6 partnership hubs that serve as a platform for dialogue between LAs and businesses. 4 public-private partnership initiatives for local development have been supported (in Zhytomyr, Trostianets, Truskavets and Dolyna).[98] These initiatives aim at including the private sector more comprehensively in LAs planning process with a view to create a more conducive framework for businesses. And U-LEAD has also supported the outsourcing of services to the private sector, thus also strengthening the role of business in service delivery.

As concerns CSOs, U-LEAD has organised over 200 dialogue events with civil society and numerous media training sessions. Radio and television programmes have been produced and broadcast in cooperation with public media organisations. This has facilitated citizen participation in community development to foster the promotion of good governance. This included a specific focus on women and youth involvement in

[95] See e.g. EU (2017): Establishment of the automated system for energy resources monitoring for the budget institutions of the city and thermo-modernization of the Palace of Culture and the Sports complex buildings with the use of renewable sources.
[96] Article 2 Law on Fundamentals of the Regional Policy, passed in 2015.
[97] OECD (2018): *Maintaining the Momentum of Decentralisation in Ukraine*, OECD Multi-level Governance.
[98] U-LEAD (2020): Empowering citizens and municipalities in Ukraine.

community decision-making.[99] U-LEAD also designed a e-learning course on 'citizen involvement in decision-making processes'.

EU has also supported CSOs that work with LAs to promote improved accountability, not least in terms of service delivery. One such example is the project 'A Partnership for All: Developing Strategies for Socio-Economic Cooperation Between Roma Communities and Local Authorities in Ukraine' in which Roma communities were organised into community action groups that acted as interface with LAs. Based on interviews, many of these have proved sustainable and they give voice and influence to Roma minorities, although they are still struggling to get increased funding at LA level, as Roma issues are still seen as divisive and with limited political up-side for LAs.

Thanks to the project 'Different communities – Joint decisions for economic growth' councils of entrepreneurs has been created in 10 *hromadas* of Chernivtsi oblast, including groups of young entrepreneurs within their framework. It was mentioned during interviews that direct connections and channels of business interaction with the LAs have appeared.

In case of CBA in targeted communities the community-based organisations (CSOs) were created that became local leaders. Interviews reveal that, the elected CSO heads became ATH heads in the process of decentralisation in some communities (e.g. in Volyn oblast).

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

The most comprehensive efforts have been made by U-LEAD which has aimed at improving transparency, scrutiny and dialogue with citizens and local businesses. At its core U-LEAD encourage public engagement in LA affairs as an instrument to promote transparency and accountability in local governance. Concretely, these include ethics trainings and the promotion of transparent public procurement processes. This is especially the case of component 2 where transparency is also linked to the introduction of e-governance reform and the piloting of ASCs. According to the mid-term evaluation of U-LEAD, the ASC concept extends equitable administrative services to all corners of the country, thereby improving relations between the citizens and councils, furthering transparency and accountably, and mitigating potential irregularities and corruption malpractices. Overall, the ASCs symbolise the reform and send a strong signal of change towards a more citizen-oriented and inclusive local government system.[100]

U-LEAD has also engaged citizens much more directly in LA management and have detailed training on citizen engagement. Moreover, under component 1, U-LEAD has also been increasing the scope of networking and exchange of lessons and experiences in citizen- oriented service delivery and local economic growth between administrations, councils and civil society representatives as well as contributing to the inclusion of improved methods in general administrative practice.[101] According to interviews, U-LEAD in cooperation with USAid (DOBRE) also supports work on audit mechanisms as well as setting up appropriate mechanisms for information exchanges between LAs and CSO.

Private sector has also been involved in the above-mentioned public-private partnership where LAs have outsourced part of their service. However, the mid-term evaluation of U-LEAD argues that there is still scope for more PPPs including in technical and environmental services as well as municipal assets management that have a substantial potential for private business sector involvement. This includes waste management, facility management, building owner advisory and management, selling and buying of municipal properties, rental/leasing of municipal car fleets and machinery, and roads and parks maintenance.[102]

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

In the U-LEAD context, there is evidence of more collaborative arrangement on local governance with more inclusion of various stakeholders in decision making processes. PPPs have also made for stronger and more robust collaborative arrangements.

Prior to U-LEAD, the CBA also engaged with local communities at the lowest level to give them voice. The final assessment of the CBA stresses the importance of local institutions that bring individuals together as a part of facilitating their agency having a voice and how LAs in turn listened to these voices which made their organisations stronger in delivering efficient, effective and accountable services.[103]

The LED focused engagements clearly also have elements of enhanced collaborative arrangement aimed at improving economic governance in a way that stimulate and catalyse increased private sector activity. The private sector also got a limited voice in terms of the specific sector that the engagement aimed at (e.g. tourism, cooperatives or organic agricultural production) but this seldom translated into wider voice and collaborative partnerships beyond the specific project. Limited systemic changes seem to have been

[99] Ibid. and EU (2019): U-LEAD phase II action document.
[100] EU (2019): U-LEAD mid-term evaluation, p18.
[101] GIZ (2017): U-LEAD Inception report.
[102] EU (2019): U-LEAD mid-term evaluation, p39.
[103] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine, p73.

produced (and that hasn't been an objective either). However, these initiatives nevertheless demonstrate the potential or more structured and institutionalized partnerships between especially the private sector and LAs.

LAs contribute to reconciliation and stability (I-6.1.4)

There is limited direct engagement on reconciliation and stability engagement in the projects selected for in-depth study, not because it is not a priority area but primarily because it is dealt with in specific projects targeted at this.

Thus, EU supports a UNDP project on Restoration of Governance and Reconciliation in Crisis Affected Communities of Ukraine. The objective is to promote reconciliation and stability by developing the capacity of the local and regional authorities to develop policies, plans and budgets that are based on equal and meaningful participation by women and men, particularly the most vulnerable, in the decision-making process. Based on interviews, the project promotes participatory and gender-sensitive approaches to development budgeting and planning, implementing e-governance tools, and enforcing anti-corruption practices in all local government operations will restore and improve public services.

However in a wider context U-LEAD and Regional Policy Support can be construed as attempts to strengthen state legitimacy by making LAs more efficient, responsive and resilient, thus using decentralization to support the image of the Ukrainian system as a post-Soviet democratic counter-model to the kleptocratic 'Eurasian' political template.[104] This in turn is clearly also seen as a stabilising factor, especially in regions characterised by contest state legitimacy.[105]

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

With empowerment of LAs, also comes the issue of strengthening accountability to ensure that these LAs use their newly granted powers in the way envisaged. The U-LEAD project is providing rather intense support and guidance to both central and local government levels, but that is clearly time-bound and there is still a need to design appropriate institutionalised accountability mechanisms. However, a key element has been the establishment of the prefect structure. Prefects, once operational, may execute state oversight over local self-government bodies and, where the constitution or other laws are violated, suspend decisions of local councils. For the prefects or a similar institution to start becoming operational, however, parliament has to move ahead with adopting the necessary constitutional amendments, while also ensuring that such amendments are not de facto re-centralisation.[106]

Currently there seems to be an absence or ineffectiveness of the system of supervision and control of LAs regarding the legality of their activities, and the ineffectual judicial system and law enforcement agencies, which could also adversely affect the decentralization reform and undermine its legitimacy. The establishment of the institution of prefects has previously been suspended due to a delayed constitutional reform process, whereas control and supervision functions have already been removed from the prosecutor's office. This creates additional risks of violations of legislation in the course of the decentralisation reform at the local level. [107]

Thus, evidence from interviews suggests there is room for further improvements in upwards accountability, but this is linked to a complex political process of constitutional amendments in which AUC also plays a prominent role in ensuring that the interests and rights of LAs are being considered.

Strengthening horizontal accountability (I-6.2.2)

Horizontal accountability is about the procedures, regulations and laws that shape the incentives and frameworks for both local administrative staff and LA politicians. Designed well, it provides strong mutually reinforcing accountability. The decentralisation process in Ukraine has had extensive focus on this aspect and has designed and implemented new guidelines and training modules on aspects such as ethical behaviour of administrators and politicians, European code of conduct for persons involved in local and regional government, European code of good administrative behaviour. All this is meant to support the establishment of effective accountability mechanisms at the LA level that can help implement core legislation such as the law on 'services in local self-government bodies' and the law 'On prevention of

[104] Romanova, Umland (2019): Ukraine's Decentralization Reforms Since 2014: Initial Achievements and Future Challenges.
[105] However, this outcome is not certain as there are also indications that local elite capture and resistance to decentralization can in some instances fuel instability and conflict. See e.g. Bader (2018): 'Decentralisation and the risk of elite capture in Ukraine' in Umland (edt.): Ukraine's Decentralization: Challenges and Implications of the Local Governance Reform SPPS.
[106] Ibid.
[107] Ukraine Centre for Independent Political Research (2017): Decentralisation in Ukraine: Achievements, expectations and concerns.

corruption'. According to interviews, conflicts between local administrative staff (especially mayors) and local councils are a matter of proper checks and balances between the two centres of power and a consequence of imperfect legislation. A possible way to prevent and resolve these conflicts may be to re-elect both the local council and the mayor.

Strengthening downward accountability (I-6.2.3)

Downward accountability has been a key issue for U-LEAD and many activities have been made to address this aspect. Perhaps most fundamentally has been the introduction of subsidiary as the guiding principle, which has transferred both functions and fiscal powers to LAs, the latter implying that LAs can retain 60% of local personal income taxes.[108] Thereby direct accountability links has been established between local taxpayers and local councils, allowing local residents to gauge and sanction local service delivery and local socio-economic development. This creation of a local compact between LAs and citizens (also described above) is perhaps one of the most important outcomes of the decentralisation process in Ukraine.

As a consequence of more power being devolved to LAs, localised CSOs have also intensified efforts to promote accountability on e.g. minority rights. E.g. the project for cooperation between Roma communities and Local Authorities in Ukraine has, together with an alliance of Roma NGOs, also increased pressures for more accountability of LAs vis-à-vis Roma minorities. Based on interviews, it has been often successful in terms of diminishing discrimination, but less so in terms of ensuring better funding for initiatives that support Roma empowerment.

1) CSO-LA - A Partnership for All: Developing Strategies for Socio-Economic Cooperation Between Roma Communities and Local Authorities in Ukraine; 2) Developing Strategies for Socio-Economic Cooperation Between Roma Communities and Local Authorities in Ukraine (part 2).

The CBA project can in some ways be seen as a pioneer in terms of promoting downward accountability approaches, e.g. by organising both formal and informal communities at the lowest level and up-linking them with LAs. However, the CBA accountability focus was arguably often limited to the implementation of the funds received, but clearly had the potential for upscaling, something U-LEAD has been taking on.

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

Decentralization creates participation incentives because under decentralized government elected officials and politicians have more power. Decentralization also stimulates voting because voters gain the opportunity to interact more directly with elected representatives about issues that are more familiar to them and, moreover, at a level of government that is physically and mentally closer to them. Increased participation includes that of minority groups who previously may have been underrepresented or disenfranchised. Especially U-LEAD has tried to deliver on these ambitions, but it is arguably difficult to judge with any certainty as the process is relatively recent. As stated in the U-LEAD phase II Action Document: The task of forming new organisations and forging new democratic relationships with a larger constituency of local citizens, would be challenging even in a stable policy environment. Instead, amalgamation has been accompanied by sector and fiscal decentralisation, in parallel with policy transformation, making the reform context both comprehensive and complex.[109]

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Increased LAs capacity and resources to deliver services. (I-7.1.1)

The most comprehensive efforts to increase LAs' capacity and resources to deliver services is undertaken by U-LEAD. The second component is thus targeted on improving local administrative service delivery through establishment or modernization of up to 600 locally adapted and well-functioning ASCs. The support to ASCs establishment is linked to the project EGOV4UKRAINE, which delivers broad e-governance support to Ukraine, including the establishment of web-based work processes and service delivery between government institutions, private sector and citizens at large using the *Vulyk* information system. This has created a robust platform for increased service delivery. Resource-wise the AHs are also strengthened as they received more funding from the central level as well as having increased scope for raising and retaining their own revenue (also related to I-7.2.1).

Moreover, U-LEAD also have extensive capacity development support to LAs for both general social service delivery as well specific interventions aimed at improving health and education provision. Training modules on these subjects have been designed to provide teaching on different approaches to the development of

[108] EU (2019): U-LEAD mid-term evaluation.
[109] EU (2019): U-LEAD with Europe: Phase II.

community-based social services that meet the needs of the community and the components of an integrated social services model. All ASC staff passed such training modules delivered by U-LEAD.[110]

A new ASC typically has five remote workplaces, extending high-quality administrative service delivery to residents of small settlements. So far, the ASCs integrated more than 100 types of services into the one-stop-shop approach, including registration of small business, real estate, civil status acts, notary services, and social services. The ASCs receive and hand out documents, but also provide certain services with access to registers etc. all provided in one premise which speeds up the case handling time. Supplementary services are also available in the ASCs, such as an ATM which receives payment for the services. In addition, up to 40% of ASC visit are now consultative rather than processing of documents.[111]

At the project specific level, there is evidence that e.g. the CBA delivered both resources to and capacity development for increased service delivery in core areas such as education, health, agriculture and waste management.[112] Moreover, the LED focussed interventions also provided both resources and capacity development to improve service delivery to especially the private sector, but primarily in one-off projects, but at times with the potential for longer term changes in public-private relations, that could also catalysed improved service delivery on a more permanent basis.[113]

All in all, EU has substantially supported the big efforts made to improve both capacity and resource availability at local level, with U-LEAD clearly being the most ambitious and systemic programme ever, revolutionising service delivery at local level.

Capacity to operate and maintain facilities for service delivery improved. (I-7.1.2)

The administrative services centres established with U-LEAD support, indications are that the LAs have the capacity to operate and maintain the facilities, but clearly greatly aided by the external support from U-LEAD and central government that eventually will be reduced. But current capacity seems to be in place and there is still strong commitment from central government to the process, even if not as strong as initially.[114] Indeed, sustainability emerged during interviews as a key driver for the decentralisation efforts supported by U-LEAD with the amalgamation providing a better revenue basis for the new LAs.

The facilities under LED projects could have issues in maintaining e.g. school (in Cowboyky) and training facilities (e.g. the centres for economic growth in the Difference communities- Joint decision project) as well as equipment for the cooperatives formed. The available evidence suggests that LAs have agreed to maintain the public infrastructure. The purchased equipment was transferred to the ownership of the LAs, as well as cooperatives in operational management for 7 years. For the functioning of cooperatives, LAs in 10 communities provided premises that were repaired either at the expense of local authorities or at the expense of citizens.[115]

As for the facilities renovated or constructed during the many micro-projects under the CBA, the final assessment states that the 'sustainability of the new local community organisations appears strong whether based around a school, a housing block or an agricultural service cooperative. The social side of institutionalized collective action appears to be an important element here, but pride in what can be achieved through the agency of organised interests is the most powerful motivator' (p.42).

As for the energy efficiency support under the CoM, there is inconclusive evidence at this stage, but clearly capacity development of relevant staff is a key ingredient in the support, with the aim to ensure proper maintenance and utilisation of the automatic transmission of energy indicators and the appropriate use of these indicators to reduce consumption.

Citizens and businesses receive higher quality of LA services / products (I-7.1.3)

A key entry point and interface for citizens when engaging with reformed institutions are the ASCs. Here the mid-term evaluation of U-LEAD took an on-the-spot sample of feedback from citizens, delivered in letterboxes in the ASCs, which indicated high levels of satisfaction with the service provision and expressed demand for expansion in the menu of services available. U-LEAD itself report that 91% of residents in amalgamated *hromadas* are satisfied with the services they received from the ASCs, with only 2% being outright dissatisfied.[116] In the LED initiatives there are no similar user feedback samples to draw on but they engage closely with local business, and gauging their options on the quality of LAs services and products

[110] See e.g. https://u-learn.org.ua/p/b38285
[111] U-LEAD (2020): Visual report 2019-2020.
[112] DIIS (2017): Assessment of Community Based Approach to Local Development in Ukraine.
[113] E.g.: The M4EG support project Cowboyky has established a school on LED for young entrepreneurs on how to start new businesses especially with the hospitality sector. However, the sustainability and demand for this school is still to be evidenced.
[114] EU (2019): U-LEAD mid-term evaluation.
[115] Interview with representative of Bukovyna Communities Development Agency.
[116] U-LEAD (2020): Visual Report 2019-2020.

will be a task for the field phase. According to the interviewed heads of cooperatives, the services provided by LAs (mainly repair and transport services, providing meeting space) were of adequate quality.

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

Both resources and management capacity has increased in EU supported LAs. Most systematically and comprehensively in the AHs where U-LEAD has provided extensive training and restructuring that has significantly upgraded their capacities to respond both to routine tasks (e.g. primary education and health care) as well as more specific issues such as environmental protection. Resources have also been made available by increasing both internal and external funding streams to (reforming, under U-LEAD see I-7.1.1) LAs and all LED and CoM projects also provided additional investment funding, as did the CBA in the context of the numerous micro-projects. In addition, capacity development has also featured prominently in the project-specific engagements, often in the form of training and exchange of experience, but in the case of U-LEAD also a fundamental reform of incentive structures which a view to make these more performance oriented.

The U-LEAD also supported LAs in the conflict affected areas in the eastern part of Ukraine with tailor-made interventions that address their unique needs (see also below in I-7.2.2).

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

The LED project can be seen as an attempt to address specific local challenges (youth unemployment, low incomes) by seizing specific local opportunities (e.g. leverage local traditions for tourism promotion as in Cowboyky). In the case of the energy efficiency initiatives under the CoM, they respond to locally identified energy challenges (e.g. such as automatization in the Ukrainka city council). In the CBA project, communities were selected according to their socio-economic development indicators, using a special rating developed by UNDP. The poorest communities in the partner rayons that really needed support were selected. The support they received was considered by interviewees as a real impetus for the further development of these communities.

According to oblast representatives, the cooperatives created under the project "Different Communities - Joint Solutions" met local needs in the processing of agricultural products and generating more added value in the villages.

As concerns security and displacement challenges at local level, EU has, through the UNDP implemented project ‘Restoration of Governance and Reconciliation in Crisis Affected Communities of Ukraine’ aimed to boost the LAs capacity to improve community security and social cohesion in government controlled areas of Donetsk and Luhansk. Also, in the conflict areas, EU has, again through UNDP, provided Mobile ASCs (i.e. vans with an office inside) which has also been an innovative way to respond to the unique situation in eastern Ukraine while also serving rural citizen with limited mobility.

All in all, LAs have been able to respond to emerging challenges better, thanks in part to EU assistance. This is also supported by the fact that voluntary tax compliance at LA level has increased in amalgamated *hromadas*, an indication that taxpayers increasingly trust that their local politicians and administration will address the local challenges.[117]

7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage (I-7.3.1)

At the macro level, the LA related reforms supported form an integral part in the wider reform processes in Ukraine (e.g. within PFM and PAR) and there is thus robust political ownership of the process, often a key precondition for sustainability. This has generally been the case since early 2014. U-LEAD’s support is clearly also helping to institutionalise decentralisation and local self-governance into the fabric of Ukraine’s governance structures and society’s expectations. While the reform is not entirely irreversible, there is a high degree of path dependency. The creation of empowered and accountable municipalities, which are successfully contributing to better service delivery and local development, generates its own momentum, which is reflected in continued political and public support. However, at lower levels there have been reports of some resistance among the Rayons that are fearing they are being emptied of resources and responsibilities, but it appears that such resistance can be overcome.[118]

[117] Hamaniuk, Herrmann, Palchuk (2020): ‘Local versus global tax compliance? Or Go local, get tax compliance?, Draft.

[118] Bader (2018): ‘Decentralisation and the risk of elite capture in Ukraine’ in Umland (edt.): Ukraine’s Decentralization: Challenges and Implications of the Local Governance Reform SPPS.

Also, at the macro level, EU clearly monitors the political will that is crucial both directly for the U-LEAD programme but also for shaping the macro political context for the individual projects. Indeed, EU has invested quite significant analytical resources in gauging political developments, including in the decentralisation space.

However, at project level it is more difficult to assert the degree to which the EU is continuing to monitor political will at the individual LA level (excluding U-LEAD). An example of political will at the local level can be the project 'Difference communities-Joint decisions' where 10 newly amalgamated communities in Chernivtsi oblast joining their efforts and created regional association of LAs and applied for a project under M4EG. Based on interviews, the leading role was played by Hlyboka Settlement Council, which was one of the implementing partners in this project.

At the individual project EU has generally also been assessing political will to implement and, crucially, maintain the infrastructure and systems support. Thus, in the case of automated energy monitoring in Ukrainka municipality, the LA had itself committed counterpart funding and human resources to the project further evidencing strong political will at this stage. Similarly, with the LED project, where the design documentation (including the concept notes and 'description of the action' notes) had strong emphasis on political and policy backing for the interventions.

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions. (I-7.3.2)

Financial sustainability of the local government development centres (or resource centres as they are also known as) is a pressing concern with the future ownership and financing not clarified.[119] Moreover the ASCs are also having issues of sustainability as they depend on leadership backing and a robust quality assurance system, both of which can be easily jeopardised. Nevertheless, the current outlook is cautiously optimistic with strong LA commitment, high quality services, good user feedback and strong monitoring of quality levels.[120] The gradual migration to providing e-services may lower marginal cost over time and hence also offer better sustainability prospects. The government's transfer of responsibilities and resources, supported by capacity development measures carried out by U-LEAD and others, is leading to new decision-making and delivery processes in the AHs that probably have a lasting impact.

As for the AHs themselves (arguably the core part of the decentralisation reforms) they have hitherto been able to sustain the structure and services they offer. Clearly, the AHs supported so far include the first AHs, which actively embraced the reform and benefitted from new functional transfers, better service delivery and a significant increase in local revenues, notably, by retaining 60% of personal income taxes and with improved access to regional development funding and state transfers. Observations from the mid-term evaluation also suggest that AHs do not seem to experience unfunded mandates nor high staff turnovers.[121]

The capacities to implement EU supported interventions has clearly also been addressed in the vast majority of projects. Most systematically, in U-LEAD but also in individual projects, capacity development plays a key role. However, in the project specific engagements (e.g. LED and energy efficiency ones) capacity development has to a large extent been equated with training, risking ignoring other crucial elements that promote capacity development.[122]

EU interventions integrate other sustainability factors (e.g. existence of exit strategies) (I-7.3.3)

A basic premise of the U-LEAD programme is that amalgamation will improve financial sustainability, as the numerous very small LAs are not able to generate sufficient revenue nor to have sufficient capacity to deliver services. In that sense sustainability is in the DNA of the U-LEAD.[123] The programme is implemented closely with and primarily through the relevant authorities at central and local levels and hence the implicit exit strategy is that these will continue to use the systems, procedures and methodologies established. In general, this seems to be a highly likely outcome with strong government ownership and a legal framework adjusted to facilitate the continuation of activities post-project. However, there seems to be a need to continue especially the capacity development activities that have been crucial in delivering the results achieved.

Thus, according to the mid-term evaluation of U-LEAD, the continuously evolving training framework (currently managed by U-LEAD and delivered by consultants) should eventually be taken over by e.g. universities or other training institutions. For this, an appropriate exit strategy to test such transfers should be tested during a second phase of U-LEAD. Another issue concerns the U-LEAD capacity building

[119] EU (2018): ROM U-LEAD Component 1.
[120] EU (2019): U-LEAD mid-term evaluation, p31.
[121] Ibid.
[122] As argued convincingly in EU's backbone strategy on institutional assessment and capacity development, Brussels, 2009. For a critique of TA and training focused projects in Ukraine see: Leitch, (2016) Assisting Reform in Post-Communist Ukraineand EU-STRAT (2019): Evaluating EU's Assistance to Ukraine.
[123] Interviews with U-LEAD staff, June 2020

measures which are continuously upgraded, while a long-term exit strategy regarding future ownership and financing of the LGDC/Regional centres is not clarified.[124]

While the need for capacity building will be reduced as the amalgamation process comes to an end, the LAs will still have to adapt to the government's embryonic national training system for public officials at central, regional and local levels (under the National Agency in Ukraine for Civil Service), and e-learning, which is increasingly important for national outreach across the entirety of Ukraine.

As for the CBA project, the independent final assessment argued that institutional sustainability was high as the local communities had strong ownership of the outcomes, but still needed financial and political backing from higher levels of government.[125]

As for the LED projects, there is typically an implicit exit strategy consisting of a mix of public and private commitments to maintaining infrastructure (often a public commitment) and continuing activities (e.g. cooperatives and production of services and goods; often a private commitment). Finally, the discrete energy efficiency projects are typically associated with cost savings in terms of energy use, which should provide a robust exit and sustainability strategy.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation. (I-7.3.4)

Again, U-LEAD has been in forefront of addressing the institutional set-up of LAs with a view to strengthen the sustainability prospects, building on e.g. the results of the regional policy support programme which strengthened the financial sustainability by institutionalising an increased revenue stream to LAs (see above). Moreover, U-LEAD has also worked to institutionalise the capacity development measures that are critical for sustaining the service delivery levels and accountability structures.[126]

CBA was in that respect arguably more 'faith-based' with the assumption that the communities would be strong enough and LAs supportive enough to ensure continuation of activities, without actively aiming at improving and institutionalising the LA framework conditions. However, the CBA has arguably been correct in that assumption, as the LA framework has improved and because local communities generally proved capable and committed.

The LED projects also display somewhat optimistic assumption of LAs being institutionally capable of (and willing to) sustain the infrastructure provided. Thus in the case of the of the M4EG project 'Youth-driven Organic Business Cluster in Baranivka amalgamated community' the project document states, under institutional sustainability, that 'The project will support creation *of Organic Community Trade and Training Centre,* which will provide office premises for a communal entity – *Agency for Organic Community Development.* The latter is to serve as a focal point for local development initiatives. These institutions together with organic business cluster entities will provide sustainability of the project outcomes and impact.'[127] However, it is unclear if LAs have committed to continue financing such centres and agencies, obviously an institutional sustainability issue.

For the energy efficiency projects, there is generally high awareness and integration of LAs institutional role in promoting and maintaining systems that promote better energy management. Clearly most of these projects have LAs as the key beneficiary and hence the ownership and focus is on making sure that the improvements are institutionally sustainable.

[124] P26. Moreover, the ROM report on component 2 reports that the weak government-led coordination and standardisation in relation to the development of ASCs has a negative effect on the sustainability of the new ASCs. (Particip, 2017). Subsequent developments seem to have reduced this sustainability concern as more effective coordination is being put in place.
[125] Pp42-43.
[126] See e.g. Particip (2017): ROM U-LEAD component 1.
[127] EU (2018): DoA. Youth-driven Organic Business Cluster in Baranivka amalgamated community, p28.

Annex 2 - List of persons consulted

Name	Organisation	Position
Natalia Starostenko	EEAS Kyiv	Sector Manager, Local development
Mira Didukh	EEAS Kyiv	CBA Manager
Simone Raudino	EEAS Kyiv	Sector Manager, Economic, Trade and International Financial Cooperation
Benedikt Herrmann	EEAS Kyiv	First Secretary, Policy Officer for Decentralisation and Sectoral Reform
Iryna Hubarets	EEAS Kyiv	Sector Manager - Competition and Economic Cooperation
Raudino Simone (M4EG)	EEAS Kyiv	Sector Manager, Economic, Trade and International Financial Cooperation
Andriy Bandura (CoM)	EEAS Kyiv	Sector Manager, Energy- Gas related issues and Nuclear Safety
Sergiy Ladnyy	EEAS Kyiv	Projects Manager, EU4PAR
Bastian Veigel	U-LEAD with Europe	GIZ Programme Director of U-LEAD with Europe
Ludmyla Rabchynska	Deputy Minister of	Mininstry of Digital Transformation
Cecilia Chroona	Embassy of Sweden, Kyiv	Counsellor/Head of Reform Cooperation
Pavlo Kovtoniuk	Former Deputy Minister	Ministry of Health of Ukraine
Marat Kyurchevsky	USAID Ukraine	Project Management Specialist
Nelya Malko	Bukovyna Communities Development Agency, Chernivtsi oblast	Head of Bukovyna Communities Development Agency, Chernivtsi oblast, implementing M4EG project: Different Communities – Joint Decisions for Economic Growth
Oleksandr Slobozhan	Association of Ukrainian Cities	Executive Director
Iryna Boiko	UNDP	Regional coordinator in Volyn oblast (CBA Project)
Halyna Bolyukh	Agricultural Service Cooperative “Rador”, Radisne village, Krasyliv rayon, Khmelnytska oblast	Head of Agricultural Service Cooperative (CBA Project)
Ihor Mosin	Cooperative “Rukshynskyi”, Chernivtsi oblast	Member of the board, involved in M4EG: Different Communities – Joint Decisions for Economic Growth
Hryhoriy Vanzuriak	Hlyboka Amalgamated Territorial Hromada, Chernivtsi oblast	Head of Hlyboka Amalgamated Territorial Hromada and involved in M4EG: Different Communities – Joint Decisions for Economic Growth
Viktor Sikalenko	Halytsyn Amalgamated Territorial Hromada;	Deputy Chairman for Humanitarian Affairs and Social Policy & Head of the CSO “Sustainable development club “Pivdenna initiative”, Mykolaiv oblast
Volodymyr Kuchma	Kipti Amalgamated Territorial Hromada, Chernihiv oblast	Head of Kipti Amalgamated Territorial Hromada (U-LEAD)
Susanna Dellans	SIDA	Programme Director for U-LEAD with Europe, Improved Administrative Service Delivery
Olena Ruditch	UNDP	Programme Coordinator, Local Governance and Decentralisation Reform, Recovery and Peacebuilding Programme, (CBA Project).
Benedikt Herrmann	EEAS, Kyiev	First Secretary
Neil Clarke	Minority Rights Group Europe	Managing Director and Head of Europe & Central Asia Programmes
Georg Milbradt	German Government	Special G20 envoy on decentralisation

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2007): Country Strategy Paper for Ukraine (2007-2013)
- European Commission (2011): National Indicative Programme for Ukraine (2011-2013)

- European Commission (2014, 2015): Special Measure 2014 and 2015.
- European Commission (2018): Single Support Framework (2018-2020)

2 EU reporting

- European Commission (2012): Implementation of the European Neighbourhood Policy in Ukraine Progress in 2011 and recommendations for action
- European Commission (2013): Implementation of the European Neighbourhood Policy in Ukraine Progress in 2012 and recommendations for action
- European Commission (2015): Implementation of the European Neighbourhood Policy in Ukraine Progress in 2014 and recommendations for action
- European Commission (2018): Association Implementation Report on Ukraine
- European Commission (2019): Association Implementation Report on Ukraine
- EUD Ukraine (2011): External Assistance Management Report
- EUD Ukraine (2012): External Assistance Management Report
- EUD Ukraine (2013): External Assistance Management Report
- EUD Ukraine (2014): External Assistance Management Report
- EUD Ukraine (2015): External Assistance Management Report
- EUD Ukraine (2016): External Assistance Management Report
- EUD Ukraine (2017): External Assistance Management Report

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the following interventions (see also details in the list presented in Table 1).

4 Decentralisation and LA-relevant studies

- Bader (2018): 'Decentralisation and the risk of elite capture in Ukraine' in Umland (edt.): Ukraine's Decentralization: Challenges and Implications of the Local Governance Reform SPPS
- Committee of the Regions (2010): Opinion on local and regional government in Ukraine and the development of cooperation between Ukraine and the EU
- Committee of the Regions (2018): Opinion on Eastern Partnership deliverables for 2020: The contribution of local and regional authorities.
- Committee of the Regions (2019): Opinion - Local and regional authorities shaping the future Eastern Partnership.
- Government of Ukraine (2019): Monitoring the process of decentralisation of power and local self-government reform, National Project of Decentralisation.10 September
- Hamaniuk, Herrmann, Palchuk (2020): 'Local versus global tax compliance? Or Go local, get tax compliance?, Draft.
- Harus (2020): In unity there is strength: The effect of decentralisation reform on local budgets in Ukraine, MA thesis, Kyiv School of Economics
- Leitch (2016): Assisting Reform in Post-Communist Ukraine
- OECD (2014): Territorial Review of Ukraine
- OECD (2013): Territorial Reviews: Ukraine
- OECD (2018): Maintaining the momentum of decentralisation in Ukraine
- Romanova, Umland (2019): Ukraine's Decentralization Reforms Since 2014: Initial Achievements and Future Challenges
- Ukraine Centre for Independent Political Research (2017): Decentralisation in Ukraine: Achievements, expectations and concerns

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note - Georgia

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List of acronyms and abbreviations

AA	Association Agreement
ADB	Asian Development Bank
ALA	Associations of Local Authorities
AOG	Administration of Government
CBOs	Community Based Organizations
CLLD	Community-Led Local Development
CoR	European Committee of the Regions
CORLEAP	Conference of the Regional and Local Authorities for the Eastern Partnership
CSO	Civil Society Organization
DCFTA	Deep and Comprehensive Free Trade Area
DCU	Donor Coordination Unit
DFID	Department for International Development
EAMR	External Assistance Management Report
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
ENI	European Neighbourhood Instrument
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
ENPI	European Neighbourhood and Partnership Instrument
EQ	Evaluation Question
EU	European Union
EUD	European Union Delegation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HRD	Human Resource Development
IFI	International Financial Institution
IPA	Instrument for Pre-Accession Assistance
JC	Judgement Criteria
LA	Local Authorities
LED	Local Economic Development
MFF	Multi-annual Financial Frameworks
MRDI	Ministry of Regional Development and Infrastructure
MS	Member State
NALAG	National Association of Local governments in Georgia
NIPs	National Indicative Programmes
OSCE	Organization for Security and Co-operation in Europe
PAR	Public Administrative Reforms
PIU	Project Implementation Unit
PMU	Project Management Unit
PPP	Public-Private Partnerships
RCC	Regional Consultative Councils
RDP	Regional Development Programme
RDS	Regional Development Strategies
ROM	Result Oriented Monitoring
SDGs	Sustainable Development Goals
SEAP	Sustainable Energy Action Plan
SIDA	Swedish International Development Cooperation Agency
SME	Small and medium-sized enterprises
SSF	Single Support Framework
TA	Technical Assistance
UN	United nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
UWSCG	United Water Supply Company of Georgia

Introduction

Country context

Ever since the "Rose revolution" of 2003 Georgia has been pursuing an agenda of ambitious reforms aimed at fighting endemic corruption and promoting democracy, the rule of law, good governance and a market economy. The revolution also marked a considerable reorientation toward EU, as the key geo-political ally and partner. In 2014, the EU and Georgia signed an association agreement (AA), which entered into force on 2016. This, along with the deep and comprehensive free trade area (DCFTA) agreement, builds a foundation for far-reaching Georgian political and economic integration with the EU. EU is now Georgia's main trading partner, but the country has also signed a free trade agreement with China, effective from 2018.

The poverty headcount ratio at the national poverty line declined from 36% in 2010 to 20% in 2018, driven by inclusive economic growth and roll out of social safety nets.[1] However, inequality and regional disparities has remained entrenched with Georgia having the second largest urban-rural welfare gap among twenty-eight countries of eastern Europe and Central Asia. The inequality between regions has been constant between 2003 and 2013.[2] Against this background the government has attempted to promoted stronger regional cohesion also supported by its international development partners, EU included.

Concerning the division of powers, Georgia has signed and ratified the European Charter of Local Self-Government in 2004. Local government is realized only at a single level: that of the municipalities which consist of three organs: the Council (*Sakrebulo*) is the representative legislative organ; the City Hall (*Gamgeoba*) carries out the local administrative responsibilities and is headed by the mayor (*Gamgebeli*), the executive organ. The head of the local government in the cities is called the mayor (*Meri*) and is elected. At the regional level, the Regional Consultation Council (*Sabcho*), does not constitute a level of local government, but is a consultative body of the governors (*Rtsmunebuli*) operating at the municipal level.

Since independence, Georgia has achieved significant progress in terms of enhancing legislative and institutional framework for local self-governance reform and decentralization. The key achievements in these areas include the adoption of the new code of local self-governance (in 2014), further amendments concerning citizen participation as well as the enhancement of decentralization demonstrated by the transfer of selected competences to municipalities and fiscal decentralization allowing municipalities to retain a portion of the local income tax in addition to property tax collected by municipalities.[3] However, Georgia remains a highly centralized country in terms of intergovernmental fiscal relations.[4]

Overview of the EU support to LA

EU has an extensive history of supporting local authorities in the country, with longest and financially most substantial being the support to regional development. Already in the 2007-2013 country strategy paper, the EU committed itself to the improvement of the capacity of local public authorities which were at that point in time newly established, but there were not specific plans for operationalising this commitment. In the 2011-2013 national indicative plan, this commitment was further detailed with the EU specifying that it aimed for enhanced capacities of local authorities to develop local and regional plans including in areas such as: decentralisation of functions and powers of central government and financial autonomy. This also with a view to strengthen local governments in line with the European Charter of Local Self-Government.[5] Finally the most recent macro-strategic framework, the single support framework 2017-2020 reiterates the support to local authorities, highlighting the need to improved local governance (especially anti-corruption) as well as the promotion of a merit based LA administration that promotes a fair and transparent implementation of human resource management principles.

Financially, the main support has been within regional development, which has manifested itself in two ways: Firstly as budget support to empower the government financially to implement the state strategy for regional development and secondly, complementary support in the form of e.g. technical assistance to implement the policy and support both ministry of regional development and infrastructure (MRDI) as well as regional development agencies and other local authorities. The objective of the support is to

[1] World Bank (2020): World Development Indicators.
[2] World Bank (2019): South Caucasus in Motion.
[3] See e.g. Jansky, Palansky (2020): 'Fiscal decentralization and equalization transfers in Georgia' in *Post-Communist Economies*, vol. 32, issue 1.
[4] Ibid.
[5] EU (2010): Georgia – National indicative plan, 2011-2013.

address the regional disparities between the regions by assisting central and local authorities in designing and executing effective regional development with most efforts and resources being allocated to the poorest regions.

EU has also supported LAs directly through e.g. energy related engagements such as the support to biomass technologies, under the Covenant of Mayors initiative, as well as support to infrastructure upgrades (e.g. wastewater management). Direct support to LAs also include improvements transparency, accountability and local participation in LA affairs.[6]

In addition, LAs from Georgia interact with members of the European Committee of the Regions (CoR) within the Conference of the Regional and Local Authorities for the Eastern Partnership (CORLEAP).

Table 1 Overview of EU-financed interventions to the support of local authorities in Georgia selected for country case study

D or C year	Title	Budget (mEUR)[7]	Typology	Implementing partner
2010	Support to Regional Development Reform in Georgia	18.3	A.1 National LA-specific frameworks (A.2 LAs' political financial and administrative capacities, A.3 Local infrastructure and related service delivery)	Central government, Private company, CSO - (I)NGO
2013	Support to Regional Development Reform in Georgia (Phase II)	31.2	A.1 National LA-specific frameworks (A.2 LAs' political financial and administrative capacities, A.3 Local infrastructure and related service delivery)	Central government, Private company, CSO - (I)NGO, EU MS
2017	Biomass Energy and Energy Efficient Technologies as a Sustainable Energy Solutions for Georgian CoM signatories	0.5	A.3 Local infrastructure and related service delivery	CSO - (I)NGO
2018	Implementing public oriented local governance in Poti and Abasha Municipalities (Georgia)	0.3	A.2 LAs' political financial and administrative capacities	Local authority
2017	Networking for Efficiency and Development (N4ED)	0.7	A.4 Local (economic) development	Associations of local authorities
2017	M4EG - Empowering Local Economic Opportunities for Sustainable Growth	0.6	A.4 Local (economic) development	Local authority
2016	Investment Support to the Kutaisi Wastewater Project (Georgia)	4.9	A.3 Local infrastructure and related service delivery	European entities

[6] NALAG is an active participant in CORLEAP, joint body of the CoR and six EaP countries' LRAs. CORLEAP has 3 members and 3 alternates from Georgia.

[7] Planned EU contribution

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

EQ1: To what extent has EU support to LAs been aligned with EU high-level priorities for LAs, the broader frameworks for EU external action and the priorities and needs of LAs in the Enlargement, Neighbourhood East and South regions?

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

As a trusted partner, EU has used its convening power to make central government address the framework conditions though increased dialogue and cooperation with LAs and, especially the national association of local governments in Georgia (NALAG) that provided impetus to both the legal and procedural framework guiding direct interactions between LAs and their citizen. EU has been a long-term supporter of NALAG, and this has enhanced its capacity to represent LAs and be the voice vis-à-vis central authorities.

At a more general level, EU has used the policy frameworks and instruments strategically in its engagements with LAs. EU has assisted in LA empowerment and increased localised accountability (e.g. by using NALAG). This has been aided by a government that had reasonable level of commitment to promote LA engagement and empowerment (I-1.1.3).

1.1.2 Involvement of LA/ALAs (JC1.2)

The available evidence suggests that there has been increased involvement of LAs and, perhaps even more notably, ALAs, over the evaluation period with NALAG playing an important role both in EU supported engagements. However, there are still clear limits to the degree that the government wants to devolve authority and engage them meaningfully in design and shaping of policy. While progress has been made (especially through NALAG), the approach of the government is highly incremental and gradual.

1.1.3 Adjustments to context change (JC1.3)

EU has been able to provide appropriate support commensurate with the (central) government's capacity and demand. EU, through more than a decade of support to LAs, has a robust understanding of the internal dynamics driving (and hindering) the decentralisation process and EU has been able to calibrate its support accordingly (I-1.3.1). The EU's knowledge and insight has also been a key driver of its increasing engagement directly with LAs and the NALAG, in the process encouraging cooperative intergovernmental relations and LA peer-to-peer learning. The incentives for EU to engage more directly with LAs stem from both the national context which has become more permissible for such engagements, as well as through the various instruments such as the CoM, M4EG, the CSO-LA facility and several LED projects (I-1.3.2). Overall, the EU has been reasonably agile and adaptive in a context that has been gradually changing with only cautious reforms in terms of decentralising powers and mandates. However, some (LA) voices argue that a more proactive approach could have been beneficial (I-1.3.3).

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

EQ2: To what extent are EU implementation processes and approaches adequate to achieving the intended objectives regarding support to LAs?

1.2.1 Appropriate EU engagement with LAs (JC2.1)

EU has been able to use the instruments and modalities to obtain relevant entry points for engaging with LAs, but also for improving centrally-dictated framework conditions that provide fora for LA central government cooperation (e.g. the regional development agencies). The financing instruments have allowed for direct support to LAs, through country specific ENI support but also thematic support to CSO and LAs (I-2.1.1) which also had strong support to ALAs. The regional policy development support consisted of both budget support and related technical assistance. This had limited direct focus on LAs but still relevant and effective, although with slower progress than initially foreseen. The M4EG and CoM (i.e. regional programmes) complemented bilateral ones with a clear thematic focus and expertise, that has made LAs become part of a wider EU family (I-2.1.2). While the EU has also engaged with IFIs (EIB and ADB), the degree of leverage and influence is still uncertain as the project is significantly delayed. What is certain is that the blending and multiplicity of financers have made the project more complex, contributing to the delays experienced. (I-2.1.3).

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Georgia is an important and close partner to EU, with a substantial development portfolio also in the LA areas. Based on EAMR reports and interviews with both EUD staff and partners, there are indications that staff is highly qualified, well trained, but are under-dimensioned with the tasks at hand. Despite this, the EUD can engage meaningfully LAs and ALA, but the intensity could be higher (I-2.2.1).

The knowledge and insights of NALAG (an ALA) have been leveraged in the design and implementation of a comparatively small engagement, but less directly so in the major ones. The long-term support to NALAG has made it an important dialogue partners and useful source of information, also beyond the individual projects supported. The project specific engagements have also been drawing on local expertise and knowledge (I-2.2.3).

1.2.3 Measured performance informing planning (JC2.3)

The biggest projects tend to more have detailed results and monitoring frameworks and external monitoring that strengthen credibility (e.g. ROM). Indeed, in several project improved monitoring has been a key objective (RDP and N4ED) which has also benefitted EU. However, both smaller and bigger projects struggle to monitor the process by which activities and outputs (relatively easily monitored) are translated into more qualitative impacts (I-2.3.1). Moreover, there is also limited evidence on the degree to which M&E data inform project managers and policy makers in ways that allow them to adjust and improved the performance in real time, but especially the CoM and the M4EG seems agile and responsive, whereas blended finance can add additional complexity that can undermine responsiveness to M&E findings (I-2.3.2).

1.3 Coordination and complementarity (EQ 3)

EQ 3: To what extent the EU interventions providing support to LAs and ALAs have been coherent, complementary and coordinated with those carried out via other EU programmes and by other partners (e.g. Member States, IFIs, international organizations) in the three regions?

1.3.1 3Cs of EU support with other donors (JC3.1)

Georgia is a small country and there are few development partners (incl. EU member states) active in the decentralisation space. EU is taken a pro-active role in overall coordination which is led by the government. However, there is only limited coordination within the LA / decentralisation sector at central level, with most coordination taking place at the project level (e.g. with USAID, GIZ and UN agencies, I-3.1.1). Joint programming and subsequent division of labour has been attempted in 2017 (with EU, MS and Switzerland), and joint analysis has also taken placed and informed the SSF and other programming exercises (I-3.1.2 and I-3.1.3). There is still scope for identifying possible synergies between EU and other development partners (I-3.1.4).

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

EU in Georgia has entered into partnerships that had some strategic elements to them and has also engaged ALAs (NALAG) with a more strategic perspective. EIB has also been used but there is still inconclusive evidence on the degree to which this has improved 3Cs as the project is delayed and complex. CoM and M4EG are probably better examples of strategic partnerships, the latter also having engaged with the World Bank. The partnership with EIB has so far not delivered on the ambitions due to delays, but the additionality is widely recognised.

2 Effects of EU support to LAs

2.1 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

EQ 4: To what extent has EU support contributed to increased engagement of LAs and ALAs as active partners in development and in EU external action?

2.1.1 Roles and mandates of LAs (JC4.1)

The EU has largely mirrored the central government's ambitions vis-à-vis the degree to which LAs roles and mandates should be improved. This has led to a cautious and technocratic approach that only gradually increased the involvement of LAs in public policy (I-4.1.1). This approach is also reflected in the way LAs are mainstreamed (or not) into EU interventions. While EU could arguably have been

pushing for further progress in terms of subsidiarity (e.g. using budget support as a lever for LA empowerment as done in Ukraine), EU has generally exploited the small openings for meaningfully engaging LAs, but again in a largely apolitical fashion, that largely has mirrored the central governments preferences (I-4.1.2).

2.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

The EU has made efforts to improve LAs political, institutional and financial standing, but mostly localised in specific municipalities or indirectly. EU has generally been supportive of the central government's decentralisation reforms, but they have been progressing slowly and with funding still inadequate and partly allocated by central authorities. The support to regional policy development had conditionality attached to LA obtaining funding for implementing regional programmes, but that was rather limited amounts and offered not much in terms of improving fiscal autonomy. Part of the elements in this programme were never fully implemented (RDAs) further reducing the funding sustainability. Bottom-up attempts have also been supported through LED initiative that aimed to improve the tax revenue base locally (I-4.2.1).

EU has only limited political relations with LA and ALAs, although the cooperation and support to NALAG has graduated to a more strategic level. On the other hand, LAs mostly have projectized relations with EU, thus being time-bound and focused by sector. However, more informal political relations are clearly also taking place especially between EUD, CoR and NALAG but also between EUD and the two sister initiatives of CoM and M4EG (I-4.2.2).

The LAs and ALAs are thus often perceived as implementers of policy and less so as independent actors in their own rights, which is also a recurrent observation from analysing the policy frameworks such as the association agreement, but especially NALAG has become an important partner to EU, also in the context of shaping the future policy frameworks for LAs (I-4.2.3).

While the EU has thus only provided limited assistance to LAs for the improved political, institutional and financial sustainability, it has also operated under a binding restraint dictated by the incremental approach of the central government, which has reduced the options available to the EU.

2.1.3 LA's knowledge about EU (JC4.3)

The knowledge of EU is generally high and positively viewed. NALAG has a long and extensive history of partnership with EU and other like-minded organisations and has hence also a robust understanding of the various policies and values, to which NALAG also subscribe. Most LAs (Tbilisi and Batumi excluded) are inherently weaker institutionally and have also weaker links with the EU but initiatives such as CoM and M4EG have raised the knowledge of both sector-specific issues (e.g. energy efficiency and LED) as well as wider EU norms and standards. (I-4.3.1).

There have been no EU-supported information campaigns targeting LAs specifically but NALAG has been proactive and had a continuous engagement with EU, that has also benefitted LAs in terms of information sharing and knowledge generation. CoR and CoE engagements have also contributed to the dissemination of information about EU values towards NALAG and LAs (I-4.3.2 and I-4.3.3).

NALAG and its members are actively involved in the activities of the CORLEAP where they have the opportunity to exchange experience with EU LAs and representatives of EU institutions,

2.2 LAs' empowerment and capacities (EQ 5)

To what extent has EU support to LAs contributed to sustainably enhancing LAs' institutional capacities through increased professionalism, transparent and accountable policymaking and autonomy?

2.2.1 EU support to national framework conditions for LAs (JC5.1)

The framework conditions for LAs have improved gradually and only incrementally over the evaluation period with EU supporting especially the regional policy frameworks that also have implications for municipalities which had the budget increased and also received increased political recognition as independent actors in the process (I-5.1.1). Economically, LAs are still underfunded but the EU has supported the improvement of their conditions, most directly through the regional policy development support programme, but also in more bottom-up ways, such as encouraging business development (e.g. tourism) and consequently the increase in taxable income. However, the LAs still have unfunded mandates and, in terms of own revenue generation (e.g. through LED), this has been further undermined by the corona pandemic (I-5.1.2).

2.2.2 LAs' strengthened institutional capacities (JC5.2)

There has been an improvement in LAs institutional capacities and the EU has supported this both in terms of supporting LAs through nationwide programmes, most notably the regional policy development support. The focus has been on planning and implementation capacity, but here is still inconclusive evidence on the degree to which this has translated into better service delivery, as that is still unfolding. The N4ED has also provided support to pilot municipalities within participatory governance and better M&E, which has made a difference in terms of capacity to monitor and evaluate, and approach has been more diverse in terms of going beyond mere training.

Support to individual LAs capacities have typically focused on a single purpose. For instance, LED engagements aimed to improve e.g. tourism development capacities of LAs. However, efforts have also been made to improve generic LED capacities with reported good outcomes, but now facing significant corona-related challenges (not least tourism). In the context of CoM, EU supported capacities on energy efficiency management and implementation, which has improved capacities in most of signatory municipalities, but with challenges in especially smaller remote ones where staff retention is an issue.

Across engagements, training seems to have been the most used modality for capacity development.

2.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

LAs have historically been hampered to act as catalysts for applying territorial approaches to local development, as they have had few discretionary resources and limited political power. EU has assisted in gradually improving the situation, most notably in the regional development policy support programme where attempts have been made to use both regions and municipalities as key actors in catalysing comprehensive territorial that can reduce the substantial regional disparities. However, there has been policy uncertainty as to the role of regions and the institutional set-up of these, which has delayed progress (I-5.3.1 and I-5.3.3).

Moreover, EU has also attempted to establish more robust platforms for comprehensive development planning that encourage participation of local businesses and community organisations, thus creating stronger networks, alliance and bottom-up accountability (N4ED). At regional and central level, the EU has worked with especially the MRDI to create strong links between all three levels of government in order to create more robust and sustainable development strategies, with quite promising results that have strengthened especially municipalities' agency and made the well positions to take advantage of the ongoing decentralisation process (I-5.3.2).

Finally, the regional development policy support had as its overall objective to reduce disparities between regions, but there is limited evidence on the degree to which this actually happened, even if a methodology for its calculation has been made. Nevertheless, indications are that EU has increased the resilience of the LAs in which it has engaged, both in terms of economic resilience but also to climate change (I-5.3.3).

To conclude, EU has attempted to improve the agency of LAs (from a low starting point) by linking the better and assist in more comprehensive territorial planning and subsequent implementation. In this process, EU has also assisted in increasing the inclusiveness of the development process by encouraging the participation of non-state actors. However, the outcomes have been most incremental and at the margin, potentially helping to pave the way for a more comprehensive decentralisation process that is starting to gain pace now (mid-2020).

2.3 Accountability, participation and local democracy (EQ 6)

To what extent has EU support to LAs and ALAs contributed to increased engagement with citizens, CSOs and the private sector – thus improving accountability and strengthening local democracy?

2.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

The efforts in this space can been characterised as incremental and initially localised. The private sector is obviously engaged in concrete LED activities under M4EG, but the scope is usually thematically confined and timebound, but the PPP approach may nevertheless prove permanent if successful. The N4ED is a more systemic attempt to have structed engagement of both the local communities and the private sector and initial indications are so far promising, which mainstreaming nationwide now happing, a clear indication of the value to the approach, than may also inform the current decentralisation process (I-6.1.1). Many of these initiatives also have strong focus on increasing transparency and dialogue among local stakeholders, whereas there is still limited progress changing the fiscal intergovernmental equalisation regime that could boost the process. Again, the N4ED is arguably the most systemic attempt here, having strong bottom-up institutional mechanisms for engagement of local stakeholders.

In addition, the M4EG has strong focus on fair, transparent and corruption-free practices (I-6.1.2). The outcomes in terms of improved local governance as still only partly evidenced and may take longer to fully emerge, but there are promising signs that pilot projects can meaningfully contribute to improving local governance (I-6.1.3). Only limited focus has been on using LAs for improving stability and reconciliation, with N4ED being a partial expectation in terms of improving multi-ethnic relations (i-6.1.4).

2.3.2 Accountability of LAs (JC6.2)

The framework conditions have only changed slowly and gradually, which has also reduced the scope for more transformative engagements in terms of improving accountability. However, EU has worked with especially NALAG (through the N4ED and previous projects) to strengthen horizontal and bottom accountability linkages through the engagement of community organisations and the local private sector. This clearly has the potential to increase transparency and embed the LAs more organically in their constituencies and improved participation of citizens, local CSOs and businesses. The methodology piloted by the N4ED is now being mainstreamed nation-wide potentially increasing impact considerably (I-6.2.2 and I-6.2.3). Work with the central ministry has unsurprisingly focused more on top-down accountability improvements through guidance, linkages and stronger monitoring. (I-6.2.1). Finally, the horizontal and bottom up accountability activities also aim to strengthen democracy at local level, by way of promoting transparency, inclusiveness and broader participation. Again, these are the ambitions, the reality is still to be fully unfolded, but the decentralisation process may prove to assist in this realisation. N4ED also assisted in fostering more inclusive and transparent planning and implementation processes, which is also one component of instilling a more democratic local culture (I-6.2.4).

2.4 Service delivery and response to local challenges (EQ 7)

To what extent has EU support to LAs contributed to effective and sustainable local service delivery and responses to local challenges?

2.4.1 LAs delivering quality public services (JC7.1)

Improving the quality of LA provided services has often involved capacity development of LAs as well as efforts to increase their budget envelope. This has been the case in both nationwide initiatives (regional development policy, although regions are not playing the role envisaged at project start) as well as in local specific interventions (LED and energy efficiency). N4ED has arguably made the most impact not necessarily directly in the 10 pilot municipalities, but more in terms of mainstreaming of the methodologies nationwide. These methodologies entail better inclusion of citizens and businesses in planning. Indications are thus that LAs do increase the production of 'outputs' (including development plans and concrete infrastructure) as a consequence, meaning that LAs have increased both capacities and their ability to access resources. EU support has hence increased the potential for better service delivery to the local citizen (I-7.1.1).

As regards the evidence of LAs being better able to operate and maintain the support facilities, indications are that most project have considered this a part of a wider sustainability strategy and hence provide capacity development and on-the-job training for LAs, including at times local politicians. In some cases, there is strong will to mainstream results (e.g. N4ED) but other projects have had sustainability potentially undermined by delays, cost overruns and the corona virus (I-7.1.2).

Finally, there are no independent surveys of how local citizens and businesses, perceive the quality of the changes induced by EU support, but anecdotal evidence from the field phase suggest general satisfaction but remaining challenges with delays and the impact of corona-virus.

2.4.2 LAs better respond to local challenges (JC7.2)

The EU has empowered LAs to respond better to local challenges, but mainly on a project-by-project and locality-by-locality basis, as there has been few systemic nationwide programmes to empower LAs (in particular municipalities) to chart their own development course. Rather nationwide support has tended to reflect central level priorities assisting LAs to implement those. However, local specific support has, perhaps unsurprisingly, tended to address local challenges. Eventually, the concepts that increase management capacities of LA from N4ED (a pilot involving 10 municipalities) will be mainstreamed nation-wide thus having wider impact (I-7.2.1).

EU has also supported LAs to address emerging challenges such as environmental degradation and energy efficiency, encouraging new concepts such as PPPs, but the outcomes of these innovations are still to materialise and the combination of delays and corona virus has undermined impact. The LED projects also tried to leverage the specificity of the locality for stimulating economic growth and indications are generally positive, whereas there is limited evidence of using LAs for addressing issues of security, reconciliation and refugees (I-7.2.2).

2.4.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

All EU supported engagements do have sustainability considerations in their design documentation, some more credible than others. However, the political will at central level to genuinely empower local authorities has been mixed over the evaluation period and there is limited explicit analysis of this by the EU and the project partners. The regional development policy support programme thus relied on commitment from a relatively narrow group in MRDI and once out of office, there have been challenges in ensuring proper funding and appropriate pace of implementation. At local level more efforts are made to analyse and solicit the commitment of decision makers and both the M4EG and CoM has robust checks at both design and implementation phase (I-7.3.1).

EU has made substantial efforts in sustainably increase the resources and capacities of LAs to implement the reforms and specific projects, and while most capacity development efforts has being translated into trainings and workshopping, there has also been strong emphasis on changing the underlying incentive structure to align municipalities towards sustaining and augmenting their capacities. At macro level, there has been limited progress in increasing the resource envelope available for LAs, whereas LED initiatives at local level may increase the tax base. However, the ongoing decentralisation process has a strong upside potential to improve the overall resource envelope for especially municipalities (I-7.3.2).

Most EU supported engagements have an exit strategy and all seem to have strong buy in from the local stakeholders, which should increase sustainability prospects, especially if they rely on commercially viable principles or have mainstreaming potential with central government supporting such mainstreaming (I-7.3.3). The institutional set-up of LAs in Georgia is often factored into both the intervention design and implementation modalities, with a view to strengthen sustainability prospects. Hence considerable focus on strengthening these institutional structures have been put in place, but there are concerns that the limited fiscal and political space for municipalities may undermine some of these efforts. The ongoing decentralisation process may change this (I-7.3.4).

Annex 1 - Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

EU has had strong and constructive dialogue with both central and local authorities throughout the evaluation period. It has used this as a platform for improving cooperation and engagement between the two levels of governments. Thus, the regional development support (phase II) included an institutional innovation in the form of establishing regional consultative councils (RCC) in all nine regions of Georgia. RCCs mandate and composition was defined by the Chapter 19 of the law on Local Self Governments of Georgia and the councils had (and continue to have) the role to support State Representative-Governor in the region in the area of socio-economic development. The members of the council are mayors, heads of *Sakrebulo* (elected council) and their deputies. The RCC is chaired by the governor of the region and meet on a semi-annual basis and review their individual regional development strategies (RDS) and yearly action plans.[8] Clearly here, the central government, represented by the governor, is dialoguing and cooperating with the region's LAs. However, the RCCs are still a relatively recent innovation and the development projects that are supposed to be a key activity of RCCs have not be implemented yet. Also, based on interviews, while municipalities were supposed to be strongly involved in the design of the programme, the real contribution was limited as the Ministry of Regional Development and Infrastructure (MRDI) became the de facto driver.

In a broader context, the work on local governance is discussed at government level in the Commission for Regional Development and there is in parallel a United Nations Development Programme (UNDP)-led donor coordination group on local government. Here indications are that there is only limited direct involvement of LAs, but the national association of local authorities of Georgia (NALAG) is actively engaged in most such fora.

The EU support project Networking for Efficiency and Development (N4ED) implemented by NALAG is an example of a project that engage an ALA in concrete yet also framework shaping dialogue with both LAs and central authorities. The project aims at improving service provision through the introduction of performance evaluation and monitoring, complemented by the creation of a platform for knowledge transfer between the LAs, facilitated by NALAG. However, as a preparatory activity, NALAG worked with the MRDI on the methodology for LA organization and citizen mobilization, as well as for identifying spending priorities of the municipal budgets. In this context, NALAG proposed legislative changes (draft amendments to the Organic Law on Local Self- Government Code) for institutionalization of direct citizen engagement by LAs. NALAG and MRDI reached agreement to introduce this and two other proposals in the new decentralisation strategy. They now continue to work for a better allocation of power to citizens in the elaboration priorities for public spending in their cities and communities.[9]

During the project preparation, NALAG also used its lobbing instruments to facilitate project-supportive decisions from the government and parliament of Georgia. This contributed to the restoration of the so-called 'village support programme' that will provide funding from the state budget to rural settlements for development projects. This was the result of extensive work by NALAG and MRDI on modification of the guideline for this village support program and NALAG also succeeded in incorporating its methodology for promoting community-led local development (CLLD) concepts into the policy framework.[10]

Thus, NALAG has been perhaps the most active partner in fostering dialogue between LAs (especially municipalities) and central authorities, with the direct or indirect assistance of EU. According to interviews carried out during the field phase, the central authorities have on their side also engaged in dialogue with LAs and NALAG although not consistently involved them in the design of e.g. the regional development policy programme.

[8] EU (2017): 'Delegation Compliance Assessment of General and Specific Conditions for Regional Development Policy and Management'.
[9] NALAG (2019): N4ED - Interim narrative report of N4ED, February 2018-January 2019, NALAG (2020): N4ED - Interim narrative report, February 2019-January 2020 as well as interviews.
[10] Ibid.

1.2 Involvement of LA/ALAs (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

The main impetus to the regional development policy reform process (which EU subsequently supported) came from the government, as a logical outcome of the government's drive to reduce regional inequalities, with the creation of the MRDI in 2009 being one element in operationalising this ambition.[11] It was mentioned during interviews that there was initially an agreement on progressively stronger involvement of LAs (e.g. in the projects that were supposed to be a key activity) but this did not materialise to the extent envisaged at design, as the MRDI took lead in the process.

Thus, the budget support elements of the EU support to regional development reforms was clearly built on the central government's priorities and financed the central government reform efforts. There is limited evidence that LAs have been closely involved in this (often they are not central parties to budget support operations) and the field phase confirmed the viewpoint.

As for the accompanying TA to the budget support, interviews reveal that this was appreciated by the government as it helped in meeting EU reporting requirements, but also reflected EU's needs and priorities.[12]

Most of the other interventions have limited description of the inclusiveness in terms of soliciting the needs of LAs in the design. Clearly, those focussing on local economic development (LED) and infrastructure have been primarily demand driven (CfP) with LAs developing funding proposals reflecting their priorities. Based on interviews, these clearly reflect local priorities and needs with e.g. M4EG providing support to LAs for articulating this in EU required formats.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

The regional policy support programme had as an explicit objective the aim of developing LAs capacities to plan and implement programmes. Thus, there was considerable focus on LAs ability to translate policy into practices, but according to documentation and interviews carried out during the field phase, there was limited systemic upward LA involvement in policy and political dialogue, as MRDI was the key driver.

On the other hand, the N4ED had a more explicit focus on building bottom-up capacities for policy development and dialogue. The policy dialogue elements were primarily aimed at LA internal policy deliberation and peer-to-peer policy dialogue (e.g. though national platform established by NALAG). However, NALAG, as a representative of LAs, clearly has participated in broader national level policy and political dialogue and key legislative changes, as described above. More broadly, NALAG has a long history of engaging in both political and policy dialogue with central government in various fora. EU has directly and indirectly supported NALAG for many years.[13]

The EAMR reports do cover local authorities and include a special section on the EUD's engagement with civil society and local authorities. Thus, the 2013 version highlights that the then new CSO/LA thematic programme priorities for 2014-20 were discussed with representatives of local authorities, indicating a good degree of involvement in the dialogue. What this dialogue resulted in is less clear and there is a tendency in the EAMR report that this section of the reports is primarily analysing CSO engagement and less so LAs.

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

The government has an ongoing dialogue with NALAG often in an informal manner but also formalised where needed. These mechanisms work reasonably well, and EU has supported NALAG capacity to participate in these.

1.3 Adjustments to context change (JC1.3)

EU's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

EU has engaged closely with Georgia ever since the Rose revolution and strongly supported its ambitions to have progressively closer ties with EU. The EU has thus also close relations with the government and has been broadly supportive of its policies, including the reforms measures guiding intergovernmental relations. The EU thus supported the constitutional changes of 2013 and the subsequent changes to the code on local self-government in 2014, which further decentralised powers to LAs.[14] This coincided with the launch of the first phase of the regional development support programme that supported and complemented the above-mentioned reforms. The regional policy

[11] Particip (2018): ROM report on Support to Regional Policy Implementation in Georgia phase II.
[12] As it is often the case with long-term TA. See e.g. EU Backbone strategy on capacity development.
[13] The N4ED is an example of direct EU support to an ALA.
[14] See e.g. Committee of the Regions (2019): Georgia – Division of Powers.

support programme and its incremental and gradual approach can be seen as EU recognising the limits and political appetite for pushing the envelope.[15]

In addition, EU has, with increased empowerment of LAs, also increased support to both supply and demand side pressures to improve accountability and transparency, using e.g. civil society organisations for the latter and capacity strengthening for the former.[16] Clearly, EU seems to have operated with good knowledge of the power dynamics between LAs and central authorities. EU arguably favoured highly cooperative strategies that aimed at linking LAs and relevant central authorities and used budget support with conditional tranche release mechanisms as a key lever to ensure proper incentives for progress. All in all, the available evidence suggests that the EU had knowledge about the dynamics and political space available to promote decentralisation and LA empowerment. In particular, the EU has allowed the (central) government to remain the key driver of the reform process. However, the process has proceeded rather slowly and cautiously, as there is the concern that promoting too much freedom and independence could risk catalysing uncontrolled (and possibly outside manipulated) political processes, which could ultimately compromise the territorial integrity.[17]

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

There are several direct incentives in place to engage with LAs and local actors directly. In the regional development programme, EU supports regional actors and LAs directly (in addition to central actors and budget support). Here, the EU worked with all nine regional councils and their constituent local governments. Also, the LED projects (under e.g. the CSO-LA, CoM and M4EG) are direct engagement with LAs, but typically limited in terms of time and scope. Clearly these projects are by design directed towards LA with only a supportive and framework providing role of the central government.

More systemic support is provided directly to NALAG in the context of the N4ED, where EU is aiming to sustainably improve service provision capacities through peer learning, performance monitoring and impact evaluation. In addition, according to interviews, EU has also engaged with and supported NALAG in other contexts, which has benefited both partners as EU has gained insights in the LAs' challenges.

While the annual EAMRs report do have a section where there EUD is supposed to report on its cooperation with LAs (and hence also provides an indirect incentive to do so), the relevant section is merged with cooperation with CSO and in the EAMRs studied, the focus seems to be on CSO, with limited distinct and segregated information on LAs (see also I-1.2.2).

EU adapted its engagement strategies with LAs (over a longer period of time) and seized windows of opportunities (I-1.3.3)

There have been gradual reforms during the evaluation period and no single 'window of opportunity' (as in 2014 in Ukraine). EU has supported LAs throughout the period and NALAG from its establishment in 2004. However, it is also clear that with the decentralisation accelerating after 2013, the EU has also increased its support to LAs as well as to CSOs engaging with LAs in a bid to both strengthen the capacity of LAs to full-fill their new expanded mandates as well as efforts to improve bottom and vertical accountability pressures on the LAs (e.g. using CSOs and public engagement initiatives).

EU has been instrumental in support parts of the legislative framework that allow for further decentralisation efforts and its long-standing support to e.g. regional development reforms have given it an appropriate entry point into the conversation and allowed it to design complementary actions.

Again, the changes have been more incremental than abrupt, and the EU has thus only gradually changed its strategies, arguably also reflecting the central government's priority to ensure a well-controlled process. However, both the number of LA-related projects and the overall value increased during the second half of the evaluation period as compared to the first half.[18]

It is the opinion of both NALAG and constituent LAs that the EU is aware of the position of LAs and does react to windows of opportunities, but *'does not actively seek to open them'*.[19]

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[15] It emerged from interviews that some of Georgia's other strategic partners have also warned against too rushed and fundamental reordering of central and local power dynamics as it could undermine stability.

[16] E.g. CSOs were driving the project entitled 'Strong Local Governance through Enhanced Civil Participation' and the 'Facilitating Civil Society Organizations Involvement in Municipal Reform Processes' whereas examples of the former include the support provided by e.g. the regional development program as well as N4ED and the 'Implementing public oriented local-governance in Poti and Abasha Municipalities'.

[17] See ibid. and e.g. Council of Europe (2016): 'Needs Analysis on Decentralisation and Local Government in Georgia'.

[18] From 2010 to 2013 EU signed 17 primary LA related contract totalling EUR 26m while between 2014 and 2018 it signed 24 contracts worth EUR 44m.

[19] Interview, June 2020.

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

ENI has financed the biggest interventions in the LA-space so far, including the regional policy development which has primarily allowed for engagement with central authorities, but also with regional and local self-government authorities that have become key stakeholders in the process. Judging from (possibly not fully unbiased) progress reports, LAs appreciate the support offered. Interviews with LAs, TA and government counterpart confirmed this broad conclusion, but also pointed out that progress had been slower than initially foreseen.

More exclusively, LA-focussed support is channelled through the thematic budget line especially the one for CSO and LAs, under which the N4ED is financed. Here, the EU has direct engagement without any formal obligation for engaging central authorities. Clearly, this provides an avenue for robust and focussed support to LAs and indications from the progress report and interviews are that this has provided NALAG and its LA member with a better platform for cooperation both between the LAs (p2p) but also in terms of becoming a better qualified partner in negotiations and collaboration with central authorities.[20] Other thematically-funded projects have also engaged directly with LAs in key areas such as; participatory budgeting, service delivery, strategic planning and implementing public-oriented local governance.[21] Here, some LAs have relied on CSOs to assist in the project proposals and reporting as they generally have a comparative advantage in complying with donor requirements, but also can provide qualitative inputs to the projects.[22]

The infrastructure-related projects, such as wastewater project in Kutaisi, managed by EIB and co-financed by EU, clearly responded to local demands for better water quality and wastewater treatment; and responded to identified local needs within the respective sectors and indications are that the facilities are appropriate for the Kutaisi and surrounding LAs. However, during interviews, concerns have been voiced about the additional procedural complications involving e.g. EIB that can delay the process. Similar concerns emerged for the LED projects financed through the M4EG facility, where the additional layer of including the World Bank for training was considered unnecessary.

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

The budget support under the regional policy development support included release tranche mechanisms that also included aspects related to the developing of capacities of municipal authorities.[23] However, the majority of funding was allocated to central authorities such as MRDI and other line ministry and central level agencies. As for the TA provided in for regional policy development, ROM reports generally assess this as a success story, arguing that the outputs produced have been delivered using an appropriate *'mix of international and local, and of junior and senior expertise, thereby reducing the costs of the outputs, ensuring high quality and good effectiveness'*.[24]

The CoM regional initiative have several projects in Georgia (e.g. Biomass Energy and Energy Efficient project) and they are clearly thematically focussed on assisting LAs in implementing sustainable energy policies, reducing their dependency on fossil fuels, improving the security of energy supply, and facilitating their contribution to climate change mitigation and adaptation. Here, the indications are that the initiative provided good support in the form of assistance in making a Sustainable Energy Action Plan (SEAP) that was the overarching framework for energy and that identified appropriate measures to be taken in order to improve energy efficiency in Georgia. The biomass project also aims to enhance the managerial and technical capacities of Telavi municipality to transform its SEAP measures into fulfilment of CoM commitments through implementation of the project. According to the progress report, the project is on track to achieve this by 2021.[25] The LA itself also highlights the strong network effects of the CoM initiative both regionally (e.g. meetings in Kiev) and nationally, although corona induced mobility restrictions have limited that now. It was also indicated during interviews that the CoM initiative

[20] NALAG (2019): N4ED - Interim Narrative Report, February 2018-January 2019,and NALAG (2020): N4ED - Interim Narrative Report, February 2019-January 2020, corroborated with interviews.
[21] See inventory for full list of these projects.
[22] Interview with LA staff from municipalities participating in the project 'Implementing local governance in Poti and Abasha'
[23] See e.g. GFA Consulting (2016): 2015-2017 RDP Mid-term Evaluation Report.
[24] Particip (2017): ROM report on Support to Regional Policy Implementation.
[25] EECG/Telavi municipality (2019): Interim Narrative Report February 2018-January 2019.

has, as of June 2020, 24 signatories that have direct relations with EU and became *'part of the extended EU family'*.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

The Kutaisi wastewater biogas project had an EU grant contribution of EUR 5m that complemented (or as the EU puts it, 'leveraged') EIB and ADB finance of EUR 276m, making total project cost EUR 280m. The EU grant will finance climate change mitigation measures, reduction of greenhouse emissions by treating wastewater flows to appropriate standards and achieving environmentally sustainable sludge disposal and clean energy generation (from biogas). The PIU comprises representatives from the Kutaisi municipality, as it is standard with such projects. It is difficult to evaluate if the EU contribution has made any real impact in terms of LAs more proactive engagement as compared to the counterfactual scenario of no EU support. Moreover, based on interviews at EUD level, the project is significantly delayed, something that may be attributed to the blending process which has complicated project preparation and set-up and inserted additional layers of responsibility thus de facto diluting individual responsibility among the many stakeholders.

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues (I-2.2.1)

Since the rose revolution, EU has increased the support to Georgia and the signing of the AA and strong free trade agreement makes EU Georgia's largest trading partner, all contributing to a strong partnership.[26] In addition, more than 300,000 Georgian citizens have benefitted from visa-free travel to the Schengen area since March 2017. This close relationship has also translated into considerable support to Georgia in general and to LAs in particular. Thus, Georgia is among the top 5 LA-related aid recipients among DG NEAR's 22 partner countries.[27]

The EUD delegation has one person focused on LAs for a number of years, providing continuity and professionalism in the management of the LA-related portfolio, whereas thematic staff is responsible for e.g. blended finance. Generally, the EAMR argue that there are several issues relating to the shortage and quality of human resources, dealing with assistance at the delegation and that EUD needs human resources reinforcements to match the growing responsibilities entrusted.[28] Clearly, more resources could be used for e.g. following up on the Kutaisi problem project, but arguably the main issue is inadequate implementation support by EIB and ADB.

In general, interviews revealed that the EUD staff is knowledgeable of and have insight into LAs affairs which is adequate for meaningful engagement with Georgian counterparts be it LAs, ALAs and relevant central authorities.

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs (I-2.2.2)

In general, the EAMR reports have limited information on specific LA-related support from HQ to the delegation. There have been LA-related training (e.g. on decentralisation and local development) in the form of training (incl. online courses) and workshops. This training and support have been appreciated by those EUD staff who have benefitted from it.

Use of external knowledge and data (e.g. from ALAs) (I-2.2.3)

The most evident use of external knowledge and data is arguably found in the N4ED project, where NALAG clearly has driven both the formulation process and subsequent implementation, building on the robust platform of knowledge and network it had from engaging with its members as well as that of the co-applicant, PMC Research Centre (a consultancy). This project is clearly benefitting from NALAG knowledge which has allowed for solid design and relatively quick project commencement.

There is less information available on such use of local sources in the design of the regional development policy project, as it would seem that the design (dating back to 2010) was driven by the central government and the EU delegation, complemented by EU-financed and -sourced TA.[29] Only gradually have LAs been included, but in what appears to have been a more top-down approach, in which the LAs were assisted and capacitated to improve development planning.

The Gori LED project and the Biomass (CoM) project also relied on local knowledge and data, with e.g. the energy efficiency project in Telavi municipality also relied on extensive power consumption information and agricultural waste management practices from the municipality. However, this was more

[26] EU (2019): Fact and figures about EU-Georgia Relations.
[27] As measured by per capita. See inventory report.
[28] EUD Georgia (2017): External Assistance Management Report.
[29] Se e.g. EU (2010): Identification Fiche for Sector Policy Support Programme.

context and project specific but clearly aided in the formulation and subsequent implementation of the projects.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

At macro level, the EUD reports annually in the EAMRs, but very limited information is given on LA-specific results and that is obviously not their primary purpose either.

At project level, most M&E system are based on the logical frameworks developed at the design phase. Indeed, a tranche release criterion in the regional development reform programme was that the government itself had proper monitoring of the programme, as expressed in e.g. yearly progress report compliant with the 'Monitoring Plan for the Implementation of the RDP 2015-2017'.[30] In the RDP support monitoring of regional discrepancies was a core part of the programme and this was clearly informing both the central government and the EU as well.[31] Similarly with the N4ED, where monitoring was also a key element in the project methodology where 'Performance Monitoring and Evaluation System' (PMES) formed a central element, in allowing LAs to improve their own monitoring quality, but also bringing in better information to NALAG and EU.

In general, there is often a 'missing middle' in terms of monitoring that can capture the process and outcomes *between* of very ambitious overall objectives (e.g. reduce regional disparities by empowering LAs) and the monitoring of outputs and activities (e.g. *'regional development plans written'* and *'regional councils formed and meets'*). This seems to be a persistent challenge, arguably reflecting the fact that it is easier to count and collect information on quantitative number of workshops, papers and meetings, than on more qualitative aspects of empowerment and accountability.[32]

As for biomass and wastewater project, these are arguably more easily monitored quantitatively (e.g. energy savings, quality of wastewater) than the more complex and multifaceted programmes. Similarly, for the Gori LED project, there is a long list of physical outputs (e.g. length of roads constructed, number of tourist centres, number of training beneficiaries) which provides limited informational value vis-à-vis the overall objective of raising income of small and medium entrepreneurs sustainably.[33]

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

The regional policy development support is the biggest and most closely monitored programme in the LA portfolio and the second phase of the project has reflected on the learnings. It emerges from interviews that both the M4EG and CoM are closely monitoring their portfolios and this clearly feeds back into the management. On the other hand, the slow progress in the Kutaisi wastewater project (as documented in M&E reports) has not enabled EU to change management approaches due to it being a small contributor with big institutional investors driving (or not driven) the process.[34]

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

EU engage in LA-related coordination & donor fora (I-3.1.1)

At national level, donors are coordinated by the Donor Coordination Unit (DCU) in the Administration of Government (AoG), a unit that is supported by EU (and USAID). AoG coordinates its external aid through policy-dialogue platforms such as the Annual Development Partnership Forum, chaired by the Prime Minister. The Forum gathers authorities of ministries of Georgia, and representatives of donor organisations with EU playing a prominent role. With participation from respective government agencies, six thematic working group meetings based on the following national priorities supplement the work of the forum: 1. Good governance; 2. Rule of law and justice; 3. Economic growth; 4. Human capital development; 5. Social welfare; 6. Sustainable Use of Natural Resources. All of these have implications for LAs.[35] The EU is a highly active participant in the general group and also in the working sub-groups,

[30] Se EU (2016): Compliance statement with conditions for the 2nd instalment under EU-sponsored programme-Support to regional development reform in Georgia'.
[31] However, based on interviews, no improvements were observed.
[32] The ROM reports on regional policy development do contain somewhat broader discussion on impact and sustainability, but they are also rather limited in the basis for the analysis, as they rely on project-generated data and knowledge.
[33] See e.g. Gori Municipality (2017): Empowering Local Economic Opportunities for Sustainable Growth - Description of action.
[34] Interview with EUD and EIB staff.
[35] See Government of Georgia (2018): External Aid to Georgia, 2017 Annual Report.

but there are concerns that conversations and focus on the groups are too 'long-listing' of ministries' needs and lack strategic focus and depth.[36]

At sector level and especially in the context of the regional policy development support, the EU Delegation has coordinated with other donors, most notably DFID, GIZ, USAID, UNDP/ADA, OSCE and the CoE as well as with the government. The focus has been on capacity-building at various levels (USAID 3G and G4G projects), strategic planning at regional and municipal level (UNDP , SIDA, CoE) and municipal infrastructure development projects mostly financed through International Financial Institutions (IFIs e.g. EIB, ADB, EBRD and KfW) via credits containing grant components.[37]

The EU-supported AoG also ensures coordination with wider public administrative reforms measures (PAR) and the LA-specific reforms under the local self-government legislation being implemented.[38]

The thematic group on good governance also include the engagement area of 'decentralization and support to subnational government' where the 'Strategic Partnership on Regional Development and Decentralization' sub-group engaged relevant partners including UNDP and USAid which are key player in the field. MRDI is, of course, also represented in this engagement area as the core counterpart, co-chairing the sub-group with UNDP. However, the number of actors in this space is limited (e.g. EU, ADA, SDC, GiZ, USAid and UNDP) and while EU engages in the relevant fora, much coordination and exchange of information takes place informally. While EU and MSs do not have formal positions in the sub-group, they tend to be well-aligned and work effectively together. It was indicated during interviews that the Strategic Partnership on Regional Development and Decentralization has also been instrumental in shaping the action plan of the decentralisation strategy and ensuring funding for its components.

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

Joint programming and analysis by the EU+ partners (incl. Switzerland), have informed the SSF and Member States programming exercises, back in 2017.[39] This analysis also included calls for 'intensifying support for and accelerating implementation of current decentralisation processes through supporting municipalities in-line with Georgia's concept of 'self-governance'/regional development at the local levels. There is limited information on project-level joint programming and indications are that this is limited.

Division of labour promoted (I-3.1.3)

There is limited evidence of *real* division of labour between the development partners, despite the joint EU+ analysis claiming that; at *sector* level, the EU+ will promote division of labour, support and call for Government-led coordination'. However, the EAMR reports that the concept of division of labour between the donors as such is not yet in place, but that the community of donors together with the donor coordination unit under the Administration of the Government of Georgia is quite well coordinated in terms of information sharing.[40]Informed stakeholders confirmed this and called for not establishing too complex set-ups when more informal and already established practices could solve most challenges.

Evidence that synergies between development partners have been exploited (I-3.1.4)

Again, there is arguably considerable ad-hoc and more informal coordination between the development partners, but the degree to which there are concerted and structured efforts to explicitly exploit synergies (e.g. the designs are factoring in synergistic efforts of other partners) is limited. Coordination is led by MRDI and is mainly focussed on avoiding duplication and exchange of information.

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

The EU has been (and is) supporting National Association of Local Authorities of Georgia (NALAG, the main ALA), but primarily as a project partner at operational level, less so at strategic political level. In N4ED, the EU is supporting NALAG to strengthen networks of municipalities in Georgia, with a view to introduced peer learning and benchmarking for improving development planning, implementation and M&E. Informed stakeholders stated that the EU has engaged NALAG in more strategic dialogue, and the various projects that EU has supported has also strengthening NALAG's capacity to engage in political dialogue/negotiations.

[36] EUD Georgia (2017): External Assistance Management Report.
[37] See e.g. EU (2015): 'Regional Policy Development Support, TAP, Annex 1'.
[38] Government of Georgia (2017): External Aid to Georgia, 2016 Annual Report.
[39] Concerning EU + Switzerland, see EU (2017): Georgia-EU+ Joint Programming.
[40] EUD Georgia (2017): External Assistance Management Report.

While the support to NALAG has been project specific, the partnership that has evolved is more than the sum of the projects. Thus, NALAG has a close relation with both EUD, CoE and CoR and is used as a trusted and well-informed partner.

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

Georgia is also a beneficiary of the global partnerships such as the M4EG (regional headquarter in Tbilisi), CoM and other international initiatives, supported by the EU. There have been reports that implementers of e.g. CoM (IFIs) have not paid sufficient attention to the EU visibility requirements. Against this background, stricter rules have been imposed.[41] In terms of M4EG, it has strong EU visibility (and share values) focus, actively engaging in Europe Days. However, M4EG solicits World Bank for evaluating LED plans and training. During interviews, that has been seen to be diluting ownership, but on the other hand, that has also been considered as a high-quality stamp of approval.[42]

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

The overall decentralisation process has proceeded cautiously and primarily dictated by the political will at the central level. Arguably, there have been concerns about too rapid decentralisation could be used by ethnic minorities to further undermine the territorial integrity in Georgia.[43] The EU has been obliged to operate in this context which has imposed restraints on its ability to empower LAs. Thus, the LAs supported under the regional policy development support have seen their ability to plan strengthened which may indirectly also boost their ability to partake in the more technocratic policy discourse around development planning and priorities. However, this has mainly been confined to the local a regional level whereas the scope for promoting LAs in public policy process national level has been limited. The EU has only, to a limited degree, used the budget support under the regional policy development support as a key leverage, somewhat contrasting to the experience in Ukraine.[44]

The N4ED is similarly technocratic, rather than political in nature, and has also been engaged in capacitating LAs to better plan and implement local and regional development policies. In the process, NALAG has arguably also been capacitated (more resources, better engagement with its members) which indirectly may also increase its political clout vis-à-vis central authorities. In general, NALAG is the main actor in the terms of public policy engagement and again, the support and contacts between EUD, CoR and CoE (in addition to other donors) has been rather continuous throughout the evaluation period and has also bolstered its capacity to engage in this space.

The interventions on biomass, LED and wastewater were not aimed at influencing national policy, but emphasised more the implementation of existing ones, as well as providing valuable services to LAs which may be replicated by others, thus potentially having a policy replication effect.

Clearly such technocratic and managerial capacity development has the potential to also underpin eventual wider engagement by LAs in public policies, but this potential has yet to be fully realised.[45]

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

The scope for mainstreaming LAs into implementation of EU interventions has been constrained by the limited political and fiscal space, although that is gradually changing. Thus, in EU's support to public administrative reforms (PAR, financially dominated by budget support), there is strong focus on supporting the role of CSOs in forging partnership with LAs and in making CSOs better able to network as a means to enhance their role in local policy making.[46] However, indications are that the translation of these initiatives have still to be fully unfolded, as GoG has also here preferred a gradual process.

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[41] EUD Georgia (2017): External Assistance Management Report..
[42] In addition, there have also been concerns about the quality of training.
[43] Council of Europe (2016): 'Needs Analysis on Decentralisation and Local Government in Georgia', corroborated by interviews with local stakeholders.
[44] In Ukraine, EU support to regional development was conditioned on more fiscal autonomy to LAs which was also achieved.
[45] For that, it was mentioned by a development partner that it is necessary to change the culture of central government viewing consultations and engagement as a non-obligatory added-on to policy making, arguably a legacy from the soviet times.
[46] EU (2015): Financing agreement on public administrative reform support – technical and administrative provisions, p6.

However, there are other EU-supported engagements where LAs involvement arguably could have been better mainstreamed, such as the project on 'Raising Awareness of local actors on the implications of the Association Agreement for Georgians' where only CSOs, local media and local teachers were involved.[47] On the other hand, the ENPARD-financed project 'A New Approach for Rural Development in Georgia', where local action groups were formed to promote develop Local Development Strategy that would oversee delivery of rural development programme. These local action groups had strong representation of LAs, allowing for better coherence with wider municipal initiatives and for enhancing sustainability prospects.[48]

As for the engagement in biomass energy and wastewater these can be viewed as EU supporting LAs in the implementation of the policies and strategies, but that does not amount to mainstreaming at higher level.

In conclusion and also consistent with both interviews of local stakeholders and the e-survey, EU has only to some extent mainstreamed LA participation into other programmes and projects, a key inhibitor being limited space for doing so, as the central government is proceeding with LA empowerment in only a gradual and slow fashion.

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

EU support for the government's decentralisation efforts have include the reforms introduced with e.g. law on self-government from 2015 which pioneered new methods for the LAs to increase funding both from central authorities as well as from locally raised taxes and duties. In principle LAs are completely autonomous in planning their budgets. Finances allocated from the central government budgets to the budget of LAs include special and conditional transfers and other receipts. However, in practices LAs remain dependent on transfers from the national budget as local revenues are too small and the equalisation system does offer compensation to the degree envisaged. Thus, the fiscal independence of LAs is restricted and fiscal decentralisation is effectively compromised.[49] According to interviewed development partners, there have been several attempts to address this issue and the new decentralisation strategy of GoG is also having substantial ambitions in terms of ensuring better funding for both regions and municipalities, but until know there has been only limited real progress and LAs remain underfunded and with very limited authority to raise own revenues.

The only direct attempt to increase funding for LAs is within the regional policy development support programme where the conditions for compliance stipulated that the State Budget Law should include provisions for the municipalities to be eligible for the Regional Development Fund allocations provided they had their co-financing. However, this funding had to be part of a regional development action plan and thus not at the discretion of the LAs themselves. In that sense there has still been constraints on the LAs fiscal autonomy. In addition, the envisaged regional development agencies (with municipalities on board) would also have been a funding source for LAs. But these never materialised as they were not part of a systemic approach, but as a project that did not align with existing structure. Based on interviews carried out during the field phase, some pilot RDAs were working as kind of NGOs attracting funding in an ad hoc (as opposed to long-term systemic) manner.

At the micro and local level LED efforts, such as those in Gori, can be seen as more bottom up efforts to organically increase local revenues by increasing economic growth and jobs, thus also increasing the local tax base. Interviewees added that these interventions have laser sharp focus on sustainability even despite the significant challenges of COVID19. However, this will arguably only be one minor element in the broader quest to boost sustainable and sufficient funding for LAs.

Direct political relations with LAs /ALAs (I-4.2.2)

The EU has had direct relations with the NALAG in a limited but still strategic way, in the sense that it aimed to promote better peer benchmarking among municipalities and support to better development planning and execution. While still ongoing, preliminary results are encouraging and may also have the potential for more strategic EU-NALAG relations that could eventually transcend the specific N4ED project.[50] Moreover, the project also has the potential for better relations with LAs and central authorities with e.g. the strengthening of NALAG being a key ingredient herein. It emerges from various interviews that the relations have continuously strengthened over the evaluation period. Again, the outcome of the

[47] EU (2015): ROM report on Raising Awareness of local actors on the implications of the Association Agreement for Georgians'.
[48] EU (2017): ROM report on A New Approach for Rural Development in Georgia.
[49] See also Committee of Regions (2019): Georgia – Division of Powers.
[50] See e.g. NALAG (2019): N4ED - Progress report for 2018.

various projects with NALAG is more than the sum of these individual projects, as the platform for dialogue that has been established allows for good political relations with NALAG.

The less systemic projects directly aimed at individual LAs (in the field of biomass, local governance, wastewater and LED) and have in various ways capacitated the LAs at the concrete level in terms of improving service delivery and infrastructure. However, this did arguably not elevate the EU – LA relations to a more political level, nor did it fundamentally change LA – central government relations.[51] The only partial expect may be the local governance project in Gori where EU support may allow citizen and local CSOs to engage more strategically and systemically with LAs.

The CoM is probably the initiative with most direct outreach to LAs (24 signatories in June 2020 and counting) which clearly helps to develop p2p relation between municipalities nationally and into EU, as well as creating a pan-European platform. According to field phase interviews, CoM signatories do express their appreciation of the direct relations with EU and the benefits this brings in term of knowledge, support and action.

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

At the macro level, the Association Agreement (AA) clearly reflects on LAs as a key element in strengthening multi-level governance as the AA perceives this to affect both the central level and municipal communities with special emphasis on ways to enhance the involvement of local stakeholders.[52] There is partial direct translation into the single support framework of 2017, where it is mentioned as an instrument to e.g. reduce regional disparities or improve service delivery. There is limited reflection on LAs being important subnational actors *per se*. Evidence collected during the field phase indicate that more efforts on the implicit (i.e. non documented) integration of LAs in future framework is taking place informally and in a non-binding setting with NALAG playing a role in informing the EU, as are the views from M4EG and CoM initiatives.

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU, including through EUD information campaigns (I-4.3.1)

NALAG has had long term relations with EU related institutions and other international organisations, many of which are promoting similar values to those of EU.[53] Indeed, the establishment was supported by both the CoE and EU in late 2004 and it has since then promoted the values and policies espoused in e.g. the European Charter of Local Self-Government. The NALAG thus have an inherent deep knowledge and sense of political direction that reflect the many shared values between EU and NALAG. The ongoing project N4ED is not directly related to the promotion of these values but can still be seen as the translation of a sub-set of these into concrete practices in particular the robust focus on participatory governance. There is no doubt that close and consistent interaction between EU, NALAG and like-minded partners have increased the knowledge and understanding of EU values and policies and that both CoE, CoR and UNDP has assisted in that process.

The degree to which local authorities themselves have been made aware of the policies and values of EU varies. In general, Georgia has a high level of EU awareness, as the country has consistently sought ever closer EU integration for almost two decades and EU has provided detailed information to the wider public, local authorities included. In general, 80% population consider relations with EU as good but local authorities are not the main source of information on EU (TV being that).[54]

The regional policy development support clearly generated LA interest in the obtaining funding, but the degree to which this also entailed obtaining knowledge about EU and EU values as regarding LAs and decentralisation is difficult to assess.

The smaller LA individual activities have more localised impacts and often objectives that are not closely tied to the values of EU's engagement with LAs as they tend to focus on solving concrete challenge such as energy provision, LED and wastewater, but clearly LAs gain more exposure to EU standards and also often gain more contacts with EU counterparts. The EU delegation have raised concerns that international organisations and IFIs are not complying with the visibility guidelines.[55] However, more

[51] Clearly, that has not been the objective either.
[52] EU-Georgia (2014): Association Agreement.
[53] E.g. The Council of European Municipalities and Regions (CEMR), Council of Europe, Network of Associations of Local Authorities in South Eastern Europe (NALAS).
[54] See: Ecorys (2019): Open Neighbourhood – Communicating for a stronger partnership – connecting with citizens across the Eastern Neighbourhood. The survey also revealed that local authorities are more trusted than central authorities.
[55] EUD Georgia (2016): External Assistance Management Report, p27.

recent information collected through interviews suggest that IFIs have improved their compliance with EU guidelines.

Both CoM and M4EG clearly also play a major role in disseminating knowledge about EU, primarily in the context of energy efficiency and LED, but even within these narrow sectorial areas, EU values of level playing field, zero tolerance of corruption, climate mitigation and environmental improvements were projected effectively. In addition, it was mentioned during field phase interviews that these initiatives also made the signatory LAs feel part of a wider EU-and-beyond network that has been drawing them closer to wider European norms.

There have been no campaigns specifically targeting LAs, but the EARM 2017 states that a large-scale communication support is planed that will highlight EU impact on the Georgian population. The most targeted measures appear to be the CoM and M4EG as well as those intermediated by the NALAG.

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

From the 2019 survey mentioned above it is clear that there is a widespread awareness among Georgian citizens of EU in general and about the projects in particular, which is plausibly also the case for LAs. NALAG is in close contact with EU delegation and other EU institutions, including CoR and CoE and interviews with both LAs and ALA have evidenced a pro-active approach to information soliciting, with EU (EUD, CoR, and HQ) generally responding appropriately furnishing LAs and NALAG with both relevant and comprehensive information.

LAs and NALAG also seek and exchange information and knowledge through the CORLEAP where they engage with EU LAs and representatives of EU institutions.

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

EU has engaged consistently with the central government over the evaluation period, with a view to improve framework conditions that could allow regions and later also municipalities to increase their planning capacity especially in terms of service delivery and infrastructure. Initially the focus was skewed toward enabling regions and municipalities to implement centrally determined policies (e.g. more deconcentration than decentralisation) but with especially the 2015 law of self-government, municipalities have become more actors in their own right.[56] The regional support has also provided better framework conditions for planning and budgeting that assisted LAs by providing more coherent and consistent policy framework. According to various interviewed stakeholders, the work with both RDP and NALAG has also helped to catalyse the now ongoing decentralisation process.

It also emerged from interviews that support to NALAG has indirectly contributed to incremental improvements in the framework conditions shaping the political and fiscal context LAs are facing. NALAG has, with EU support, consistently advocated for more space and voice for LAs often driven by evidence gather from its engagements with its member. Such engagements include EU finance project, including the N4ED where the Community-led Local Development approach piloted has been mainstreamed into national policy (e.g. the MRDI's village support programme). Similarly, NALAG has also worked with the government to get it to ratify the additional 'Utrecht' protocol on the European Charter of self-government, concerning guaranteed assurances of citizens' right to participate in the affairs of local authorities.

EU assisted LAs in accessing domestic resources (I-5.1.2)

The regional policy development support has been the most significant in terms of improving centrally allocated funding to LAs. This funding was primarily geared toward five areas: 1) infrastructure and environmental protection; 2) SME development and LED; 3) tourism development; 4) rural development; and 5) vocational education and broader Human Resource Development (HRD). Here the EU support was conditional upon central government progress in making resources available at local levels, which the government generally complied with. Still municipalities face considerable challenges: since 2016, the government amended the legislation and some parts of the revenues from the income tax has been shared with the municipalities. The drawback was the almost proportional decrease in the amount of the equalizing funds per municipality, which resulted in roughly unchanged total budgets. That at levels that were already very low.[57]

[56] See e.g. GFA Consulting (2016): 2015-2017 RDP Mid-term Evaluation Report.
[57] Council of Europe (2016): 'Needs Analysis on Decentralisation and Local Government in Georgia'.

Nevertheless the programme helped to raise awareness on the issue of unfunded mandates of LAs and has been one impetus to the decentralisation reform currently underway where LAs have a better revenue base (e.g. through the increased share of GDP being allocated to LAs and with substantial property being transferred to municipalities).[58]

The LED projects in e.g. Gori (under the mayors for economic growth) has implicitly an agenda of increasing the revenue base for the municipality as the project is expected to increase taxable income and profits also through increased economic activities from SME development, especially in the hospitality sector. The N4ED also have elements of LED, but that is only one among many. Nevertheless, increased economic development should, everything else equal, generate increased revenues for the municipalities.[59] Clearly, progress has been made, but various interviewees underlined that there are methodological challenges in attributing increases in revenue to the specific projects, further complicated by the corona crisis.

5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

Regional policy development support has perhaps delivered the most systematic capacity development efforts for LAs. Under this engagement EU has supported efforts aimed at establishing a training foundation by which local public servants can be capacitated, (of which at least 30% of are women). Training has been delivered to 2600 beneficiaries, which exceeded the target and the services delivered by the trained local authorities was subsequently evaluated positively.[60] The LAs have been capacitated within planning and implementation of service delivery to their citizen and businesses. However, interviews reveal that there is still somewhat limited evidence on the degree to which this capacity development has translated into improved service delivery as fundamental financing issues are only gradually being resolved.

The N4ED has also promoted substantial capacity development through the promotion of participatory governance and inclusive policy participation, which included methodological guidance to LAs. It also strengthened the LAs capacity to undertake performance monitoring and evaluation, which included methods for creating feedback loops from the M&E actives back to policy makers in order to maximise impact.[61] Training by both EU and Georgian experts have been organised in this context, in particular around the community-lead local development (CLLD) methodology. The CLLD methodology was also used to improve capacities around the design of municipal development strategies, which has been piloted in 10 municipalities. Finally, the capacities were also improved through the networking activities by NALAG that allowed key peer-to-peer learning and experience sharing for senior municipal managers. Key topics have included good practices in LED, youth development, social programmes, citizen participation and gender equality.[62]

In addition, capacity development under N4ED has also taken the shape of network establishment, mentoring among mayors and LA administrations. The dialogues and conferences showcasing best practices (complemented by international study tours) have also been appreciated.

Support directly targeted to individual LAs is more aimed at reaching the specific objectives of the engagement. The M4EG is covering around 75% of all municipalities and while part of the capacity development is tailormade to specific projects. Based on interviews, it also provides more generic support within LED, planning and PPPs in practices that helps permanently improve the service delivery to local businesses. Thus, the Gori LED project (under M4EG) had training for the staff of Gori municipal tourism development agency but also for core municipal staff.

CoM also provides significant capacity development support to its signatories, improving core capabilities within energy efficiency. However, according to interviews, a challenge is that especially smaller remote municipalities have weak absorption capacity and high staff turnover / migration, limiting impact. As for the bio-mass project (under CoM, but in one of the larger municipalities) the project also aimed to enhance capacities of local decision maker and staff in terms of installation and management of energy efficient technologies (including renewable energy).

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

Not relevant in Georgia.

[58] MRDI (2018): Decentralisation Strategy 2020-2025, and interviews carried out during the field phase.
[59] The N4ED consequently also coordinates with the M4EG initiative.
[60] GFA Consulting (2016): 2015-2017 RDP Mid-term Evaluation Report.
[61] NALAG (2019): N4ED Progress report for 2018.
[62] Ibid.

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

Again, the regional development policy support had, at its core, the ambition to reduce inter-regional disparities by focussing efforts on stimulating growth, using regions as the starting point, but also involving municipalities. The key focus was on strengthening both local and central actors' capacity to formulate and execute effective regional development policies and programmes, using EU principles and approaches as guiding examples.[63] It was mentioned during interviews that it also drew inspiration from EU's cohesion programmes.

The N4ED also clearly aimed to promote territorial development, encouraging municipalities to take a more comprehensive and participatory approach to territorial development. The 10 pilot municipalities have been encouraged to revisit and revise their municipal development strategies, using new and more comprehensive methodologies. Moreover, N4ED also holds the promise to mainstream successful approaches to many other LAs as NALAG has a strong ability to disseminate learnings to its members all over Georgia. However, N4ED arguably has worked on territorial development *within the existing framework conditions* rather than aiming at altering them in ways that could be more conducive to territorial development.

M4EG is also attempting to make municipalities better at catalysing economic growth by assisting in drafting economic development plans and helping in getting the implemented. However, M4EG is clearly focused on one aspect of LAs portfolio of responsibilities (LED) and cannot by itself push the boundary of what LAs can and cannot do.

LAs' have sustainable development strategies in partnership with local and central allies (I-5.3.2)

Again, the regional development policy support is the most prominent and comprehensive support to LAs in terms of strategic development planning. However, the partnerships in this engagement has been primarily top-down with the starting point being the central authorities (esp. the MRDI and the regional councils), but there is clearly a stronger interaction between all three government levels, municipalities included. However, core parts of the project (e.g. the RDAs) were never fully implemented and the centrality of a regional approach in promoting decentralisation has be partly replaced by more focus on municipalities and the future of regions as important actors may be diminished.[64]

The N4ED also had strong peer-to-peer alliance building as a central tenant of its support, with NALAG playing the obviously role in network provision and facilitation. Moreover, the N4ED has strong bottom-up networking characteristics with the community led local development methodology stipulating the involvement of local community organisations and business groups in development planning. Not as a one-off exercise but as a permanent feature that thus has the potential to cement this into lasting alliances and platforms for cross fertilisation. Both NALAG itself and the municipalities engaged have appreciated this and it has also institutionalised citizens, local CSOs and businesses relations with municipalities and codified such practices.

The LED, energy and environmental engagements also had elements of a multi-partner planning process but were generally less comprehensive in terms of the themes and breadth of types of stakeholders. While the breath may have been less comprehensive, it was mentioned during interviews that the *depth* of the M4EG networks in specific fields such as tourism, viniculture and IT arguably provides LAs with strong horizontal networks to tap into both nationally and regionally. Thus, the LED in Gori had strong involvement of relevant local businesses (especially within tourism and service sector) and the municipality.

Similarly, the CoM has also built strong alliance horizontally within energy efficiency, with signatories expressing strong satisfaction in the networking arrangements. Thus, the biomass project where the Telavi municipality have developed a sustainable energy action plan (SEAPs) that have encompassed both public and private partners where relevant (e.g. wine growing farmers with substantial agricultural residues), which also made it better able to fulfil the requirements of the commitment of the CoM policy.[65]

LAs' increasing resilience and reducing inequalities (I-5.3.3)

The Georgian society has polarised between increasingly wealthier urban areas and increasingly poorer rural and peri-urban areas, with the latter becoming devoid of people in their productive age. Against this background the government requested EU's support to a programme that would have as its

[63] E.g. The Cohesion Fund or the European Regional Development, See EU (2014): Action Fiche for Support to Regional Development – Phase II.
[64] The term *region* features only 10 times in the decentralization strategy whereas *municipalities* are mentioned 103 times.
[65] See EU (2019): Biomass Energy and Energy Efficient Technologies, Monthly project overview report.

objective to *'create a favourable environment for the socio-economic development of the country and its territorial entities to overcome regional disparities'*. Thus, the core of the programme was to reduce inequalities and at the same time increase resilience with particular focus on 'the polarity between Tbilisi and the rest of Georgia' as well as between urban and rural locations across Georgia, in particular remote mountain areas. Moreover, considerable efforts have also been invested in documenting the degree to which regional disparities are actually being reduced, and an advanced methodology has been developed. However, the government has not allocated sufficient resources to implement its regional policy and most resources are anyway sectorally allocated undermining efforts to favour backward regions. The current equalisation mechanism also tends to favour Greater Tbilisi and Adjara region (home to Batumi, the second biggest city and fast growing)

Increasing the *resilience* of LAs is arguably an inherent part of most projects, but often only implicitly. Thus, the regional development policy support aims to improve the framework conditions of the LAs, in the process increasing the economic and political resilience by increasing their revenue streams and increasingly treating LAs as independent actors in their own right. The biomass project, supported by the CoM, clearly also have a climate resilience aspect in terms of reducing CO2 emission but also in terms of reducing dependence on fossil fuels and also providing farmers with an income for agricultural residues that would otherwise have gone to waste.

The M4EG clearly also aims to improve economic resilience, through increase local business activity and interviews with both beneficiaries and managers confirm that the initiative helps improving the municipalities own capacities to raise revenue and create job, which in turn also promotes economic resilience. However, the centrally determined scope for localised revenue collection is still limited and the corona induced economic crises is also undermining gains made.

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

The N4ED is the most direct attempt to develop a more comprehensive approach to engaging both the private sector and civil society in the affairs of municipalities. Here the project has created local action groups, that consisted of both community-based organisations as well as representatives for the business sector in the pilot municipalities with a view to informing the formulation of the core economic and social development strategies.[66] The outcomes have, according to NALAG, been encouraging, and the central government has adopted part of the methodology in the nationwide legislative framework, thus mainstreaming the piloted approach, tapping into the decentralisation process. The project has subcontracted the Caucasus Research Resource Centre to carry out a study on "Citizen Participation in Policy Formulation at Local Level".[67]

Under the M4EG initiative, the Gori LED project is an example of involving the local private sector in the development process and also as a way to leverage the business potential for development outcomes. Here, the project aims to create strong public private partnerships within the hospitality subsector, attempting to leverage the private sectors views and proposals for improving the business environment.[68] A PPP working group has been established, but according to the project attendance has been falling, which may indicate sustainability challenges.[69] It should be noted that the engagement of the private sector is limited to the hospitality areas and thus does not amount to more systemic and comprehensive private sector engagement. Project managers resort that the project has been adjusted and filtered out those participants who were not relevant; hence attendance has dropped.

CoM also have elements of increased participation of citizen and private sector, such as the project in Telavi, where farmer groups have engaged with the municipality for agricultural waste recycling. Here, the municipality has entered uncharted territory as it has not engaged in this kind of PPP before. The tender for the recycling equipment has recently (June 2020) been announced so the impact and sustainability remain to be seen.

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

[66] EU (2017): N4ED – Annex 1: Description of the action.
[67] NALAG (2019): N4ED - Progress report 2018.
[68] Gori Municipality (2018): Empowering Local Economic Opportunities for Sustainable Growth – Annex 1: Description of the action.
[69] Gori Municipality (2018): Empowering Local Economic Opportunities – Progress report.

Overall, there have been concerns about the limited transparency governing both intergovernmental relations as well as the decentralisation reform process. The reform process that led to the land mark 2015 law of local self-government was at that point in time criticised by civil society, the oppositions, Transparency International and NALAG as being not sufficiently transparent and inclusive.[70] As for the fiscal transfer system a recent study has criticised the transparency and predictability of the current system arguing that the system was a de facto return *'to gradual centralization of tax collection, despite the proclaimed efforts to decentralise government power. Today, Georgia is one of the most centralised transition countries*'.[71] NALAG, supported by EU, has been active in calling for both better transparency in the reform process as well as in pursuing advocacy in the context of real fiscal decentralisation. The more recent step to implement the decentralisation strategy for 2020 to 2025 may usher in more transparency and dialogue as both NALAG, MRDI, donors and NGOs have been involved process which has also ensured engagement with LAs in all regions of Georgia, with NALAG being a persistent partner in this. While an action plan for the decentralisation strategy has been adopted, its full implementation remains to executed.

At project level, the N4ED has an explicit focus on supporting promoting *'inclusive, transparent and relevant policy formulation process in municipalities'* with the vision *'that local authorities should become guarantors for inclusive nature of economic growth at local level by using open, transparent and needs-oriented policy formulation process for local development'*.[72] The engagement of both the private sector (incl. PPPs) and civil society has a dual purpose of both informing the municipalities of the 'real' needs as felt by both local businesses and community groups through dialogues around development planning, as well as using this engagement instrumentally to increase bottom up accountability and external scrutiny. The degree to which these ambitious objectives are on course to be fulfilled remains to be seen, but the dialogues and engagements are progressing according to the latest progress report made available.[73] More important the engagement methodology of the CLLD has been incorporate into municipal practices nationwide, clearly creating a mechanism more structured engagement between LAs, citizens and local businesses.

The M4EG is also aiming to pioneer new ways of promoting PPPs through the formulation of local economic development plans, that institutionalise the engagement of the private sector. Moreover, the M4EG also highlights the need to have a business-friendly environment that ensures a level playing field for all private sector actors. As stated by M4EG itself:

'Zero tolerance to corruption, as well as commitment to the principles of good governance (such as participation, inclusiveness, accountability, and the rule of law), are pre-requisites to enhance confidence of the business circles, trust of the civil society, and general satisfaction of the local community'.[74]

The Gori LED is an example of a PPP whereby the project also aims to engage with local hospitality businesses, but it was highlighted during the field phase interviews that the project has limited ambitions in terms of increasing transparency and accountability.

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

The N4ED is clearly an example of enhancing voice and promoting collaborative whereby community organisations and the private sector engage in local development planning. Indications are that the project outcomes are providing a robust *'collaborative platform for accommodation of the diverse interest of local self-governing units in Georgia'*.[75]. Moreover, the mainstreaming of the CLLD concept also assists in enhancing voice and cooperation beyond the pilot municipalities, which is a significant achievement.

Also, the support to regional policy development aimed to get both central, regional and municipal authorities to participate in the formulation and implementation of regional development strategies for the 9 regions of Georgia. A key forum here was the regional development councils where stakeholders at multilevel government had a platform for dialogue and strategizing. Based on interviews, the outcome has been more inclusive regional development strategies, but the exact degree of LA influence and inclusion has been more consultative than participatory, although major changes are under way with the ongoing implementation of the decentralisation strategy.

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[70] See e.g. Transparency International Georgia (2015): The new Local Self-Government Code: Overview of the main novelties, as well as CoE: Needs Analysis on Decentralisation and Local Government in Georgia, 2015
[71] Petr Jansky: Fiscal decentralization and equalization transfers in Georgia, in *Post-Communist Economies*, August 2019
[72] EU (2017): N4ED – Description of the action.
[73] NALAG (2020): N4ED - Interim Narrative Report, February 2019-January 2020.
[74] M4EG (2019): 'Guidelines for structure and content of local economic development plans'.
[75] NALAG (2020): N4ED - Interim Narrative Report, February 2019-January 2020.

The M4EG clearly has improved the voice of private sector, both in the initial analysis, in drafting LED plans and in the implementation. Gori LED project is clearly focused on enhancing collaborative arrangements aimed at improving economic governance in a way that stimulates and catalyses increased private sector activity in the tourism sector. It is difficult to predict if this will translate into wider voice and collaborative partnerships beyond the specific project duration and limited systemic changes seem to have been produced (and that hasn't been an objective either). However, the Gori project nevertheless demonstrates the potential or more structured and institutionalized partnerships between especially the private sector and LAs.

LAs contribute to reconciliation and stability (I-6.1.4)

There is limited direct engagement on reconciliation and stability engagement in the projects selected for in-depth study, and generally the government consider this a sensitive issue, which has also been one of the key reasons for not accelerating the decentralisation process. However, the N4ED has a thematic group on multi-ethnic and -cultural municipalities with the aim of promoting including and cross-ethnic reconciliation.

The regional policy development support can be viewed as an attempt to increase macro-level stability by making the country less polarized and more resilient, in regions characterised by contested state legitimacy. However, there is no evidence that regional disparities have been reduced.

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

The regional development policy support is probably the only engagement that directly seeks to improve upward accountability by encouraging closer linkages between central authorities, regions and municipalities. The regional councils play a crucial intermediary role in both supporting but also doing appraisal in drafting and implementing their strategies and concrete projects. Moreover, the programme also assists in drafting guidelines. Strong monitoring of implementation by the ministry was also a key component.[76] The recently started decentralisation programme has stronger emphasis on accountability and has ambitions to use the open government partnership programme to improve upward accountability.[77]

Strengthening horizontal accountability (I-6.2.2)

N4ED has s strong focus on horizontal and peer-to-peer accountability. The project aims to address the *'unawareness of Georgian local officials about modern technics for participative and accountable governance'* with training in transparency and accountability to be provided to 20.000 elected and appointed officials, including head of departments for municipal economy and finance, as well as local CSO members.[78] Moreover the robust emphasis on performance monitoring and sharing of M&E reports (the so called PMES) clearly also increase transparency and also increase peer pressure between LAs participating in the network. According to informed stakeholders, the trainings and mentoring have made both local politicians and the local administration more aware of their respective roles and responsibilities in the accountability chains. A number of key performance indicators have been developed that set targets for the accountability achievements to be reached.

Strengthening downward accountability (I-6.2.3)

The N4ED has strong focus on downward accountability and many activities involving both community organisations and the private sector have been designed to address this aspect. Thus, the EU 'description of action' stipulates that local CSOs will be engaged in initiatives to improve the regulatory framework, performance, transparency and accountability of the participating municipalities.

In particular, the performance monitoring system is singled out to be a tool to improve accountability systems by providing local citizen and communities more information about how well their municipal is performing and where it could do better e.g. effective checks and controls for the utilization of public resources. The CLLD methodology has been instrumental in getting this functional and emerging finding suggest that citizens and local businesses both experienced greater insights into relevant municipal affairs (e.g. budget and planning process) as well as having been granted a greater voice.[79]

The M4EG clearly also has ambitions to strengthen downward accountability primarily to local businesses, but also to local CSOs, albeit to a lesser extent. As opposed to the N4ED, the emphasis is more on the concrete LED plans and their implementation and hence, the efforts tend to be more

[76] See e.g. GFA (2019): Regional development policy support – Progress Report.
[77] See the decentralisation strategy and interview with a development partner.
[78] EU (2017): N4ED – Description of the action, and NALAG (2020): N4ED – Interim Narrative Report, February 2019- January 2020.
[79] NALAG(2020): N4ED - Interim Narrative Report, February 2019-January 2020, corroborated in interviews.

timebound and project specific rather than systemic and scalable in design. Nevertheless, they ca also lead to permanently better government – business relations at the local level.

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

The local democratic culture can be supported through decentralization as it brings the government physically and mentally closer to the local citizen. As stated above, the degree and pace of decentralisation has been modest and there has been *de facto* centralisation as regards intergovernmental fiscal transfers.[80] The N4ED is arguably the project with the most direct attempt to cement local democratic culture by making governance processes more transparent and inclusive. Moreover, the project also builds on the results of a previous EU supported project entitled 'Mobilized civil society for local democracy' and seeks to further entrench the achievements in promoting local level democracy. Based on interviews, what is important of the N4ED is that parts of its inclusive methodology will be mainstreamed to all municipalities, thus contributing in a small way to a more democratic local culture but including citizens in decision making and increasing transparency. Finally, the NALAG is arguing that the work towards a more evidence-based assessment of municipalities through the performance monitoring and evaluation system is also a step towards better local democracy.[81]

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Evidence of increased LAs capacity and resources to deliver services. (I-7.1.1)

Financially, the most substantial effort to increase LAs' capacity and resources to deliver services is the support to regional development policy. Here both budget support and technical assistance has been provided. The budget support helped increase resources for regional development plans that benefitted both regions and municipalities boosting the fiscal ability to deliver on the plans. However, with the new decentralisation strategy, more emphasis is on the municipalities and the role and mandates of regions may be altered and reduced.[82]

The N4ED has substantial focus on capacity development, the project document stating that during *'the first year of project implementation we [NALAG] will implement massive capacity building campaign in our member municipalities to popularize CLLD and get commitment from municipal leadership for participation in the action'.*[83] Judging by the progress report from the first two years, this massive capacity development rollout is well on the way with both training of trainers (using EU experts from Latvia) and training of municipal administrators being implemented. In 2019, 50 municipal representatives took part in NALAG organised trainings and received information on community led local development as well as they received information on instruments of citizen participation and policy formulation. As a result of these trainings, the leadership of pilot municipalities was acquainted with the CLLD methodology. Experts of NALAG presented modified guideline for implementation of village support programme. However, their progress report (and to a certain extend also the project document) seems to assume that training activity, by itself, will raise capacity, when the literature on training suggests that many other factors also affect the capacities of the public sector.[84] In this context, NALAG has argued that, while training is a key component (and absorbing quite a bit of funding), training is complemented with on-the-job mentoring, peer learning (and peer pressure) as well as new methodological approaches and procedures that also affect the incentive structure and align it with better performance.

The biomass energy efficiency project had more explicit focus on capacity development for local decision makers (politicians) and local administrators in terms of cost-benefits of energy investments and the O&M implications (also important for sustainability, see below). As per the most recent progress report stakeholders Telavi municipality have been actively engaged in various stages of the project implementation based on its needs. The deputy mayor and head of economic development unit have been participating in day-to-day project activities, which ensure successful implementation of the project as well as strengthen their managerial and technical capacities for implementation of sustainable energy investment projects and CoM commitments.[85] However, it was highlighted during interviews that there are also risks involved as this is the first PPP whereby private farmers will provide biomass to

[80] Jansky, Palansky (2020): 'Fiscal decentralization and equalization transfers in Georgia' in Post-Communist Economies, vol. 32, issue 1.
[81] However, NALAG may in this case be confusing meritocracy for democracy.
[82] Two interviewed decentralisation expert viewed the future role of regions as uncertain and that the previous emphasis partly relied on the then minister's personal persuasion which was not widely shared.
[83] Description of the Action, p. 17
[84] See e.g. EU: 'Backbone strategy on Reforming technical cooperation' and EU: Toolkit for capacity development.
[85] Progress report for 2018, p3.

kindergartens for better energy efficiency and both partners are new to such partnerships. In addition, the project has seen a redesign which inflated costs but may on the other hand deliver higher energy efficiency.

Capacity to operate and maintain facilities for service delivery improved. (I-7.1.2)

The biomass project in Telavi has strong focus on beneficiaries being capacitated to operate the facilities with the use of locally available energy sources and generally simple technologies that have clear economic and environmental benefits.[86] It clearly has incorporated elements of both operation and maintenance into project design, with training for both politicians, administrators and implementors geared at raising the understanding of continued focus on these aspects (especially for politicians that allocate resources) but also focussing on how to manage budgets and monitor performance (for administrators) and the practical aspects of operating and maintaining the infrastructure (implementors). However, the concept of PPP is still an uncharted territory and the ability to manage the partnership between the private sector (farmers) and the public sector energy users (kindergartens) remain to be seen. However, concerted efforts are being made to strengthen the capacity for O&M.

The Gori LED project has strong private sector participation in-build and primarily relies on them to operate and maintain e.g. the marketplaces constructed as they have a clear interest in doing so (profit motive). The tourism information centre training facility has been assigned to the Gori Municipality Tourism Development Agency to operate and maintain and budgets should be in place to sustainably do so.[87] Based on interviews, some of the activities have relatively low maintenance cost (e.g. the park restoration) but the municipality has made strong commitment to both O&M of the infrastructure in an attempt to diversify tourism to include more than the Stalin museum and to make them stay longer.[88] Nevertheless, the corona virus is seriously undermining tourism inflows and there are questions to the municipality capacity to maintain funding for tourism infrastructure in a context of severely squeezed budgets and a fraction of the tourist visits envisaged. Clearly, interviewed stakeholders recognised that this was not possible to foresee at project design phase but constitute a main barrier to finance the O&M costs.

In the case of the wastewater facility in Kutaisi, a water company (UWSCG) is expected to take over the facilities and is being trained in O&M hereof, something it is well-placed to do given that it is one of its core competencies. Indeed, it is expected that capacity improvements of UWSCG will be able to implement similar projects in the future.[89] However, no implementation has taken place so far and EU's contribution has thus not yet made any (positive) impact.[90]

Citizens and businesses higher quality of LA services / products (I-7.1.3)

The documentation available at does not provide any indication of surveys or opinion polls as regards the satisfaction with EU supported service delivery through LAs. Indirectly, local CSOs have given positive feedback on the trainings in CLLD methodology and that citizens participation has increased considerably but that is of course a very loose proxy for the quality of the services. The M4EG growth also reports high satisfaction with businesses, but no quantitative independent information has been produced.

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

Resources and management capacities has increased in most of the supported LAs. Nationwide, this has been attempted in the support to regional development policy where both increased funding as well as management capacity in terms of development planning and execution were improved. However, the degree to which this programme has responded to specific local challenges may be questionable as the overall priorities (e.g. infrastructure and SME development) were centrally determined and the municipal plans were supported to contribute to regional objectives, rather than being stand-alone strategies. In addition, the focus in the recent decentralisation strategy has shifted toward municipalities and the role of regions has hence been somewhat reduced.

The N4ED has consistently aimed at improving management capacities of pilot municipalities through more inclusion (of e.g. citizens, businesses and NGOs) and better performance monitoring that would

[86] Moreover, staff is being trained on machinery operation. See Telavi Municipality (2019): Monthly project overview report.
[87] Gori Municipality (2019): Interim Narrative Report 2018.
[88] The Stalin museum is owned by central authorities with no revenues to the municipality.
[89] EU-EIB: Delegation Agreement: Investment support to Kutaisi wastewater project' 2017, p. 34
[90] Indeed, it was highlighted by interviewees during the field phase that blending finance can unintentionally lead to organizational / contractual complexity that can contribute to delays.

help municipal managers better gauge the need to adjust and adapt approaches. These approaches are now being mainstreamed nationwide.

More locally specific resources have been made available in the LED and CoM projects which has provided more funding (in the CoM as investment funding), that responded to specific local challenges, e.g. converting agricultural waste from viniculture into biomass energy in the wine region of Telavi. In addition, capacity development has also featured prominently in the project-specific engagements, often in the form of training and assistance in planning and implementation of LED under the M4EG.[91]

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

As mentioned above the N4ED is arguably the most systemic attempt made to increase the capacity to respond to emerging challenges by having an inclusionary approach to planning. However, while indications are so far positive, there is only limited information available on how this as translated into actual on-the-ground responses. Moreover, evidence from field phase suggests that municipalities are still faced with generally adverse framework conditions (limited political and economic autonomy) that structurally undermine their capacity to quickly respond to emerging local challenges. While the ongoing decentralisation aims to expand political and economic autonomy, this is still only an ambition.

As stated above, the biomass project in Telavi did respond to local challenges in agricultural waste management that were specific to the area. In Gori, the LED project can be seen as an attempt to address specific local challenges (youth unemployment, low incomes) by seizing specific local opportunities (e.g. leverage the Stalin museum and diversify into local fortresses and parks for tourism promotion). However, the impact has been severely reduced due to the corona crises. In the case of the wastewater project, it responded to the challenge that the Kutaisi region suffers from low quality water supply especially regarding coverage and continuity, as well as lack of adequate sanitation resulting in wastewater discharged untreated into the rivers with major impact on human health and the environment, including the Black Sea ecosystem. Again, various interviewed stakeholders mentioned that, due to severe delays, the impact has not materialised, and the degree of municipality involvement is limited.

Georgia, like Ukraine, also have areas that have been affected by conflict and has also seen its territorial integrity compromised, with related security and refugee problems. However, contrary to Ukraine, LAs have not been supported in addressing this issue systematically, a reflection of the central government's strategy for managing these sensitive and critical issues. Nevertheless, based on interviews, the ongoing decentralisation process can be seen as an attempt to gradually adopt a more empowering approach to municipal development.

7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage (I-7.3.1)

At the national level, EU clearly monitors the political will to e.g. uphold the principle of subsidiarity and commitment to wider democratic principles (e.g. CoR reports). A central issue is the degree to which there is genuine political will to the decentralisation process. Clearly there has been progress on some issues following law on self-government which was approved in 2015. However, a report from the Council of Europe concluded that *'higher political, financial and economic dependency ties local decision-makers to overwhelming accountability to central authorities, but less to the local population that results in latter's lower involvement and interest in local public affairs, as they are feeling almost no ownership over the decisions made or the revenues local budgets receive*'.[92] The government itself state that the *'rather limited powers of local self-governing units have prevented LAs from playing an important role in public life*'.[93] Similarly academic studies have found that Georgia has one of the most fiscally centralised transition countries.[94]

The modest progress that has been made in e.g. regional development policy does seem to indicate that while there was political backing right in the design phase[95], this did not persist throughout implementation as changes in the top level management and political leadership of MRDI meant a

[91] Indications from informed stakeholders are that the LAs perceive that this has improved the capacity to respond to local economic challenges.
[92] Council of Europe (2016): 'Needs analysis on decentralisation and local government in Georgia'.
[93] MRID (2019): Decentralization strategy 2020 – 2025, p5.
[94] Jansky, Palansky (2020): 'Fiscal decentralization and equalization transfers in Georgia' in Post-Communist Economies, vol. 32, issue 1.
[95] EU (2010): Support to regional development reform in Georgia – Action Fiche. This was driven by the government's commitment to reducing regional disparities was assessed.

gradually loosing of interest in the project.[96] Clearly some other non-fiscal powers have been transferred (e.g. water and amelioration/irrigation management powers have been granted to municipalities), but without reasonable fiscal autonomy, real political decentralisation has been limited, although the ongoing decentralisation process may eventually alter that.

There is generally limited explicit analysis of the political will in individual project EU, but the sustainability sections usually have some assessments at local level. Thus the biomass project in Telavi used the prior CoM commitments made when signing up to the covenant as a proxy for political commitment, but also emphasised that the local administration offer reassurance of policy continuity even if the local political scene changed.[97] Similar sentiments were also expressed in the N4ED where NALAG stressed the cross-party inclusiveness of the project and the organisation itself.[98] This seems to have been valid, as the project concepts are now being mainstreamed and hence seems highly sustainable.

The M4EG also has robust check in place for screening LED plans, that include evaluation of sustainability prospects. Most of the municipalities that the evaluation team engaged with were confident that the designs were having initially realistic sustainability strategies, but in some cases the corona virus has altered that.

Regarding the major investment in wastewater in Kutaisi, EU has also been assessing political will to implement and, crucially, maintain the infrastructure and systems supported, as well as detailed economic and financial analysis. However, whether the project will eventually be implemented is still a moot point and the design analysis failed to anticipate such severe delays and the complexities involved.

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions. (I-7.3.2)

As for the financial sustainability of the regional development policy support, the government did increase the funding envelope for LAs but this funding was mainly earmarked for specific sectors and there is limited evidence that the long-term capacities and resources were increased beyond the specific programmes and projects in the priority sectors. Nevertheless, municipalities still have very few resources at the discretion, and they are clearly reliant on central authorities less than transparent transfers.[99]

The N4ED had probably the most comprehensive support to capacity development for the pilot municipalities, with focus on core staff and politicians in the municipalities who were given training on development planning processes and implementation practices, issues that were not tied to a specific project. Capacity development of beneficiaries has thus been a key sustainability ingredient in most EU supported interventions, but as stated above, there are concerns that overly reliance on training may miss other aspects needed to ensure sustainability. [100] However, project staff argues that training is only one element of the concept (albeit dominating the budget) and that efforts are also made to ensure that the incentive framework is aligned to the objectives and that on-the-job mentoring and peer learnings are emphasised.

EU interventions integrate other sustainability factors (e.g. existence of exit strategies) (I-7.3.3)

Most interventions have a sustainability section in the design documentation, and it would seem as if there is a high degree of local ownership, with Georgia stakeholders in the driving seat vis-à-vis the formulation of the projects and their sustainability plans. Generally, this is a positive sign and improves the sustainability prospects of the given engagements.

N4ED is probably the project which aim to create most systemic and lasting impact with clear focus on municipalities core tasks and responsibilities within development planning. It is thus not tied to any timebound project in a specific sector and the close cooperation with the central government (esp. MRDI). This close cooperation was clearly a design feature and ensures a very sustainable exit strategy, especially in the recent more accommodating context of the decentralisation process.

The Gori LED project relies on both of public and private commitments to maintaining infrastructure (e.g. the training facilities which is a Gori municipal commitment) and continuing activities (e.g. private sector's production of hospitality services and goods). As the project document states, the private part of the sustainability strategy is *'independently sustainable as it generates opportunities for the private sector'*. However, these have been compromised by the coronavirus but in general M4EG have robust focus on sustainability aspect and the impact of corona virus could not have been envisaged. Finally,

[96] Interview with EU TA and UNDP, June and July 2020.
[97] Telavi municipality: Biomass energy project – Description of the action.
[98] NALAG (2017): N4ED – Description of the action.
[99] Jansky, Palansky (2020): 'Fiscal decentralization and equalization transfers in Georgia' in Post-Communist Economies, vol. 32, issue 1.
[100] As argued convincingly in EU (2009): 'Backbone strategy on institutional assessment and capacity development'.

the biomass energy efficiency projects (under CoM) are associated with cost savings as farmers can monetise agricultural waste, which should ensure long-term sustainability of the biomass supply chain.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation. (I-7.3.4)

The support to regional development policy has some sustainability concerns in the main design documents but these primarily relate to the commitment and capacities of the central authorities most notably the MRDI. This is also reflected in the ROM reports, where discussion on sustainability from the point of the municipalities is absent. In terms of the central level sustainability, evidence collected through interviews suggests the prospects are mixed as there has been a shift in emphasis towards municipalities with regions being deemphasised and partly defunded. However, the overall direction of the central government's policy is toward more municipality autonomy, which *ceteris paribus* will enhance sustainability prospects of other EU interventions, such as those under CoM, M4EG and N4ED.

All EU supported interventions in the sample do have sustainability consideration that in different ways also address the institutions set-up needed to ensure continuation of the activities started and the maintenance of the facilities and infrastructures established. E.g. in the biomass project in Telavi the description of the action states: '*The capacity building activity is considered as one of the key tasks of this action. In order to improve technical and management capacities of target groups (municipality staff) and direct beneficiaries (staff of selected public/municipal buildings) as well as ensure proper maintenances of newly installed renewable energy and energy efficiency technologies, the project will provide capacity building training and seminars. This activity is important because the awareness and knowhow of the local population on use and maintenance of these technologies is very low and should be improved to ensure the sustainability of the Action'*.[101] Indications are that the municipalities and the strong private sector interest in participating in the supply chain will boost sustainability prospects. Nevertheless, the PPP is a risky undertaking with both the municipality and the private sector being new and hence also comes with uncertainty as regards sustainability. All in all, it is considered a risk worth taking and, based on interviews, the municipality seems aware of and able to manage those risks.

The N4ED has the most systemic and institutionalized approach to enhancing sustainability chances, with a focus on capacitating existing structures and units with the municipalities, thus avoid a more projectized approach (e.g. no PMU and project specific staff that tend to be abolished / leave at project end). At the end of the project NALAG will sign a memorandum with all municipalities using the M&E system defining the obligation of municipalities to maintain and operate the system as well as it will stipulate obligation of NALAG to maintain the central database and provide assistance to municipalities in usage of the M&E system.[102] Moreover, the institutionalized engagement of both central authorities (e.g. MRDI) and local stakeholders (businesses and NGOs) also has substantial potential to underpin increased sustainability, especially if their engagement is perceived as impacting on municipal priorities. The ongoing decentralisation process thus underpins this.

The Kutaisi wastewater project has questionable financial sustainability as current fee and collection rates among users are inadequate to cover cost. However, EIB, obtained a commitment that the central government would subsidize the wastewater plant until the regulatory framework, including tariffs policy, and sector strategy and road map, was reformed. This reform would support investment sustainability in the long-term. However, the long delays and the complexities in the project may threaten implementation and, until know, the municipal involvement has been limited. Clearly, the project is having serious challenges that cast doubt on the project's overall feasibility.

Finally the Poti local governance project's sustainability strategy is one based creating a virtuous circle where CSOs/CBOs participate in the municipal planning, implementation and evaluation, which in turn improve the quality of service delivery of the municipalities which again will further encourage CSO/CBOs and the wider citizen to engage in local democratic activities. However, this virtuous circle is critically depended that the municipalities have the funding and political authority to meaningfully respond to the requests from the citizen and organizations also after project closure. Given the limited mandate of municipalities in Georgia this could prove a killer assumption, but both the municipal politicians and project staff are confident of the project being sustainable as the benefits in terms of transparency and citizens engagement are already starting to materialize. The e-governance aspects have proven especially relevant during the corona crises, further improving sustainability prospects.

[101] Telavi municipality: Description of the action pp7-8.
[102] NALAG (2017): N4ED – Description of the action, p22.

Annex 2 - List of persons consulted

Name	Organisation	Position
Irakli Khmaladze	EU Delegation	Project Manager, Economics, Regional Development and Public Finance
Andrej Bartosiewicz	EU Delegation	Project Manager, Biomass Energy Project
Alexandre Darras	EU Delegation	Project Manager, Kutaisi Wastewater project
David Kalatozishvili	Ministry of Regional Development and Infrastructure	Head of EU assistance affairs Department; Support to Regional Development Reform in Georgia (Phase II)
Piotr Zuber,	Ministry of Regional Development and Infrastructure	former head of TA project on regional development policy support
Peter Korsby	Mayors for Economic Growth (M4EG)	Team Leader
Zvuad Archvadze	Mayors for Economic Growth (M4EG)	Country Coordinator for Azerbaijan and Georgia for the
Julia Dzingailo	Mayors for Economic Growth (M4EG)	Regional Coordinator/Communications Manager
Mr. Sandro Kandelaki	Tbilisi City Municipality	Project Manager, Creating Business Accelerator for sustainable SME development
Ms. Marta Bibilashvili	Gori Municipality	Project Manager, Empowering Local Economic Opportunities for Sustainable Growth
Konstantine Tavzarashvili	Gori Municipality	Mayor
Lasha Khmaladze	Gori Municipality	Head of Department
Ms. Natalia Kakabadze	Bolnisi Municipality	Project Manager “Establishing a platform for efficient flow of business activities in Bolnisi”
Davit Begiashvili	Telavi municipality	Deputy Mayor, Co-applicant for Biomass Energy and Energy Efficient Technologies project
Giorgi Tavberidze	Telavi municipality	Head of the Economic Development & Property Management Department, Co-applicant for Biomass Energy and Energy Efficient Technologies project
Mrs. Ia Luarsabishvili	Union of Kindergartens of the Telavi Municipality	Acting Director, Project Beneficiaries of Biomass Energy and Energy Efficient Technologies project
Mrs. Nino Botkoveli	IKALTO Kindergarten	Director, Project Beneficiaries of Biomass Energy and Energy Efficient Technologies project
Nino Gvasalia	Poti Municipality	Project Manager - Advisor to the Mayor on Infrastructural Issues; Implementing public oriented local governance in Poti and Abasha Municipalities
Irakli Pertenava	Abasha Municipality	Vice Mayor; Implementing public oriented local governance in Poti and Abasha Municipalities
Tamar Abdaladze	National associations of local authorities	CEO of NALAG and Project Manager
Giorgi Abulashvili	Energy Efficiency Centre of Georgia	Project Coordinator, Biomass Energy and Energy Efficient Technologies project
Ms. Elene Gvilava	Energy Efficiency Centre of Georgia	Team Leader, Biomass Energy and Energy Efficient Technologies project
Jatin Seejore	EIB	Head of Unit Public Sector - Non EU and Project manager, Kutaisi WWTP
Rugile Handley	EIB	Head of Blending Unit - International Relations and Enlargement
Aleksandre Bakhtamayan	EIB	Public investment and TA in eastern partnership countries
Nino Kakubava	UNDP, Georgia	Programme manager of Fostering Decentralization and Good Governance at the Local Level
George Abulashvili	Energy Efficiency Center, Georgia	Director and programme manager of the Telavi CoM bio-mass project

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2011): National Indicative Programme 2011-2013
- European Commission (2014): Single Support Framework for EU support to Georgia 2014-2017
- European Training Foundation (2017): Country Strategy Paper 2017-2020
- European Union (2016): National Action Plan
- European Union (2017): Georgia-EU+ Joint Programming

2 EU reporting

- European Commission (2012): Georgia Progress Report 2011
- European Commission (2013): Georgia Progress Report 2012
- European Commission (2015): Georgia Progress Report 2014
- EUD Georgia (2010): External Assistance Management Report
- EUD Georgia (2011): External Assistance Management Report
- EUD Georgia (2012): External Assistance Management Report
- EUD Georgia (2013): External Assistance Management Report
- EUD Georgia (2014): External Assistance Management Report
- EUD Georgia (2016): External Assistance Management Report
- EUD Georgia (2017): External Assistance Management Report

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the following interventions (see also details in the list presented in Table 1).

4 Decentralisation and LA-relevant studies

- Committee of the Regions (2019): Georgia – Division of Powers.
- Committee of the Regions (2019): Opinion - Local and regional authorities shaping the future Eastern Partnership.
- Committee of the Regions (2015): Annual Impact Report (of CoR's opinions),
- Council of Europe (2016): 'Needs Analysis on Decentralisation and Local Government in Georgia'.
- Jansky, Palansky (2020): 'Fiscal decentralization and equalization transfers in Georgia' in Post-Communist Economies, vol. 32, issue 1.
- Transparency International Georgia (2015): The new Local Self-Government Code: Overview of the main novelties.
- World Bank (2019): South Caucasus in Motion.

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note – Lebanon

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List of acronyms and abbreviations

AAP	Annual Action Programme
ABS-ECOINF	Access to basic services for the vulnerable population in Lebanon – Economic recovery and basic infrastructures
ADELNORD	Appui au développement local dans le nord du Liban
ALA	Association of Local Authorities
BTVL	Bureau Technique des Villes Libanaises
CDR	Council for Development and Reconstruction
CEDRE	Conférence économique pour le développement, par les réformes et avec les entreprises
CGLU	Cités Unies Liban
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DRI	Democracy Reporting International
EAMR	External Assistance Management Report
EC	European Commission
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Partnership Instrument
EQ	Evaluation Question
ESFD	Economic and Social Fund for Development
EU	European Union
EUD	Delegation of the European Union
EUR	Euro
EUTF	EU Emergency Trust Fund
HQ	Headquarters
IFI	International Financial Institution
IMF	Independent Municipal Fund
JC	Judgement Criterion
LA	Local authority
LEDA	Local Economic Development Agencies
LOGO	Support for economic recovery: Local development, reconstruction, infrastructure rehabilitation
EU MS	Member state of the European Union
MUFFIN	Support to Municipal Finance in Lebanon
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NSA	Non-state actors
ROM	Results-Oriented Monitoring
RTO	Regional Technical Office
SEAP	Sustainable Energy Action Plan
SUDEP	Sustainable Urban Demonstration Projects
SWAM	Upgrading Solid Waste Management capacities in Lebanon
SSF	Single Support Framework for EU support
UCLG	United Cities and Local Governments
UDP NL	Local Development Programme for Deprived Urban Areas in North Lebanon
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	US Dollar
WASH	Water, Sanitation and Hygiene

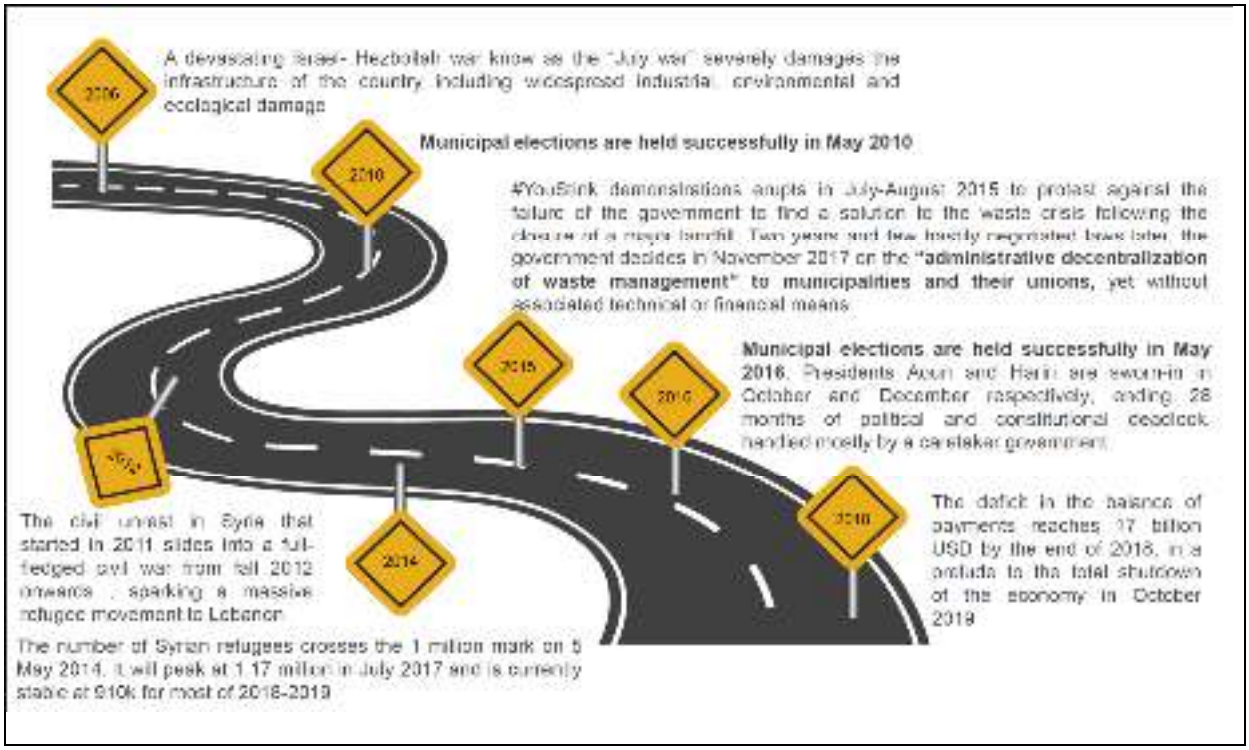
Introduction

Country Context

Lebanon is a special country in a special region, braced by a quasi-permanent stream of geo-political tensions and shocks. Understanding the EU support to the country in general and to Local Authorities (LAs) in particular needs to be interpreted in light of these tensions and shocks. The Figure 1 below highlights the major milestones that affected Lebanon between 2008 and 2018 and that are mostly relevant to LAs:

- It starts in 2006 when large parts of the country and essential infrastructure were severely impacted by the 'July 2006 war' between Hezbollah and Israel. By 2008, the international community and the EU were actively assisting in re-building the country and the state institutions.
- Starting 2012, the Syria crisis took the region by storm. Lebanon had to face a massive refugee influx from Syria, with around 1.5 million refugees (including 1.2 registered with UNHCR by 2014) finding refuge in the country and a spill-over of the conflict to the fundamentalist occupying the remote North-Eastern parts of the country that lasted between 2014 and 2017.
- By 2015, one in every four persons in Lebanon was a refugee, which further strained Lebanon's already ailing infrastructure (education, health, WASH, waste, electricity, etc…). In July-August 2015, massive popular protests erupted following a severe waste crisis triggered by the closure of a landfill catering for around 50% of the waste of the country. The government ultimately deferred the problem to municipalities and their Federations.
- From 2016 onwards, it was clear that the country was heading straight into a financial crisis; the economy entered into a stagflation mode, interest rates on bank deposits skyrocketed and the deficit of the balance of payment reached 17 billion USD in 2018 (compared to a nominal GDP of 55 billion)
- Over the period under study, municipal elections were held in May 2010 and May 2016 (the term of municipal councils in Lebanon is 6 years) although the country stayed without a President and under a caretaker government from the 4th quarter of 2014 until the 4th quarter of 2016 (which coincided with the peak of the Syria crisis).

Figure 1 Timeline of major milestones affecting LAs work in Lebanon



Source: Particip

There are currently 1,108 municipalities in Lebanon, a very high number by any standard. 75% of them are members of 56 Municipal Federations (also called Municipal Unions) and both are referred to

as 'Local Authorities'. The EU defines 'Association of Local Authorities' (ALAs) as an 'umbrella organisation based on membership and representativeness at sub-national, national, sub-continental, continental and international levels'.[1] Under this definition, Municipal Federations can be considered as ALAs, but in practice they are an intermediate administrative tier.

A study by VNGI[2] released in 2017 highlights that 'Federations are unable to plan forward because of their heavy dependence on the central government-controlled equalisation payments of the Independent Municipal Fund (IMF), Lebanon's intergovernmental transfer system. The IMF transfers, which represent around 70% of their revenues, are not released in a predictable and timely manner. Around 61% of the revenues are spent on administrative costs and routine infrastructure maintenance works and another 30% on cleanliness, leaving around 9% to everything else the Federations have to do, such as advanced public services or larger-scale development projects – the very *raison d'être* of the Federations…'. It is worth mentioning that the IMF is also the main source of revenue for LAs. The IMF collects on behalf of municipalities tax percentages from fuel, telecom, alcohol and spirits and various real estate transactions and then redistributes them to municipalities (75%) and Union of Municipalities (25%) according to discretionary criteria, often irrespective of legally stated deadlines and transparency criteria. The average delay in the distribution is about 28 months, noting that in 2020 LAs are still struggling to get their 2017 allocation disbursed.

There is no overarching representative structure bringing together the overall municipalities and/or Municipal Federations in a national Association of Local Authorities (ALAs). Some municipalities and Federations convene as a local chapter of United Cities and Local Governments (UCLG) assisted by a 'technical bureau' yet the website of the bureau mentions mainly technical cooperation projects and programmes rather than concerted policy lobbying efforts.[3] Lebanese LAs are granted by law a significant level of autonomy and a wide array of functions, yet their work in reality is hindered by conflicting legislative texts, the absence of accountability mechanism, administrative and fiscal bottlenecks, heavy central government control and the absence of ''concrete steps for decentralisation reform by the central government.

Overview of EU support to LA

A good summary about the EU support to Local Authorities is provided in the Action Document of the programme 'Access to basic services for the vulnerable population in Lebanon – Economic recovery and basic infrastructures ABS-ECOINF' (ENI/2014/037-715) which marks the transition from supporting local authorities in achieving balanced regional development, poverty reduction, local governance and capacity building (which was the main focus of EU's assistance from 2007 onwards) to 'addressing the medium to long term needs in local communities in parallel to the humanitarian assistance to refugees in order to help alleviate the pressure felt by local communities as well as to reduce the risk of confrontation and conflict'.

The same mentioned program stresses that 'the importance of the local dimension of development is now widely recognised as a consensus that local governance can make public institutions more effective in meeting citizens' needs has taken a more leading role. Local governance aims to ensure that local authorities address issues more effectively at the local and municipal level. Municipalities and/or Unions (Federations) of Municipalities and their councils playing an important role in regional and local development achieve better goals through accountability and responsiveness to the needs and rights of their constituents. It is within this context that the European Union actively supports in Lebanon local authorities by strengthening their ability to carry out their tasks of public service as well as help carry out projects successfully.

The EU has also developed a very strong partnership with those local institutions. The EU can also capitalise on some EU funded projects, implemented by the Economic and Social Fund for Development (ESFD), who became over the period under study one of the main public implementing bodies as far as local development is concerned.

Table 1 below captures the provisions for supporting and cooperation with local authorities across the various planning documents (National Indicative Programmes and Single Support Frameworks).

[1] EU (2013): Communication on 'Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes'.
[2] VNGI (2017): Local Government Resilience Programme for the Middle East and North Africa (LOGOReP) - Federation Capacity Mapping Study.
[3] See http://bt-villes.org/cglu2014/fr/accueil/.

Table 1 Provisions for LA support and EU's contribution across the various policy planning documents (2008-2018)

Document	Provisions about LAs role and EU's contribution
Country Strategy Paper 2007-2013 and National Indicative Programme 2007-2010	The EU Strategic Response (2007-2013) was developed in the aftermath of the July war between Hezbollah and Israel which had very significant implications on the economic and physical infrastructure of the country. It aimed at contributing to rebuilding infrastructure, giving the economy new impetus/momentum and assisting in developing the state institutions. • It includes local development as one of its main objectives (under strategic priority 3: support for reconstruction and recovery). It explicitly states that **'… the Commission has developed successful experience of addressing municipalities** (support for participative planning of local development and financing infrastructure projects) **… Cooperation between municipalities has shown that their elected representatives and their communities can work together even beyond political and confessional boundaries. Continued EC support to local communities in the field of participatory planning methodology has the potential to lay the basis for a more balanced regional development** and possibly, in the medium term, provide the Government with a further incentive towards enhanced decentralisation. • The National Indicative Programme (2007-2010) clearly mentions municipalities as primary recipients of EU assistance for 'reconstruction and municipal regeneration projects according to geographic and thematic priorities'. • 'Support to Local Development' is one out of 3 sub-priorities of the 'support to reconstruction and recovery' programming, including '**support the creation and development of municipality clusters and the coordination of development strategies at regional level**' • The NIP also mentions municipalities and their Unions as 'contributors and watchdogs' for the implementation of EC cooperation.
European neighbourhood and partnership instrument Republic of Lebanon, National Indicative Programme 2011-2013	The NIP (2011-2013) foresees a double-track approach with local authorities: (i) promoting local development plans through a participatory approach while building the capacity of local authorities and (ii) supporting the implementation of quick-impact priority projects (e.g. small infrastructure projects) to 'walk the talk' • Priority area 3 of the NIP is dedicated to 'supporting recovery and reinvigorating the country' and **includes a sub-priority on 'local development and local governance**' that aims – among others – to support the preparations for a decentralization law and land-use strategies for addressing regional disparities. • It puts a strong emphasis on land-use strategies as a tool for local development and addressing regional economic disparities; it also foresees the development of alternative funding mechanisms targeting local authorities and managed by the central government. • It also proposed to pursue **capacity-building activities at the local level** aimed at helping local administrations benefit from external assistance and cooperation programmes.
Single Support Framework for EU support to Lebanon (2014-2016)	The SSF (2014-2016) is primarily focused on the Syrian refugee response • It highlights that the centralisation of decision-making at the national level, coupled with the generally weak capacity of municipalities and other local authorities, means that locally delivered services are unresponsive to the needs of citizens and that marginal areas are isolated from the decision-making process. • **It states that the EU remains the major donor in local development and cooperation with municipalities.** • It includes two priorities in the action plan targeting municipalities and local authorities: priority 'E' Enhancing environmental protection and advancing sustainable regional development through greater decentralisation and empowerment of municipalities and local authorities; and priority 'J' **Enhancing environmental protection and advancing sustainable regional development through greater decentralisation and empowerment of municipalities and local authorities;**
Single Support Framework for EU support to Lebanon (2017-2020)	The SSF (2017-2020) is designed along a 'fewer and bigger approach', concentrating EU assistance on a few strategic sectors through a limited number of major programmes with a view to maximise impact and limit transaction costs. • It embeds the strategic directions of a compact agreed between the EU and the Government of Lebanon that outlines mutual commitments and priority actions addressing the impact of the Syrian crisis and seeking to improve the living conditions of refugees temporarily staying in Lebanon as well as Lebanese citizens. It places more emphasis on job-creation and growth (compared to SSF 2014-2016) in view of the strong need to kick-start Lebanon's economy while the reinforcing social cohesion; • It acknowledges that '… municipalities have borne the biggest part of the weight of the refugee crisis and have played a pivotal role in the country's resilience despite serious challenges related to delivery of basic services, infrastructure and job opportunities at

Document	Provisions about LAs role and EU's contribution
	the local level…' • It also highlights that '… municipalities face numerous structural challenges in terms of competences, capacity and fiscal resources. A draft Law on Administrative Decentralisation (2014) proposed a substantial reform focusing on accountability and local public service delivery. Future dialogue on the decentralisation reform should emphasise clear administrative responsibility as well as the transfer of sufficient financial resources to local authorities keeping in mind the need for broad-based citizen participation…' • Sector 2 of the SSF 'Fostering local governance and socio-economic development' (indicative 30 % of the total budget of the SSF) advocates for a continued focus on decentralisation reform coupled with an inclusive approach to socio-economic and institutional development at local level. It identifies 'improving governance at the municipal level and reinforcing networks of municipalities' as key entry points for engaging citizens and developing regional and local advantages to expand economic opportunities and generate employment.

Table 2 Overview of EU-financed interventions to the support of local authorities in Lebanon selected for country case study

D or C year	Title	Budget (mEUR)[4]	Typology	Implementing partner
2007	Support for economic recovery: Local development, reconstruction, infrastructure rehabilitation (LOGOII - ENPI/2007/18-882)	12.4	A.3 Local infrastructure and related service delivery	LAs, central government, private companies
2008-2012	Appui au développement local dans le nord du Liban (ADELNORD)	17.3	A.4 Local (economic) development	Private company, central Government
2010, 2014	NIP - Kesrwan Wastewater project in Lebanon	10.1	A.3 Local infrastructure and related service delivery	Central government, European entities
2011	Support to Municipal Finance in Lebanon (MUFFIN)[5]	19.7	A.2 LAs' political financial and administrative capacities	Central government, Private company
2013	Sustainable Development Strategic Planning for Municipalities and Unions of Municipalities in Lebanon	0.2	A.2 LAs' political financial and administrative capacities	CSO - (I)NGO
2013	Upgrading Solid Waste Management capacities in Bekaa and Akkar Regions in Lebanon (SWAM 1)	14.9	A.3 Local infrastructure and related service delivery	Central government
2013	Upgrading water supply facilities for communities in Lebanon affected by the consequences of the conflict in Syria	8.8	A.3 Local infrastructure and related service delivery	International organisation
2013	Recovery of Local Economies in Lebanon (RELOC)	6.7	A.4 Local (economic) development	Central government, Private company
2014	Upgrading Solid Waste Management capacities in Lebanon – 2 (SWAM 2)	4.2[6]	A.3 Local infrastructure and related service delivery	Central government
2014	ABS-ECOINF - Access to basic services for the vulnerable population in Lebanon	14.8	A.3 Local infrastructure and	CSO - (I)NGO

[4] Planned EU contribution.
[5] Even though the MUFIN project was amended to respond to the Syria crisis, a LA support component still aimed at developing local development plans for the Unions of Municipalities of Koura. West Baalbeck and Bhamdoun (see http://www.medcities.org/-/events-muffin).
[6] Initial budget was EUR 21 million; and EUR 16.8 million were de-committed in 2019.

	– Economic recovery and basic infrastructures		related service delivery	
2014	RECONET - Regional Consolidation and Networking of expertise (Liban)	0.06	A.2 LAs' political financial and administrative capacities	Local authority
2015	Protection and sustainable development of maritime resources in Lebanon – Component 3[7] (ProMARE)	12.7	A.3 Local infrastructure and related service delivery	(I)NGO - Local Authority
2016	Local Development Programme for Deprived Urban Areas in North Lebanon (UDP_NL)	20	A.4 Local (economic) development	EU MS

[7] Implemented through 4 grants: (1) Development of a Model Municipal Solid Waste Management Program for the Protection of the Saniq River Basin in Southern Lebanon; (2) SWaM Akkar. Supporting Sustainable Solid Waste Management in Jurd al-Kaytee, Akkar; (3) Supporting the municipality of Choueifat in developing sustainable initiatives for solid waste management; (4) Complementary support to the development of solid waste management in the South, Lebanon.

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

The various policy documents (CSPs/NIPs/SSFs) indicate a clear commitment of the EU to engage with LAs in Lebanon. This engagement is guided by the priorities set in the various policy documents defining the relation of the EU with LA such as – among others – the European Consensus on Development (2006), 'Increasing the impact of EU Development Policy: an Agenda for Change' (2011), the Communication 'Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes' (2013) and more recently the new European Consensus for Development (2015). All of these documents call for supporting decentralisation and promoting a multi-stakeholder participatory approach to development where LAs at the local and regional level but also CSOs, think-tanks and the private sector contribute to territorial development.

At policy level, the EU has been a constant advocate and supporter of Lebanon's declared efforts to implement an administrative decentralisation reform. This reform is part of the Ta'if Agreement that sealed the end of the Lebanese Civil war in 1989 and made provisions – among others – for 'extensive administrative decentralisation' with the creation of local councils at the district level in order to achieve local development and enhance citizen participation. Despite the public discourse in favour of this decentralisation policy and an attempt by President Michel Suleiman in 2013 to steer a national debate around it, no concrete achievements can be reported during the period under study.

At a more technical level, the EU championed a participatory territorial approach to development, in order to make development more inclusive and address the regional disparities undermining Lebanon's social stability. Practically, most if not all flagship development programmes (LOGO II, ADELNORD, MUFFIN, UDP_NL, etc.) had the territorial approach to development at their core

As a result of a significant change in context dictated by the Syrian refugees influx from 2013-2014 onwards, the support of the EU shifted towards helping LAs address the consequences of the influx of refugees to Lebanon where the peak of the influx corresponded with a presidential and executive vacuum, leaving LAs at the frontlines of the response with virtually no support from the central government. The EU support hence tried – to the maximum extent possible – to address areas such as recovery of local economies, upgrading water supply facilities for communities in Lebanon affected by the consequences of the conflict in Syria, etc. in addition to the support provided to the UN agencies and ESFD in support of LAs.

1.1.2 Involvement of LA/ALAs (JC1.2)

Evidence suggests that the involvement of LAs in-strategy preparation, programming and design as well as policy and political dialogue has changed during the last 10 years. For example, in March 2012, the EU held 'an encounter' with Lebanese LAs, attended by 42 (out of the then 48) Federations of Municipalities and well over 100 municipalities. The event was jointly organised by the CIUDAD programme and the Local Authorities Supporting Initiative of DEVCO's Structured Dialogue for an Efficient Partnership in Development and discussed – among others – lessons learned from project implementation, lessons learned from partnerships and how to make the interventions funded by the EU more sustainable.

From 2015 ''onwards, LA's remained important development counterparts, mainly as beneficiaries of EU support on infrastructure, environment and social cohesion projects aiming at addressing the consequences of the Syria Crisis.

1.1.3 Adjustments to context change (JC1.3)

The various policy documents (CSPs/NIPs/SSFs) highlight how the EU adjusted its support to emerging needs and to the change in the political/economical but also security context, by remodelling and upscaling its support to Lebanon following the Syria crisis

From 2014 onwards, the EU articulated a comprehensive response to the Syria crisis focused on addressing the causes of vulnerability, fragility and conflict while simultaneously meeting humanitarian needs and strengthening the resilience of individuals and Lebanese institutions at the central and local levels. Throughout the process LAs remained an important counterpart in sectors such as environment, water and waste management. As such, LAs benefited from two types of interventions aiming at mitigating the effects of the Syria crisis:

- Support to infrastructure and more particularly water supply and wastewater collection/treatment facilities (for example the ESFD-led interventions under ABS-ECOINF)

and solid waste management (for example the SWAM1, SWAM2, MUFFIN, ProMARE/TaDWIR projects)

- Integrated economic development and recovery programmes that included various interventions aiming at improving the capacities of LAs to deliver services and the realization of some pilot projects (for example UDP_NL)

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

1.2.1 Appropriate EU engagement with LAs (JC2.1)

During the period that preceded the Syria crisis (2008-2013), LAs were the main development counterpart of the EU, as clearly stated in the keynote presentation during the encounter between the EU and LAs in March 2012. By mid-2014 and through various instruments the EU was funding around 80 contracts with municipalities or Federations of municipalities for a total amount of EUR 60 million spread across all six Mohafazat (Governorates), 19 Cazas (sub-districts) and 260 municipalities, which suggests that the financing instruments, aid modalities and tools were appropriate and used extensively.

The support after 2015 shifted to a more integrated approach through large(r) interventions like the Local Development Programme for Deprived Urban Areas in North Lebanon (EUR 20 million) and the Litani River Local development programme (EUR 20 million) that provide LAs primarily with capacity building activities and, at the same time, maintaining the support to local basic needs. This approach was intended to mitigate 'difficulties in implementation due to the limited capacity of LAs to cope with the EU requirements in terms of project management which – in turn – affect the sustainability of the interventions.

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

The various EAMRs highlight a recurrent shortage in human resources at the level of the Lebanon Delegation which affects – among others – the strategic engagement with LAs. The shortage became even more prominent from 2015 onwards when the Delegation had to manage a massive response to the Syria in excess of 1 billion Euros and which included – among others - 519 M€ in humanitarian aid and over 600 M€ for development support from the European Neighbourhood Instrument and other related instruments. This massive increase in the portfolio of the Delegation, coupled with security concerns (mainly between 2015 and 2018) which restricted the mobility of EUD staff affected EU's ability to engage with all development and cooperation partners, including LAs.

1.2.3 Measured performance informing planning (JC2.3)

Most projects and programmes of EUD Beirut were subject to ROM, mid-term and final evaluations. As far as LAs are concerned, an important evaluation was conducted in 2015 for EU's External Aid programmes funded in the field of local development in Lebanon (ADELNORD, 7 local development projects implemented by ESFD under 'Support for Economic Recovery I', and 10 local development projects implemented by the Unions of Municipalities (UoM) and 'Local Authorities in Development', 6 of whom falling under the Call for Proposals 130-792 and132-094). The evaluation included recommendations for future EU interventions with LAs.

The evaluation recommended i) to use an integrated approach to capacity building, ii) improve the quality of project design and monitoring, iii) expand the monitoring process to include impact assessment and iv) clearly identify sustainability strategies for the project funded by the EU.

The results of the evaluation were clearly taken on board. The horizontal LA thematic budget line was put on hold starting 2015, and the Delegation shifted to a new integrated and multisector approach to development in large interventions like UDP-NL and the Litani River Local development programme. Under these integrated multi-sectors programmes, LAs alongside CSOs and other actors participate actively in these programmes and benefit from capacity building activities but do not implement directly. All local development programmes promote, directly and indirectly, interaction and dialogue among the various local entities and CSOs.

1.3 Coordination and complementarity (EQ 3)

1.3.1 3Cs of EU support with other donors (JC3.1)

Interviews with the different stakeholders reveal that substantive efforts were invested to improve coordination and complementarity between the different donors and programmes aimed at supporting LAs but also indicate quite a substantive room for improvement.

For example, from 2016 onwards, the response of the EU to the Syria Crisis has been streamlined under an EU Lebanon Compact (2016-2020) outlining mutual commitments and priority actions for addressing the impact of the crisis. The compact highlights that 'efforts to strengthen community resilience will be a priority (…) special attention will be given to deprived areas, including by empowering municipalities, union of municipalities and local authorities and by strengthening civil society organisations, in order to improve local governance'. Commitments to the Compact were determined and/or reaffirmed during the Brussels I Conference (April 2017) and the Brussels II Conference (April 2018) where the EU played a key coordination role between different stakeholders.

A Trust Fund (the EU Regional Trust Fund in Response to the Syrian Crisis) has been also established and its Operational Board brings together the European Commission, fifteen EU Member States, and Turkey. Observers of the Operational Board include members of the European Parliament, representatives from Iraq, Jordan, Lebanon, the World Bank, and the Syria Recovery Trust Fund.

Since Lebanese LAs were at the forefront of the crisis response, many actions supported under the Compact (waste, WASH, livelihoods, infrastructure …) aimed at supporting them directly or indirectly. The EU Trust Fund also strives to foster better coordination between the many NGOs and agencies, as well as allowing for fewer but bigger programmes; in 2018, the Trust Fund launched two programmes aiming at strengthening the resilience of local governments by focusing on improving service delivery, area-based planning and facilitating better access to municipal investment.

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

A chapter in the *Atlas of Lebanon* published by the French Institute for the Near East (IFPO)[8] highlights that 'the profusion of development projects supported by funds that are external to Lebanon raises the question of their coherence. The geography of the intervention of these international actors reveals as much a logic of complementarity as one of competition. Mapping the municipal-level and village-level development projects coordinated by USAID, the European Union and the Kuwait Fund for Arab Economic Development since 2005 shows a *de facto* spatial distribution between these three actors: the superposition of interventions only affects 9% of the municipalities and villages. The implemented projects focus on support provided for the development of basic municipal services (more than 77% of them), the rest tackling the population's participation in local decision-making (15%) and institutional development (6%).

The interviews confirm this direction: there is rarely competition but there is rarely a 'pre-meditated' complementarity as well between the different actors. The little village of Menjez in the far-end of North Lebanon (900 inhabitants) provides an eloquent example on how the situation actually looks on the ground. The dynamism of the municipal council and more particularly its President led to no less than 12 donors helping the municipality over the period under study: the EU, but also Japan, USAID, Germany, Switzerland, France and Norway, in addition to IUCN and IFAD; moreover, Menjez is a signatory of the Covenant of Mayors and has its SEAP approved and under implementation, managed to become first Fair Trade town in Lebanon and the Middle East and is on the tentative list of UNESCO's World Heritage sites. The aid complementarity at country level would have been more significant if 10% of the 1,100+ municipalities of Lebanon (especially bigger municipalities) had managed to leverage 20% of what Menjez managed to leverage.

2 Effects of EU support to LAs

2.1 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

2.1.1 Roles and mandates of LAs (JC4.1)

The strategic partnerships with LAs suffer from the absence of an overarching representative structure bringing together the municipalities and/or Municipal Federations in a national Association of Local Authorities (ALAs). Some municipalities and Federations convene as a local chapter of United Cities and Local Governments (UCLG) and work mainly on cooperation and exchange programmes.

The ENP in Lebanon progress reports acknowledge that '... significant differences in socio-economic conditions between Lebanese regions remain, and in some cases have become worse because of the Syrian crisis. As a result, in many places, it has had a negative impact on social cohesion and relations between refugees and host communities. A number of EU assistance programmes are

[8] Farah, Abdelsater (2019): International cooperation to the aid of local development, in *Atlas of Lebanon: New Challenges* IFPO. Available online: http://books.openedition.org/ifpo/13316

currently in place to improve local governance, socio-economic development and the local job market focusing on young people. They also seek to strengthen the capacities of municipalities in delivering basic services such as supply of water and solid waste management. Meanwhile, the EU supports Lebanon's efforts towards decentralising the Lebanese administrative system…'

This statement clearly reflects EU's acknowledgement of the role of LAs in Lebanon on one hand and the organic linkage between expanding the technical, administrative and financial prerogatives of LAs and a (hypothetical) decentralisation law that is still to be implemented.

In fact, the EU – and especially prior to 2014 – strongly supported an increased engagement of LAs and ALAs as active partners in development (for example the aborted MUFFIN programme in 2012 which aimed at improving the effectiveness and efficiency of municipal sector management and to strengthen municipal finance systems to sustain service delivery). Nevertheless, programmes such as ADELNORD, ABS-ECOINF and more recently UDP_NL and Litani all indicate that LAs remain active partners in development and EU external action.

2.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

A paper by Democracy Reporting International released in April 2017 highlights that Lebanese local authorities suffer from a chronic lack of financial resources to initiate and implement sustainable development projects.[9] Two thirds of the Lebanese municipalities have an average yearly budget under 66,000 USD[10] while 63–70% of local expenditures are allocated to basic infrastructure works. In more extreme cases, local authorities can only cover their running costs. Under these circumstances, it is difficult to assess objectively if and how the EU support contributed to improving the political, institutional and financial sustainability of LAs.

A missed opportunity (for Lebanon and for Lebanese LAs) was the aborted implementation of the comprehensive Municipal Finances Project (MUFFIN) which was initially designed as a game-changer for improving the institutional and financial sustainability of municipalities and their Federations, yet faced dire institutional deadlocks upon the arrival of a new Minister of Interior who wanted to transform it into a small grants programme with endless 'ribbon cutting' ceremonies. It ultimately ended with 16M€ (out of the 20M€ initially foreseen) diverted to municipal infrastructure projects (mainly water and wastewater management) to address the impacts of the Syrian crisis.

2.1.3 LA's knowledge about EU (JC4.3)

It is difficult to assess the degree of knowledge of LAs about the EU due to the lack of empirical evidence about the matter. However, it is fair to assume that 260 municipalities (and their Unions) who were involved in the 80 EU-funded contracts/projects by 2014 had a certain knowledge about the values and policies of the EU.

The same logic applies to the participants in the March 2012 encounter between the EU and Lebanese LAs, especially that LA representatives (together with CSOs) played an active role in the 'Structured Dialogue for an Efficient Partnership in Development' in 2010-2011 which influenced the EU's Agenda for Change released in 2011 and informed the EU programming for 2014-2020 period (including the multi-annual indicative programme 2014-2020 for CSOs and LAs).

Interviews confirm that LAs know the EU through the specific project, programme or mechanism they are involved in, and almost unanimously lobby for more exchange and dialogue with the Delegation.

2.2 LAs' empowerment and capacities (EQ 5)

2.2.1 EU support to national framework conditions for LAs (JC5.1)

Although administrative decentralisation has been a recurring theme in the Lebanese political discourse since the 1990s, no comprehensive reform garnered enough momentum to be adopted, despite an initiative during the last two years of the mandate of President Michel Suleiman (2013-14) and despite President Michel Aoun mentioning it in his inaugural address to the parliament in 2016. The issues of districting and the autonomy of LAs remain highly controversial because they could limit the authority of the central government and the territorial influence of the established sectarian parties. Decentralisation is therefore feared to upset the fragile sectarian-political equilibrium.

[9] DRI (2017): Reforming Decentralisation in Lebanon: The State of Play. Briefing Paper 80. Available online: https://democracy-reporting.org/ar/dri_publications/bp-80-reforming-decentralisation-in-lebanon-the-state-of-play/

[10] This rate is calculated at 1 USD = 1,500 LP (the official exchange rate). By June 2020, the black-market rate stood at more than 8,000LP/1 USD and hence the budget is now around 17,000 USD which annihilates any possibility for municipal spending beyond salaries and the most pressing running costs.

Nevertheless, the various policy documents (CSPs/NIPs/SSFs) always included provisions for technical and financial support should Lebanon decide to 'walk the talk' of decentralisation, while the ENP in Lebanon progress reports relay the blockages faced by the process.

One would then argue that the EU should have developed alternative or parallel mechanisms for empowering LAs economically and politically, yet this would have faced three key challenges/constraints: i) the EU cannot work against or in parallel to the declared priorities of the Lebanese government, ii) the fragmentation of the municipal movement and the lack of a single mandated interlocutor on behalf of LAs (a representative ALAs) means that the EU has to reach out to the 1,100+ municipalities and/or the 56 Unions of municipalities which is neither possible nor feasible and iii) any ad hoc support that is not linked to a comprehensive institutional reform faces significant sustainability challenges.

The accountability framework of LAs in itself poses serious challenges; the various layers of oversight by the Ministry of Interior are almost exclusively focused on administrative compliance. In other words, there is far more scrutiny and oversight on invoices issued by a municipality or Federation of municipalities but seldom any oversight on policies and the participatory processes related to these policies. This contributes to the emergence of some champions (who often connect to and benefit from EU support) but leaves the vast majority of other municipalities leaving business and usual.

2.2.2 LAs' strengthened institutional capacities (JC5.2)

Between 2008 and 2018, a good third of Lebanon's 1,100+ municipalities benefited in one way or the other from an EU funded support/intervention across many fields: local development, municipal infrastructure, water, wastewater, waste, environment and recreation/tourism.

It is difficult however to assess the institutional uptake from these interventions in an empirical comparative manner. The evaluation of the EU-funded local development projects in Lebanon conducted in 2015 noted a wide variation in the performance of LAs:

- Some 'champion LAs' were able to use the EU support to strengthen their technical and administrative processes and translate it into an improved institutional capacity. Within this cohort, projects were implemented successfully, and their chances of sustainability were significant. The same rhetoric applies to the Union of Municipalities that were supported under LOGO II, where few Unions were able to institutionalize a Local Development Office (Jezzine, Sweijani, Zahrani) and keep it operational beyond EU support, while others disbanded the Local Development Office when EU funding stopped.
- The vast majority of LAs struggled to meet the funding requirements of the EU. The EAMRs mention repeatedly that 'difficulties in implementation persist due to limited capacity of local actors to cope with EU requirements in terms of project management and which are impacting the projects' sustainability'. This compelled the EU to limit the direct support to LAs and privilege integrated development projects that includes – among others – a capacity development component for LAs.

Generally speaking, the institutional capacity of LAs is constrained by their excessive fragmentation, the lack of financial resources and the unpredictability of the transfers from the Independent Municipal Fund (which is for many small and medium size municipalities their main source of income). More than two third of LAs have less than 3 employees (often a clerk and one or two municipal guards) which means that most governance and decision-making functions are handled by (largely volunteer) municipal council members and depends to a large extent on the level of knowledge, involvement and harmony amongst these members.

2.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

A 2018 paper published by European Spatial Research and Policy clearly attributes the 'rise of territorial strategic planning' and local development at large in Lebanon to the support of the EU, starting with the programme LOGO I (ARAL) in 2004 who laid the foundations for a multi-stakeholder participatory approach to local development and was followed later by a stream of other programmes (LOGO II, ADELNORD, ABS-ECOINF, UDP_NL, Litani and others).[11]

Building on the successes of the EU-funded projects, other actors started investing in territorial-based approaches to development starting with UNDP (ARTGOLD programme, 2010), UN HABITAT through a strategic partnership with the Ministry of Interior, but also USAID (BALADI and BALADI-CAP programmes), as well as the Word Bank Municipalities project.[12]

[11] European Spatial Research and Policy (2018): Strategic Spatial Planning in Lebanon: An International 'Recipe'. The Case of The Union of Municipalities.

[12] For further information, see https://projects.worldbank.org/en/projects-operations/project-detail/P149724.

The catalyst role of EU in promoting both local development and the territorial approach to development cannot be hence understated, not only by improving LA's ability to act as catalysts for local development, but also by creating a momentum and a 'proof of concept' that a territorially-rooted local development process has the potential in reducing inequalities and social instabilities and improve social cohesion.

In recent years (2016 onwards) the EU has been the convener and chair of a working group on local development bringing together Member States and concerned governmental agencies.

2.3 Accountability, participation and local democracy (EQ 6)

2.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

A 2018 paper published by European Spatial Research and Policy confirms that across all EU funded projects on local development, the participatory approach included brainstorming meetings held between experts, civil society representatives and municipal councils, allowing a continuous platform of discussion between relevant stakeholders. [13] The same paper however nuances that 'many stakeholders engaged in the strategic planning process (were) advocating the necessity of shedding light on their roles and agendas when examining their involvement'.

The Impact Evaluation of the Community Development programme of ESFD[14] conducted in 2011 (funded by the EU) confirms the presence of a proactive engagement by various stakeholders around the local development projects, yet with ample room for improvement, particularly in ensuring proper implementation but also the sustainability of the various interventions, including the participatory structures that were put in place during their identification and implementation.

As such, and while it is clear that the EU support to LAs managed to increase the engagement between citizens, CSOs and the private sector, this did not necessarily lead to improving accountability and strengthening local democracy. For example, the VNGI study[15] indicates that less than 30% of the municipalities make use of the provision in the municipal law allowing them to establish sectorial committees (women, youth, environment, etc…); such committees are privileged structures for collaborative governance arrangements.

2.3.2 Accountability of LAs (JC6.2)

Interviews reveal a relative improvement in the processes related to the accountability of LAs and strengthening local democracy in Lebanon at large during the period under study, that are largely related to the fact that municipal elections were the only elections that took place according to their planned schedule in 2010 and 2016, while parliamentary and presidential elections faced countless deadlocks. In fact, and during the period between 2013 and 2018, LAs had more legitimacy than the parliament who extended unilaterally its mandate in 2013, 2014 and 2017. As mentioned earlier, this period correspondence to the peak of the Syrian refugee influx, leaving LAs as the primary and sometimes sole respondent on behalf of the Lebanese government. The bottlenecks facing accountability and local democracy are two-fold:

- As far as upwards accountability of LAs vis-à-vis the central government is concerned, the relation is currently unidirectional and the public discourse around decentralisation is meant to give more responsibility (and voice to LAs) and to re-balance accountability pathways. The fact that decentralisation efforts remained at stall during the period under study (2009-2018) means in practice that upwards accountability remains inexistent, irrespective of EU's efforts and its commitment to support the efforts of the central government towards decentralisation.
- Downward accountability towards local constituents has been on a steady rise between 2008 and 2018, largely due to the fact that municipal elections were held as planned in 2010 and 2016, despite parliamentary elections being delayed twice and despite the failure of the parliament to elect a President for the country for 28 consecutive months. A paper on the Lebanese Municipality Elections 2016[16] highlighted that the municipal elections of 2016 generated the first political accountability in Lebanon since 2009.The projects/programmes funded by the EU, but also other donors contributed to the emergence of a younger municipal

[13] European Spatial Research and Policy (2018): Strategic Spatial Planning in Lebanon: An International 'Recipe'. The Case of The Union of Municipalities.
[14] ESFD (2011): Impact Evaluation of the Community Development Program.
[15] VNGI (2017): Local Government Resilience Programme for the Middle East and North Africa (LOGOReP) - Federation Capacity Mapping Study.
[16] Austrian Institute for European and Security Policy (2016): Lebanese Municipality Elections 2016.

leadership who is more educated and for increasing women participation in municipal life following the 2016 elections. In many instances, this new leadership emerged from CSOs involved in local development efforts.

2.4 Service delivery and response to local challenges (EQ 7)

2.4.1 LAs delivering quality public services (JC7.1)

The EU support to LAs covered a wide range of services which included – among others – municipal infrastructure, water, wastewater, waste, environment and recreation/tourism. Many of these interventions were designed to fill gaps and deficiencies in service delivery by the central government, while being aligned to the sectorial and national policies framing these services.

From the onset of the Syria crisis onwards, the interventions were also meant to alleviate the burden on the already ailing municipal infrastructure which had to accommodate within less than two years a sudden increase in the number of population due to the Syrian refugee influx, to the extent that one out of four people living in Lebanon is a Syrian refugee.[17] Refugees are spread in 1,500 different locations with the highest concentration in North Lebanon and the Beqaa valley, both regions being amongst the poorest in Lebanon and with an already inadequate infrastructure.

As such the EU support to LAs was in many instances important to initiate some public delivery services (for example sewage networks) or scale-up existing ones (for example waste collection), the ROM reports and evaluations as well as the EAMRs point to several concerns about the quality and – most importantly – the sustainability of these interventions. These concerns are organically linked to the wider debate around municipal finances and decentralization, as LAs cannot continue delivering and managing quality public services in a sustainable manner unless they are empowered to leverage the needed resources for these services beyond the initial support period by the EU.

With this said, the EU support contributed to addressing equity issues and easing community tensions, first in areas with significant Palestinian refugees' presence (prior to 2012) and then across the most vulnerable host communities in the aftermath of the Syria crisis (2013 onwards). In that sense, the EU support help defuse potential tensions between refugees and host communities as a result of competition and/or further deterioration of public services, especially that the central government did very little in equipping LAs with the means to address the infrastructure, social, economic and environmental consequences of the refugee influx on one hand and the UN agencies were mostly focused on providing assistance to the refugees, which created various tensions with host communities suffering from a comparative degree of vulnerability.

2.4.2 LAs better respond to local challenges (JC7.2)

LAs in Lebanon suffered from two major shocks/challenges between 2008 and 2018: the challenge of rebuilding infrastructure and services following the July 2006 war between Israel and Hezbollah and the challenge of coping with an influx of 1.2 million Syrian refugees (for a resident population of 3.6 million) from 2013 onwards while maintaining essential services and safeguarding social cohesion.

The EU support to Lebanese LAs (and to the Lebanese government at large) helped in addressing both challenges through a series of projects and programmes directed towards improving the economic and social environment as well as addressing migration and refugee issues. As highlighted across other JCs, projects and programmes executed prior to 2012 where LAs were the primary recipients had a stronger direct empowerment and local anchorage than the later projects and programmes executed under the response to the Syria crisis that addressed pressing emerging needs and during which the capacities of LAs were stretched to the maximum and beyond.

2.4.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Evaluations and ROMs conducted for EU programmes targeting LAs raise significant concerns around sustainability issues. The evaluation of the local development projects funded by the EU conducted in 2015 highlights that the EU reporting format put emphasis on four dimensions of the sustainability: (a) financial, (b) institutional, (c) policy and (d) environmental sustainability. The capacities of LAs differ depending on their institutional set-up (date of establishment, number and profile of human resources, etc.), financial resources (contribution from the Independent Municipal Fund, collected taxes, grants, other), policies (clear vision; availability of annual action plans/ sectorial strategies/ plans; relevance to

[17] Malteser (2014, June 18): 'World Refugee Day 2014: One in four people in Lebanon is a refugee', available online: https://reliefweb.int/report/lebanon/world-refugee-day-2014-one-four-people-lebanon-refugee.

communal priorities; etc.), and environmental context (natural resources to be preserved; problem and level of environmental degradation).

The evaluation of the Community Development programme of ESFD (funded by the EU) also points to these factors and the importance of building the project proposals based on realistic assumptions that are commensurate to LAs ability to leverage the needed administrative, institutional and financial support in order to ensure the sustainability of planned interventions. It also stresses the importance of accompanying LAs for at least one full cycle of implementation in order to address emerging issues and bottlenecks.

These findings and recommendations were confirmed during the interviews; in many instances, projects fall short of the assumptions along which they were formulated. For example, sewage collection networks are funded and built with the assumption that they will be connected to wastewater treatment plants, while the construction and operation of these plants faces its own set of deadlocks. As a result, more than 85% of the wastewater of the Beqaa ends up in the Litani river and its tributaries and accumulates in the Qaraoun dam.[18]

Conversely, the Federation of Municipalities of Lake Qaraoun had to divert a significant part of its budget to cover the operational costs of one of these sewage treatment plant in the village of Saghbine, although the 3 municipalities serviced by this plant (Aitanit, Saghbine and Qaraoun) are downstream and suffer from the upstream pollution along the river.

[18] See. Baaklini (2018, December 9): 'The Litani river waters are nothing but wastewater', *L'Orient Le Jour*. Available online: https://www.lorientlejour.com/article/1147508/the-litani-river-waters-are-nothing-but-wastewater.html.

Annex 1 - Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

There is ample evidence across all planning documents (CSPs/NIPs/SSFs) that the EU pushed hard for the adoption of a decentralisation law. The EU also established and chaired a working group on the territorial approach to local development. Both issues (decentralisation law and local development) are essential pre-requisites and very important entry points for empowering LAs and making their voice heard.

Despite the strong commitment of the EU, very little was achieved due to the absence of political commitment from the central government to adopt proactive measures in favour of decentralization. It must be noted that the role of LAs in Lebanon is severely constrained by the absence of a decentralization law and the limited prerogatives entrusted to LAs, particularly in terms of contribution to public policy as well as financial independence. The Ta'if Agreement that sealed the end of the Lebanese Civil war in 1989 made provisions – among others – for 'extensive administrative decentralisation' with the creation of local councils at the district level in order to achieve local development and enhance citizen participation. No less than 4 draft bills for administrative decentralisation were discussed in the Lebanese parliament since 1990 but none of them led to any concrete advancements.

1.2 Involvement of LA/ALA (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

The EU included LAs (and CSOs) in the identification of needs and opportunities that shaped the development cooperation programming of the EU in Lebanon. For example, both LAs and CSOs were invited to participate in the 'Structured Dialogue for an Efficient Partnership in Development' at both ENP-South and Global levels. The EU also held in March 2012 'an encounter' with Lebanese LAs, attended by 42 (out of the then 48) Union of Municipalities and well over 100 municipalities. It discussed – among others – lessons learned from project implementation, lessons learned from partnerships and how to make the interventions funded by the EU more sustainable.

CSOs were more favoured from 2015 onwards upon the preparation, approval and implementation of the 'EU roadmap for engagement with Civil Society in Lebanon', which was not matched with a corresponding roadmap with LAs. The NSA/LA support envelope was also withheld in 2016 (due to municipal elections) and then 2017-2018 due to perceived risks in implementation.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

LAs would have benefited from an exercise similar to the one that led to the development of the 'EU roadmap for engagement with Civil Society in Lebanon' as well as the implementation and support mechanism that stemmed from this roadmap, especially that LAs and CSOs were serviced in parallel during the Structured Dialogue and were associated in the NSA/LA programme.

In the absence of such a roadmap, the momentum and engagement with LAs became less prominent from 2015 onwards, although the EU continued supporting LAs through various programmes (ABS-ECOINF, Local Development Programme for Deprived Urban Areas in North Lebanon, the Litani River Local development programme, and, last but not least in terms of financial size, the EUTF MADAD) yet the political/policy dialogue took place mainly through field visits, informal dialogue sessions and regular meetings with MoIM to enhance dialogue between central and local level.

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

Lebanese LAs were active participants in the Structured Dialogue for an Efficient Partnership in Development that took place in 2010-2011, and aimed at increasing the effectiveness of all stakeholders involved in EU development cooperation by finding a common understanding on the main issues linked to CSO and LA involvement in EU development cooperation. Four development actors were involved in the dialogue: (i) the European Parliament, (ii) EU Member-States, (iii) Civil

Society Organizations and Local Authorities and (iv) the European Commission, both in Headquarters and in EU Delegations (51 EUD involved). More than 700 CSO and LA representatives coming from Europe and 65 EU Partners countries have been involved in the initiative.[19]

As a follow-up to the Structured Dialogue, the EUD organised in March 2012 and in partnership with the CIUDAD programme an 'encounter' with Lebanese LAs, which served as a dual political/policy dialogue. All Lebanese LAs were invited to the event, which was attended by 42 active municipal Federations and well over 100 municipalities. Despite a unanimous recommendation to repeat this event, it was not repeated thereafter.

The EAMRs report some meetings, dialogue sessions and field visits to LAs, particularly during the development of the Municipal Finances (MUFFIN) programme (2011-2012). The political and administrative deadlocked faced by this programme, which would have had the chance ultimately to become a 'game changer' in EU's support to LAs seems to have affected the appetite of the EU for a more proactive engagement with LAs.

Throughout the response to the Syria crisis, LAs were consulted and involved in the programming related to the Syria response, and later the two integrated development programmes that were articulated in parallel to this response (UDP_NL/GIZ and Litani Basin/ESFD) but more on the operational modalities rather than the political/policy dialogue.

1.3 Adjustments to context change (JC1.3)

EC's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

The CSPs/NIPs/SSFs include thorough knowledge and analysis of the evolving country contexts and what is possible and what is not, both at the central and local levels. They also reflect some discouragement from the deadlocks faced by the decentralisation reform, and which – in turn – reflected on the approach of the EU vis-à-vis LAs.

The EU continued advocating for a territorial approach to development in order to make development more inclusive and address the regional disparities undermining Lebanon's social stability (prior to the Syria crisis) then stepped-in proactively to help LAs continue securing the provision of basic services to mitigate the effects of the refugee influx and improve social cohesion.

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

The EU worked on two parallel levels to support LAs:

- At the central level, it pushed towards a comprehensive, inclusive and transparent decentralisation policy which is an essential pre-requisite for supporting and empowering LAs (as demonstrated in the provisions made within NIPs/SSFs for supporting decentralisation and administrative modernisation). Unfortunately, the Lebanese political establishment did not display a matching enthusiasm to engage in a dialogue around decentralisation, despite an attempt in 2013-2014 during the last year two years of the mandate of President Michel Suleiman and despite President Aoun mentioning decentralisation in his inaugural speech in 2016. To date, no concrete policy decisions were taken on the decentralisation front.
- At the decentralised level, it pushed towards the mainstreaming of a participatory territorial approach for local development (LOGO I&II), ADELNORD, MUFFIN, UDP_NL, Litani River Basin among others).
- From 2014, onwards this approach was overshadowed by the need to address the consequences of the Syria crisis.

Evidence that the EU adapted its engagement strategies with LAs (over a longer period of time) and seized windows of opportunities (I-1.3.3)

There is clear evidence that the EU adapted its strategic engagement approach with LAs, moving from predominantly direct support prior to 2015 into larger integrated and multi-sector programmes from 2015 onwards, and as reflected in the NIPs/SSFs.

This move was dictated by the poor absorption capacity of LAs and the lack of proper resources to meet the EU administrative, financial and reporting requirements (as established in the various ROM missions but also the evaluation of the local development projects supported by the EU in 2015)

[19] Structured Dialogue for an efficient partnership in development (2011): Final Statement of the Structured Dialogue Budapest, 19th of May 2011.

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

Prior to the Syria crisis, LAs were able to access a wide range of EU financing instruments; by mid-2014 and through various instruments the EU was funding around 80 contracts with municipalities or Union of municipalities for a total amount of EUR 60 million spread across all six Mohafazat (Governorates), 19 Cazas (sub-districts) and 260 municipalities. This included – among others – ADELNORD, (ENPI/2008/19-623), 'Support for economic recovery: Local development, reconstruction, infrastructure rehabilitation' (LOGOII - ENPI/2007/18-882) and the projects awarded to LAs under the NSA/LA thematic line.

The political context from 2015 onwards became less conducive for direct engagement with LAs. The 2017 EAMR notes that 'capacities and financial resources continue to be a strain for the effective functioning of municipalities and other local entities' The horizontal LA thematic budget line was put on hold from 2015 onwards. The 2018 EAMR highlights that 'in the broad context of the local development sector, the Delegation favours a newly integrated approach to development in large interventions like the one adopted in the ongoing North Lebanon program (AAP 2016) and in the new ongoing program along the Litani river basin (AAP 2017). As such, CSOs/LAs participate actively in the implementation of these programmes and benefit from capacity building activities. All local development programmes promote, directly and indirectly, interaction and dialogue among the various local entities and CSOs'.

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

Since Lebanon is not eligible for budget support, the main modality used was the project approach with direct centralised and/or direct decentralised management.

Under direct decentralised management, the EU established a long-standing partnership with the Economic and Social Fund for Development (ESFD). The community development programme of ESFD provides financial grants and technical support to projects proposed by local communities to improve social and economic living conditions of low-income groups. As such, more than 60 projects targeting LAs for a total value of 11M€ were implemented through ESFD under direct decentralized management. From 2015 onwards, and in light of the growing demands dictated by the Syria crisis, ESFD moved to direct implementation. Interviews with the ESFD Management Team confirm that the technical support modality has a higher capacity building potential but is complicated and time consuming, while direct implementation allows for faster results.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

No blending approach (technical assistance combined with investments) was applied to LAs during the period under study.

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues (I-2.2.1)

Interviews indicate positive interaction between EUD staff and LAs at both professional and human levels, and there was a unanimous request for more frequent and longer field visits by EUD staff (no visit took place between 2014-2017, as significant parts of North Lebanon and the Beqaa where many projects benefiting LAs were taking place were classified as orange and red due to security concerns).

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs (I-2.2.2)

No evidence gathered.

Use of external knowledge and data (e.g. from ALAs) (I-2.2.3)

The fragmentation of the municipal movement in Lebanon and the lack of a single mandated interlocutor on behalf of LAs (a representative ALAs) means that EUD staff has to reach-out to the 1,100+ municipalities and/or the 56 Unions of municipalities which is neither possible nor feasible.

As such, EUD staff catering for LA-related projects and programmes (local governance, environment, WASH) rely on an informal network of knowledgeable peers with whom they benchmark priorities and discuss developmental concerns, while ensuring that this network encompasses all views and political affiliations.

Frequent discussions and field visits are also conducted with relevant national and regional governmental services, as well as the cooperation agencies of Member States and their implementing partners.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

All EAMRs include recommendations from ROM missions and evaluations done for the different projects and programmes and how EUD intends to put these recommendations into practice.

Both ROMs and evaluations (for example the evaluation of local development projects funded by the EU completed in 2015, evaluation of the EU-funded community development programme of ESFD completed in 2011) highlight three main concerns:

- The need to apply Project Cycle Management (PCM) in a more rigorous manner, with more attention given to M&E at both the design and implementation phases.
- Reporting is mostly focused on outputs with little attention to outcome and impact indicators, and the need to focus on how EU-funded interventions are improving the economic, social and environmental conditions of the target communities;
- Key concerns around the effectiveness and sustainability of EU-funded actions across four inter-linked dimensions: financial, institutional, policy and environmental sustainability.

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

The main paradigm shift in terms of EU support to LAs as reflected in the EAMR was the halting the direct support modality (EAMR 2015) upon realising 'a limited capacity of local actors to cope with EU requirements in terms of project management which are impacting the projects' sustainability which was flashed by many ROM reports and evaluations. This – in turn – was translated into moving towards an 'integrated approach to development' in large interventions like the one adopted in UDP-NL and the Litani river basin (AAP 2017).

As such, CSOs/LAs participate actively in the implementation of these programmes and benefit from capacity building activities. All local development programmes promote, directly and indirectly, interaction and dialogue among the various local entities and CSOs….'

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

EU engage in LA-related coordination & donor fora (I-3.1.1)

Prior to the Syria Crisis, the EU took sector leadership in support to regional development and municipalities (EAMR 2011); in parallel to this sector leadership and order to improve the enabling environment for regional development and LAs, the EU also actively worked on promoting decentralisation as part of its broader efforts to support the process of administrative reform in Lebanon.

The focus shifted from 2013 onwards towards addressing the consequences of the Syria crisis and where the EU and its Member States provided around 1.8 billion € since 2011 to this effect. Actions were streamlined starting 2016 under an EU-Lebanon Compact (2016-2020) outlining mutual commitments and priority actions for addressing the impact of the crisis and seeking to improve the living conditions of both refugees temporarily living in Lebanon and Lebanese citizens. Since Lebanese LAs were at the forefront of the crisis response, many actions supported under the Compact (waste, WASH, livelihoods, infrastructure, …) aimed at supporting them directly or indirectly. Commitments to the Compact were determined and/or reaffirmed during the Brussels I Conference (April 2017) and the Brussels II Conference (April 2018) where the EU played a key coordination between different stakeholders (members states, international community, bilateral and multilateral donors as well as local counterparts).

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

In 2015, the EU worked jointly with Member States on the development of an 'EU Roadmap for engagement with Civil Society in Lebanon'. This roadmap was instrumental in aligning and harmonising the support provided by the EU and the Member States to the Lebanese Civil Society. A similar roadmap for LAs would have been possibly a game-changer.

The EU also established in 2015 the EU Regional Trust Fund in Response to the Syrian Crisis as a single and flexible instrument to channel non-humanitarian aid, including host communities. In 2018, the Trust Fund prepared two programmes aiming at strengthening the resilience of local governments

by focusing on improving service delivery, area-based planning and facilitating better access to municipal investment.[20]

The Trust Fund works with a wide range of implementing partners, including EU Member States' authorities and development agencies, international and local non-governmental organisations (NGOs), international organisations, the UN family, financial institutions, host country authorities, as well as private sector entities. To foster better coordination between the many NGOs and agencies, as well as allowing for fewer but bigger programmes, the Fund prioritises funding for partnerships consisting of several organisations working together.

Division of labour promoted (I-3.1.3)

The EU is acknowledged for having introduced local/territorial development to Lebanon starting with the programme LOGO I (ARAL) in 2004 who laid the foundations for a multi-stakeholder participatory approach to local development and was followed later by a stream of other programmes (LOGO II, ADELNORD, ABS-ECOINF, UDP_NL, Litani and others). This support has been a key driver for LA empowerment according to a PhD thesis published in 2018 that retraces the history of territorial planning in Lebanon and the main approaches used in the process.

Building on the successes of the EU-funded projects, other actors started investing in territorial-based approaches to development with LAs at the core of these approaches. UNDP for example championed Local Economic Development Agencies (LEDAs) at sub-national level, while UNHABITAT established Regional Technical Offices (RTOs) in some municipal Federations. All these projects/programmes played an enabling role for LAs, although their sustainability proved to be weak when donor funding ended.[21]

Evidence that synergies between development partners have been exploited (I-3.1.4)

A chapter in the *Atlas of Lebanon* published by the French Institute for the Near East (IFPO) highlights that 'the profusion of development projects supported by funds that are external to Lebanon raises the question of their coherence. [22] The geography of the intervention of these international actors reveals as much a logic of complementarity as one of competition. Mapping the municipal-level and village-level development projects coordinated by USAID, the European Union and the Kuwait Fund for Arab Economic Development since 2005 shows a de facto spatial distribution between these three actors: the superposition of interventions only affects 9% of the municipalities and villages. The implemented projects focus on support provided for the development of basic municipal services (more than 77% of them), the rest tackling the population's participation in local decision-making (15%) and institutional development (6%)'. The low level of overlap (9%) can be possibly interpreted as a *de facto* complementary territorial coverage in order to service as many LAs as possible over the Lebanese territory.

Interviews indicate that despite the success in mainstreaming the territorial approach to development in Lebanon, little synergies were developed between the different development partners and the work often took place in silos. For example, some interviewed LAs benefited from support by the EU, Member States, USAID and UN agencies (sometimes with EU funding) but could not point to synergies between this funding apart from covering the basic needs and/or improving the municipal services delivered by these LAs to their constituencies.

Synergies were more obvious for CSOs (for example the 'EU Roadmap for engagement with Civil Society in Lebanon' which was developed jointly with Member States).

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

There are currently 1,108 municipalities in Lebanon, a very high number by any standard. 75% of them are members of 56 Municipal Federations (also called Municipal Unions) and both are referred to as 'Local Authorities'. The EU defines 'Association of Local Authorities' as an 'umbrella organisation based on membership and representativeness at sub-national, national, sub-continental, continental and international levels'. Under this definition, Municipal Federations can be considered as ALAs, but in practice they are an intermediate administrative tier. A study by VNGI released in 2018 highlights that: 'Federations are unable to plan forward because of their heavy dependence on the central government-controlled equalisation payments of the Independent Municipal Fund (IMF), Lebanon's

[20] The two programmes are Maintaining Strength and Resilience for Local Governments in Iraq and Lebanon (MASAR) and the Municipal Empowerment & Resilience Project (MERP).
[21] Out of the 4 LEDAs, only the North Lebanon one is still operational in 2020.
[22] Farah, Abdelsater (2019): International cooperation to the aid of local development, in Atlas of Lebanon: New Challenges IFPO. Available online: http://books.openedition.org/ifpo/13316.

intergovernmental transfer system. The IMF transfers, which represent around 70% of their revenues, are not released in a predictable and timely manner. Around 61% of the revenues are spent on administrative costs and routine infrastructure maintenance works and another 30% on cleanliness, leaving around 9% to everything else the Federations have to do, such as advanced public services or larger-scale development projects – the very *raison d'être* of the Federations…'.

It is worth mentioning that the IMF is also the main source of revenue for LAs. The IMF collects on behalf of the municipalities tax percentages from fuel, telecom, alcohol and spirits and various real estate transactions and then redistributes them to municipalities (75%) and Union of Municipalities (25%) according to discretionary criteria, often irrespective of legally stated deadlines and transparency criteria. The average delay in the distribution in about 28 months, noting that in 2020 LAs are still struggling to get their 2017 allocation disbursed.

There is no overarching representative structure bringing together the municipalities and/or Municipal Federations in a national Association of Local Authorities (ALAs). Some municipalities and Federations convene as a local chapter of United Cities and Local Governments (UCLG) assisted by a Technical Bureau who facilitates technical cooperation projects and programmes. Over the past years the Technical Bureau has developed a set of best practices through bilaterally funded programmes (for example standing academies for training municipal staff and municipal police) and is interested in upscaling these with EU support.

'Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

Lebanese LAs have been actively taking part in regional and/or thematic EU-funded programmes (MED-PACT, CIUDAD, CES-MED, SUDEP-South, CLIMA-MED, etc..). Some 21 Lebanese LAs were partners in the last round of CBC-MED projects, and another 28 LAs are signatories to the EU Covenant of Mayors for Climate & Energy, thereby committing to adopting an integrated approach to climate change mitigation and adaptation.

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

The EU championed two approaches aimed at promoting the active involvement of LAs in public policy processes:

- The territorial approach to development, including spatial planning and participatory development planning (for the specific role of LAs in the development process) and;
- Actively lobbying and supporting the process of decentralization (regarding the mandate of LAs to elaborate local public policies.

Many projects and programmes illustrate the commitment of the EU to the territorial approach to development, including – among others – 'Appui au Development Local dans le Nord Liban (ADELNORD - ENPI/2008/19-623), 'Support for economic recovery: Local development, reconstruction, infrastructure rehabilitation' (LOGOII - ENPI/2007/18-882) and the projects awarded to LAs under the NSA/LA thematic line. By mid-2014 and through various instruments the EU was funding around 80 contracts with municipalities or Union of municipalities for a total amount of EUR 60 million spread across all six Mohafazat (Governorates), 19 Cazas (sub-districts) and 260 municipalities. The support after 2015 shifted to a more integrated approach through large(r) interventions like the North Lebanon programme (under AAP 2016) the Litani river basin programme (under AAP 2017) that provide LAs among others with capacity building activities. This approach was mainly to mitigate 'difficulties in implementation due to the limited capacity of LAs to cope with the EU requirements in terms of project management which – in turn – affect the sustainability of the interventions.

With respect to support to decentralization, and despite the strong commitment of the EU, very little was achieved due to the absence of political commitment from the Central Government to adopt proactive measures in favour of decentralization. It must be noted that the role of LAs in Lebanon is severely constrained by the absence of a decentralization law and the limited prerogatives entrusted to LAs, particularly in terms of contribution to public policy (and heavily centralised process in Lebanon) as well as financial independence. The Ta'if Agreement that sealed the end of the Lebanese Civil war in 1989 made provisions – among others – for 'extensive administrative decentralisation' with the creation of local councils at the district level in order to achieve local development and enhance

citizen participation. No less than 4 draft bills for administrative decentralisation were discussed in the Lebanese parliament since 1990 but none of them led to any concrete advancements.

The involvement of LAs in public policy is further hampered by the fragmentation of municipalities; with 4.5 million inhabitants and 10,500 km2 Lebanon has 1,108 municipalities (including around 350 municipalities created from 1998 onwards) an extremely high ratio by international comparison, leading to smaller and therefore weaker municipalities;

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

Lebanon is not eligible for sector budget support due to the limited absorption capacity of the different governmental services

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

The EU developed back in 2012 a comprehensive programme aiming at supporting LAs in addressing their long-term financing needs, the Municipal Finances Programme (MUFFIN – ENPI/2011/022-758)

Immediately upon its signature, the initial design of the programme was faced with blockages by the Ministry of Interior who – rather than supporting a concerted approach to improve the capacity of LAs for revenue-raising – insisted on using the available funding to finance rehabilitation works and to provide small grants for municipalities. The programme was later divided in two parts, one of them (4M€) worked on strengthening local development planning in four Unions of Municipalities, while the second part (16M€) was re-allocated in 2015 to the Economic and Social Fund for Development to execute infrastructure development projects with the municipalities that were most affected by the Syria Crisis.

The fate of this programme reflects the dilemma faced by the EU is supporting financial autonomy of municipalities and decentralization at large, as financial independence is key for empowering LAs on the longer term.

Under the current municipal law, LAs enjoy very limited financial autonomy, as their main source of revenue – particularly small and rural municipalities – is derived from the 'independent Municipal Fund (IMF). The IMF collects on behalf of municipalities tax percentages from fuel, telecom, alcohol and spirits and various real estate transactions and then redistributes them to municipalities (75%) and Union of Municipalities (25%) according to discretionary criteria, often irrespective of legally stated deadlines and transparency criteria. The average delay in the distribution in about 28 months, noting that in 2020 LAs are still struggling to get their 2017 allocation disbursed.

Direct political relations with LAs /ALAs (I-4.2.2)

The EU acknowledges LAs as one of its main stakeholders and reporting on progress achieved with LAs is mandatory across all External Assistance Management Reports (EAMRs), although this reporting covers Civil Society Organisations (CSOs) and LAs.

Starting 2015 and the development of 'EU roadmap on engagement with Civil Society in Lebanon'. LAs became less solicited at policy level but remained important development counterparts particularly as beneficiaries of EU support on infrastructure, environment and social cohesion projects aiming at addressing the consequences of the Syria Crisis.

Due to deep political and sectarian divides, there is no formal Association of Local Authorities in Lebanon, however LA representative often come together to lobby for policy decisions of importance to LAs and particularly the timely (and transparent) release of the IMF funds.

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

The experiences of the EU with Lebanese LAs, particularly their limited capacity to cope with EU requirements led to a shift from individual and/or cluster-based projects into larger integrated programmes. For example, the 'Local Development Programme along the Litani River Basin' programme (2018-2023, EUR 20 million) works on strengthening the institutional capacities of local governments, promotes public and private partnerships generating employment opportunities and improves municipal service delivery through an integrated and multi-sectorial approach to Local Development. LAs are key stakeholders of the programme, yet it is implemented through a contracted technical assistance (the Economic and Social Fund for Development and the Litani River Authority) This model allows to keep EU's engagement with LAs yet mitigates implementation risks while advocating for a more elaborate local-institutional anchorage.

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU, including through EUDs information and awareness campaigns (I-4.3.1)

Up to 2014, LAs were the number one development partner of the EU, and strongly represented in the Structured Dialogue for an Efficient Partnership in Development, but also across the various national and regional thematic programmes (MED-PACT, CIUDAD, CES-MED, SUDEP-South, etc…). As such, it is fair to assume that through their proactive participation in Lebanon, Brussels and elsewhere, LAs had a fairly good knowledge of EU's values and policies.

From 2015 onwards, the focus of the EU assistance shifted to the mitigation of the Syria Crisis effects in Lebanon, while acknowledging the role of LAs as the 'front liners' of the Lebanon response during a period of power vacuum both at the governmental level with a caretaker government between April 2014 and October 2016 during which Lebanon had no President and LAs had to improvise and adapt to absorb the influx of 1.5 million refugees. This period was characterized by frequent field visits and 'ribbon-cutting', and the values and policies aspect was rather overshadowed by the pressing need to address the consequences of the Syria crisis.

The rather high rate of response (as reported in the EAMRs) to the 'Local Authorities in Development' and later the NSA/LA calls (but also geographic and/or thematic calls such as CBC-MED and others) can be considered as a proxy indicator for the efforts done by the EUD to target LAs in awareness and information campaigns.

The 'Encounter between the EU and Lebanese Local Authorities' organized in March 2012 under as part of the Local Authorities Supporting Initiative of the Structured Dialogue and facilitated by the CIUDAD supporting mechanism is another example of the awareness and information outreach.

As highlighted earlier, the focus on the Syria Crisis response and the move to bigger integrated local development projects affected the direct awareness/information outreach yet maintained LAs at the core of EUDs development work.

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

The Information and communication exchange mechanisms are hampered by the fact that Lebanese LAs are not federated within an association and there is hence no 'one stop' point through which information can be communicated and disseminated.

The EU entertains a proactive field presence with Lebanese LAs, with regular field visits to assess the progress of implemented projects and participation in key milestones (launch events, communication about emerging results, etc…)

The process can be further consolidated if there is a systematic restitution of the results of the evaluations with an open transparent discussion about the implications of applying the recommendations going forward (like it was the case with the combined evaluation of ADELNORD, LOGOII and the 'Local Authorities in Development' back in 2015).

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

The CSPs/SSFs include ample evidence on EU's genuine will to assist Lebanon in drafting a decentralization law that reinforces the mandate and autonomy of LAs. The (aborted) Municipal Finances programme provides another clear evidence on EU's engagement in this direction.

On the other hand, the EAMRs highlight year after year the deadlocks faced on this front, that always relate to the lack of willingness by the central government to tackle the issue of decentralization. Under the current municipal law, the prerogatives of LAs are very constrained and their mandate, autonomy and responsibility can only be expanded if addressed within a comprehensive decentralization framework.

Interviews indicate that Lebanese LAs are granted by law a significant level of autonomy and a wide array of functions, yet their work in reality is hindered by conflicting legislative texts, the absence of a accountability mechanism, administrative and fiscal bottlenecks, heavy central government control and the absence of 'appetite' for reform by the central government.

EU assisted LAs in accessing domestic resources (I-5.1.2)

Accessing adequate domestic financial and human resources by LAs is an ongoing challenge further exacerbated by the absence of a political will (and subsequently concrete measures) to implement a

decentralisation law. Without proper decentralisation (including fiscal decentralisation) the opportunity of LAs to access domestic resources remains subdued.

The EU tried to 'walk the talk' by associating participatory development planning with the opportunity to access some funding for implementing the development priorities identified through participatory planning. This approach has been the 'signature' approach in all projects implemented by ESFD.

The LOGO II programme (and its predecessor LOGO I which falls outside the period under study) pioneered an approach aiming at creating Local Development Offices within 40% of the Unions of Municipalities, with the assumption that the Unions and/or the Lebanese government will ultimately ensure the sustainability of these offices. A mapping done by VNGI revealed that only 7 Unions (12%) had a Local Development Office in 2018, and many of these offices benefited from follow-up grants, mainly from UN-HABITAT and UNDP. This further confirms that accessing local resources by LAs remains a key challenge. The same logic applies to waste programmes (SWAM among others) where the sustainability of the EU-funded interventions depends on the ability of LAs to access local resources.

The total funding of the EU for LAs between 2008 and 2018, including bilateral funds under the European Neighbourhood and Partnership Instrument, thematic budget lines and the MADAD Trust Fund is estimated at around 150M€ (65M€ until 2013).

5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

The LOGO II programme (and its predecessor LOGO I which falls outside the period under study) pioneered an approach aiming at creating Local Development Offices within 40% of the Unions of Municipalities, with the assumption that the Unions and/or the Lebanese government will ultimately ensure the sustainability of these offices. This included extensive capacity building for the staff of these offices, as well as financial support for their establishment and their operational costs for the first years (3-5 years on average).

The EU supported also the development of no less than 20 Simplified Local Development Plans at Union level and more than 50 at village/cluster of villages level through ESFD.

The process of developing these plans constituted a unique opportunity for learning-by-doing in addressing the multiple dimensions of planning and resources management at both the municipal and the grassroots level.

The plans produced through these processes constitute the main benchmark for determining development priorities in the country prior to the outbreak of the Syria crisis.

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

Lebanon does not fall in the enlargement region.

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

The EU advocated and still advocates tirelessly for a territorial development approach. Most if not all the programmes supported by the EU embed strongly a multi-stakeholder territorial approach to development with LAs at its core (LOGO, ADELNORD, MUFFIN, UDP_NL, Litani River Basin among others).

The design documents for these projects, particularly those developed prior to 2015 request an organic alignment with the SADTL (Schema d'Amenagement du Territoirre Libanais), Lebanon's first national territorial plan, which lays the foundations for a sound territorial development. Although the SADTL was approved in 2004, only 2 out of its 20 implementation decrees were approved in parliament.

In practice, the EU managed to create a momentum amongst LAs to act as catalysts for urban and territorial development, but the influence on national policy-making remained subdued due to the blockages faced by the SADTL operationalization on one hand and the blockages faced by the decentralisation law on the other.

LAs' have sustainable development strategies in partnership with local and central allies (I-5.3.2)

All 'Simplified Local Development Plans' produced by the projects supported by the EU (either directly or through ESFD) aimed at developing the cities/territories in a sustainable manner. The process of

developing these plans was highly participatory, including contributions from CSOs as well as the private sector when applicable.

Most plans were developed at the level of Union of Municipalities or a cluster of villages in order to achieve economies of scale, yet the ability to fund these plans (beyond what was available through EU support) remained limited.

Interestingly, many of the ideas and propositions identified in these plans were picked-up later by other development actors (World Bank, bilateral donors, USAID) and implemented. The most obvious example is the interventions financed under USAID's BALADI and BALADI-CAP programmes, but also the Word Bank Municipalities project.

LAs' increasing resilience and reducing inequalities (I-5.3.3)

Addressing inequalities and regional imbalances are at the core of all CSPs/SSFs and the EU has been one of the main advocates/funders for promoting local economic development in order to reduce inequalities and marginalisation of rural and peripheral areas.

The EU played also a significant role in helping LAs address the consequences of the Syria crisis, investing heavily in WASH, solid waste and infrastructure, and hence improving the resilience of host communities in facing the consequences of the Syria crisis, and where LAs had to accommodate a sudden increase in population, sometimes in excess of the double of the resident population that were already relying on ailing infrastructure.

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

The EU support championed a territorial approach to development, coupled with participatory local planning. The territorial approach gives a voice to local stakeholders (CSOs, private sector and citizens at large) while the territorial approach ensures that the interests and capabilities of these stakeholder groups are catalysed adequately.

Many of the local development projects funded under LOGO II led to public-private partnerships despite the absence of a conducive legal framework for such partnership. The integrated local development approach championed in the North Lebanon and Litani river basin programmes is also clearly geared towards this multi-stakeholder approach

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

The most relevant mechanism for dialogue and collaboration would have been the planned decentralization law, and the EU has expressed interest and commitment to support the process, yet little progress was achieved over the past 10 years due to the real lack of political will.

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

The lack of a national association for LAs in Lebanon led to collaborative arrangements taking place on case-by-case basis rather than in comprehensive and systemic manner.

In the cases where the territorial approach to development was applied, there is clear evidence (in the local development plans that were produced) that collaborative arrangements on local governance, including giving voice to women, youth and tribal leaders were rolled-out.

LAs contribute to reconciliation and stability (I-6.1.4)

Prior to 2014, the projects aiming at reducing inequalities and promoting sustainable local development were important drivers for reconciliation and stability at local level, by bringing the different stakeholders in a particular territory around a shared development theme, and in deciding collectively on priority projects to be funded with EU support.

From 2015 onwards, the EU interventions had the declared objective of reinforcing stability and social cohesion by alleviating the pressure on municipal services that was caused by the Syrian refugee influx, particularly waste, WASH and infrastructure.

Both approaches aimed at strengthening the role of LAs in contributing to improved reconciliation and stability at local levels and in creating a momentum for LAs to weigh in the political debate around expanding the prerogatives of LAs in local development and running the local affairs,

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

Upwards accountability of LAs vis-à-vis central authorities is organically related to the (possible) provisions in the decentralisation law, which explains to a great extent the reluctance of the entire Lebanese political system to engage at least in a debate around decentralisation and establish a road map for its gradual implementation.

Despite this fact, EU-supported actions always stressed the importance of the alignment with policies at central/sector level, particularly in WASH, waste and local development, strengthening hence the linkages (and by proxy the accountability) with central authorities.

Strengthening horizontal accountability (I-6.2.2)

Local level politics in Lebanon has always been acknowledged as the level that brings decision-making closer to the population, and this has been a key consideration in EU programming

And while parliamentary elections, but also the council of ministers as well as all key political and administrative positions are distributed along sectarian quota (for example half the parliament is Christian and the other half is Muslim, the President of the Republic is a Christian Catholic, the Speaker of the Parliament a Muslim Shia and the Prime Minister a Muslim Sunni, etc…) municipal elections are held outside this sectarian quota and reflect more closely the local political dynamics.

LAs are the governance tier that is closest to the people it intends to serve and hence horizontal accountability and mutual scrutiny takes place on constant basis due to geographic proximity but also the nature of LAs' work which is supposed to address the daily needs and concerns of citizens.

Strengthening downward accountability (I-6.2.3)

Downward accountability towards local constituents has been on a steady rise between 2008 and 2018, largely due to the fact that municipal elections were held as planned in 2010 and 2016, despite parliamentary elections being delayed twice and despite the failure of the parliament to elect a President for the country for 28 consecutive months.

A paper on the Lebanese Municipality Elections 2016 highlighted that the municipal elections of 2016 generated the first political accountability in Lebanon since 2009. [23] The projects/programmes funded by the EU, but also other donors contributed to the emergence of a younger municipal leadership who is more educated and for increasing women participation in municipal life following the 2016 elections. In many instances, this new leadership emerged from CSOs involved in local development efforts.

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

The biggest contribution of EU-funded interventions to local democratic culture is the introduction (back in 2003 through LOGO I) of local/territorial development planning and expanding and consolidating subsequently this approach through a series of projects and programmes between 2008 and 2018 and through the close collaboration between the EU and implementing bodies, like ESFD who has been championing the approach as well.

The EU-funded interventions created a spill-over effect which affected other actors/donors such as USAID.

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Evidence of increased LAs capacity and resources to deliver services (I-7.1.1)

Taking into consideration the very limited financial capacity of LAs, the EU support was instrumental in increasing both their resources and capacity to deliver services. Sometimes this came with a painful learning-by-doing learning curve, particularly for meeting the technical and administrative requirements of the EU. Nevertheless, it constituted an important empowering exercise for LAs, with some of the 'champion' municipalities becoming development hubs as highlighted in the evaluation of the Community Development programme of ESFD.[24]

The EU support targeted a wide array of municipal services that fell under five main headings: i) municipal infrastructure (roads, communal buildings and facilities, playgrounds, etc…) ii) waste (collection & treatment), iii) WASH (mainly infrastructure and treatment), iv) Livelihoods & recovery

[23] Austrian Institute for European and Security Policy (2016): Lebanese Municipality Elections 2016
[24] ESFD (2011): Impact Evaluation of the Community Development Program.

(agriculture and agro-food processing, public markets, etc…) and v) environment in its larger definition (energy efficiency, valorisation of natural heritage, ecotourism)

Capacity to operate and maintain facilities for service delivery improved (I-7.1.2)

The ROM and evaluation reports done for EU interventions on local development identify almost unanimously gaps regarding the management, operation and sustainability of the EU-funded interventions.

In other terms, the identification and formulation of needs followed an iterative and participatory process in order to meet relevant needs (relevance), but somehow overlooked the practical and operational aspects on the medium and longer terms (effectiveness and sustainability).

As discussed in multiple sections of this report, the assumption that LAs will be able to operate and sustain the projects funded by the EU needs a serious revisiting, especially for smaller and by-and-large rural municipalities that run on extremely tight budgets with virtually no funding to spare beyond salaries and immediate maintenance needs.

Citizens and businesses higher quality of LA services / products (I-7.1.3)

The vast majority of EU-funded interventions were not at a magnitude that would allow addressing access and quality issues to scale, beyond their immediate benefits on the specific targeted sector. For example, the construction of a sewage network allowed reducing the number of cesspits and the contamination of ground water in a specific municipality but collected wastewater – unless connected to a functioning wastewater treatment plant – would move the problem downstream. The same applies to waste collection interventions. According to an article published by the Sustainable Sanitation Alliance, Lebanon was treating less than 8% of its sewage and 60 small-scale municipal treatment plants financed by the EU but also other funders were facing operational problems, largely due to the provision of maintenance and/or running costs.[25]

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

The resources and management capacities of LAs in Lebanon differ substantially, yet they are severely constrained by their financial dependence on the central government (mainly the IMF), the unpredictably of IMF transfers and the heavy administrative burden on employment, spending and all processes related to municipal work hinder LAs capacities.

The impressive performance of LAs in handling the influx of 1.5 million Syrian refugee in a time where Lebanon was facing a power vacuum (2014-2016) and when the central government was withholding their financial dues has been praised by all highlighting the capacity of LAs to respond to specific local challenges without the necessary accompanying resources.[26]

The EU re-affirmed its commitment to LAs in the EU-Lebanon Compact (Decision N° 1/2016 of the EU-Lebanon Association Council agreeing on EU-Lebanon Partnership Priorities) which clearly stated that 'special attention will be given to deprived areas, including by empowering municipalities, union of municipalities and local authorities and by strengthening civil society organisations, in order to improve local governance. Increased participation of women and youth will be supported with a view to foster an inclusive approach for sustainable growth. This will also entail the improvement of service delivery, such as health, as well as investment in municipal infrastructure projects. Municipalities have been severely squeezed by this surge of population, as they have to extend basic services and address to the immediate needs of both the Syrian populations in the country and the host communities, causing a decline in the quality of the services provided'.

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

Although a study by VNGI highlights that less than 10% of municipalities have a Risk/Disaster management strategy, Lebanese LAs were able to address two main challenges/shocks during the period under study: the Syrian Refugee influx (from 2014 onwards) and the eruption of a national solid waste crisis (fall 2015 onwards).[27]

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[25] Ghassan, 'The problems of sanitation and refineries in Lebanon ... To where?', Sustainable Sanitation Alliance. Available online: https://www.susana.org/en/opinions-beta/details/8

[26] For the example of the World Bank, see the article 'Municipalities at the Forefront of the Syrian Refugee Crisis' (2016, August 3) available online: https://www.worldbank.org/en/news/feature/2016/08/03/municipalities-at-the-forefront-of-the-syrian-refugee-crisis

[27] VNGI (2017): Local Government Resilience Programme for the Middle East and North Africa (LOGOReP) - Federation Capacity Mapping Study.

During both crises, and despite the lack of human and financial resources, LAs were able to respond to these emerging challenges and prevent further deterioration and/or instability. This does not mean that improvised responses should become the 'new normal', but that programmes funded by the EU or other donors should capitalise on the elements that emerged during the process.

7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage (I-7.3.1)

Between 2008 and 2018, Lebanon navigated from one shock to another (notably the July 2006 war and its consequences, the Syria crisis and its consequences and internal political power struggles and deadlocks). Under these circumstances reforms were constantly delayed, despite the promises made to the international donor community (including the EU) in the Paris I,II and III conferences and reiterated in the CEDRE Conference (*Conférence économique pour le développement, par les réformes et avec les entreprises*) in April 2018 in exchange of an economic stimulus package in excess of 11 billion USD and which would have provided a vital lifeline to the collapsing economy of the country. Neither the reforms nor the stimulus package materialized by 2020 when this study was prepared.

The EU has done an increasing advocacy for an overall administrative decentralisation process in particular for a decentralised fiscal system, offering both technical and financial assistance, yet this assistance remained under-utilised.

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions. (I-7.3.2)

The EAMRs clearly acknowledge a lack of capacity and resources of LAs to meet EU requirements, which compelled the EU from 2016 onwards to shift towards larger integrated local development programmes with LAs as beneficiaries rather than implementers (UDP_NL, Litani, MADAD trust fund programs, …)

EU interventions integrate other sustainability factors (e.g. existence of exit strategies) (I-7.3.3)

Almost all evaluations and ROMs highlight problems in the sustainability of the EU-funded interventions, and which is often related to the absence of an exit strategy and/or unrealistic assumptions about the actual capacities of LAs to attend to the financial and technical requirements of the EU-funded projects once EU support ends.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation. (I-7.3.4)

One of the main lessons learned from the evaluations and ROMs is the importance of developing exit strategies for the EU-funded interventions, but also addressing sustainability issues and institutional setups upfront during the interventions (i.e. not wait until the end of the project/programme to address them).

Annex 2 - List of persons consulted

Name	Organisation	Position
Abdallah Abdelwahab	UoM	Director, UoM of al Fayha
Roger Ashi	LA/ALAs	President, Moukhtara Municipality & Haut Chouf UoM
Nancy Awad	CDR	Specialist, Environment & Land use Management
Olivier Boudart	EUD	Attaché, Environmental Affairs
Edgard Chehab	Ministry of Interior	Advisor to the Minister (from 2019)
Basel El Hajj	LA	Head of the Local Development Committee, Municipality of Tripoli
Sami Feghali	CDR	Head of the Land use Planning Department
Khalil Gebara	Ministry of Interior	Advisor to the Minister (until 2018)
Ali Moussa	LA	Vice President, Fneidek Municipality
Taghrid Merehbi	LA	Local Development Agent, Municipality of Tripoli
Bechir Odeimi	CGLU/BTVL	CGLU Representative, BTVL Director
Haitham Omar	ESFD	Director General
Michele Pierpaoli	EUD Lebanon	Attaché, WASH
Dima Sader	ESFD	Head of the Community Development Programme
Ramy Saliba	AFD	Responsable Pôle Infrastructure
Andre Sleiman	DRI	Country Director, Lebanon
Gianandrea Villa	EUD Lebanon	Responsible Local Governance and Local Authorities
Khaled Woley	LA	Vice President, Tripoli Municipality
George Youssef	LA	President of the municipality of Menjez – North Lebanon

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2011): National Indicative Programme 2011-2013
- European Commission (2014): Single Support Framework for EU support to Lebanon 2014-2016
- European Commission (2017): Single Support Framework for EU support to Lebanon 2017-2020

2 EU reporting

- European Commission (2012): Lebanon Progress Report
- European Commission (2013): Lebanon Progress Report
- European Commission (2015): Lebanon Progress Report
- European Commission (2018): Lebanon Progress Report
- EUD Lebanon (2011): External Assistance Management Report
- EUD Lebanon (2012): External Assistance Management Report
- EUD Lebanon (2013): External Assistance Management Report
- EUD Lebanon (2014): External Assistance Management Report
- EUD Lebanon (2015): External Assistance Management Report
- EUD Lebanon (2016): External Assistance Management Report
- EUD Lebanon (2017): External Assistance Management Report
- EUD Lebanon (2018): External Assistance Management Report

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the following interventions (see also details in the list presented in Table 1 and Table 2).

4 Decentralisation and LA-relevant studies

- Austrian Institute for European and Security Policy (2016): Lebanese Municipality Elections 2016
- DRI (2017): Reforming Decentralisation in Lebanon: The State of Play. Briefing Paper 80.
- European Spatial Research and Policy (2018): Strategic Spatial Planning in Lebanon: An International 'Recipe'. The Case of The Union of Municipalities

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note - Morocco

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List of acronyms and abbreviations

AECID	Agence espagnole pour la Coopération internationale au développement
AFD	Agence Française de développement
ALAs	Associations of Local Authorities
APDN	Agence pour la promotion et le développement du Nord
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
CESMED	Promouvoir le développement des énergies durable dans les villes méditerranéennes
CSO	Civil Society Organization
CoM	Covenant of Mayors
DGCL	Direction Générale des Collectivités Locales
DRIN	Appui aux dynamiques de Développement Intégré des Provinces et territoires ruraux au Nord du Maroc
EAMR	External Assistance Management Report
EC	European Commission
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
ENP	European Neighbourhood Policy
EQ	Evaluation Question
EU	European Union
EUD	EU Delegation
FEC	Fonds d'Equipement Communal
GHG	Green House Gases
GIZ	Gesellschaft für Internationale Zusammenarbeit
GPP	Groupe principal des partenaires du financement pour le développement au Maroc
HCP	Haut-commissariat au Plan
HQ	Headquarters
IFIs	International Financial Institutions
INDH	Initiative Nationale de Développement Humain
LA	Local Authority
MENA	Middle East and North Africa
MFF	Multi-Financial Framework
MS	Member States
NCG	National Coordination Group
NGO	Non-Governmental Organization
NIP	Neighbourhood Investment Platform
OECD	Organisation for Economic Co-operation and Development
ONEE	Office National de Electricité et de l'Eau Potable
PADT	Programme d'Appui au Développement Territorial au Maroc
PRDTS	Programme de Réduction des Disparités Territoriales et Sociales
ROM	Results Oriented Monitoring
SEAPs	Sustainable Energy Action Plans
SECAP	Sustainable Energy and Climate Action Plans
SFI	Société Financière Internationale (IFC)
SNDERZM	Stratégie Nationale de Développement de l'Espace Rural et des Zones de Montagne
SUDEP	Sustainable Urban Demonstration Projects
TA	Technical Assistance
UMP	Université Mohammed Premier
UNDP	United Nations Development Programme

Introduction

Country context

There is a longstanding regionalisation process in Morocco – with origins in the 1970s. In July 2008, King Mohammed VI formally called to set up an agenda promoting a *'regionalisation avancée'* as the foundation for deep political and administrative reforms. A first step was the extension of municipalities' autonomy and attributions through the revision of the Communal Charter during the following year. Because decentralisation was going hand in hand with a will to promote local governance and civic participation, this agenda became part of a larger reform of the Constitution. The new Constitution was enacted the July 2011, highlighted commitment to a democratic transition and formalized Moroccan citizens' rights and duties. Within the framework of participatory democracy, it allowed citizens to participate in the elaboration, monitoring and evaluation of public policies.[1]

The Consultative Commission on Regionalisation, held in 2011, also pointed out persistent interregional inequalities in growth and human development, as well as scarce human and financial resources available to local authorities and regions. The political and legal foundations of decentralisation are thus anchored in the Constitution of 2011. It notably devotes a Title to regions and other local authorities (prefectures, provinces and communes), which will endorse the *'libre administration'* principle, engage in local territorial development and participate -in an advisory capacity- in the formulation and implementation of national policies, including those relating to spatial planning.[2]

From 2015 onwards, tangible progress has been made:

- Three organic laws, enacted the 7th July 2015, clarified the scope of competences attributed to LAs based on the *subsidiarity* and *standing in* principles.
- Available human resources for LAs were gradually strengthened, especially following the elections of September 2015, when regional and municipal teams of newly elected officials were set up.
- During 2016 and 2017, 70 implementing decrees were published and operationalized the organic laws relating to the *'regionalisation avancée'*.
- Resources transfers from the central government to regions have increased.[3]

Since 2018, the Decentralization Charter has been approved. This reform, which accompanies advanced regionalisation, should make it possible to improve the territorialisation of public policies as well as to improve the convergence and coordination of actions on the ground. To this end, a redeployment of human resources in the Regions is expected for each sectoral Ministry.

The notion of *'regionalisation avancée*' entails a territorial division of the country into 12 regions. These (elected) regional entities are called upon to be the privileged institutional player in the ongoing process of 'territorialisation' of public policies as well as in terms of ensuring coherence in development planning (acting as nodal point between national and local priorities as well as with the various de-concentrated services).

Several challenges are posed in the implementation of the intertwined processes of regionalisation and decentralisation including: (i) unclear delimitation between the competences of the state and the '*collectivités territoriales'* (regions and municipalities) and among the latter; (ii) a de-concentration process not aligned to decentralisation; (iii) limited financial and administrative autonomy and capacity of municipalities; (iv) suboptimal investment in infrastructure for service delivery (particularly at municipal level); (v) co-existence of national and regional 'development agencies'; and (vi) unclear division of roles in territorial planning ('*aménagement du territoire*').

A specificity of Morocco is the existence of a wide range of royal policy initiatives which are translated into comprehensive and well-endowed national programmes and strategies. A relevant example, closely connected to the advanced regionalisation, is the 'Stratégie Nationale de Développement de l'Espace Rural et des Zones de Montagne (SNDERZM)', a programme aimed at unlocking the development potential of poor rural and mountainous areas through massive public investments.

Overview of the EU support to LA

Main features of the EU support to LA in the country

[1] OECD (2017): *Accompagner les réformes de la gouvernance locale au Maroc. Guide de bonnes pratiques.*
[2] European Commission (2014): *Single Support Framework Morocco 2014-2017*.
[3] According to the PADT Action Document, transfers from the central government to the 12 regions represented 7 billion MAD in 2018 and should be increased to 10 billion MAD in 2021.

The EU support to decentralization and territorial development was envisaged following the adoption of the 2011 Constitution and the different aspects of the reform transpire in the *Cadre d'Appui Unique* 2014-2017 extended to 2018: *'L'objectif de l'appui de l'UE sera d'accompagner cette évolution dans laquelle s'est engagé le Maroc en promouvant les principes de bonne gouvernance, y compris de saine gestion des finances publiques, d'organisation territoriale décentralisée, de solidarité en faveur de la résorption des déficits de développement, de l'amélioration de la qualité des services publics rendus au niveau le plus proche du citoyen et enfin de transparence, de reddition des comptes et de lutte contre la corruption'.*

The EU in Morocco has a long history of aligning its support to major royal policy initiatives and related national strategies and programmes in order to achieve core political objectives of the Neighbourhood policy (poverty reduction, social cohesion, democratization and the rule of law, gender equality, citizen participation, effective and transparent management of public resources, access to quality services, etc.). In the past five years, the national framework conditions improved substantially regarding both the decentralization and regional development policies, as explained in the above section. This allowed the EU to substantially expand its portfolio of support to these processes towards the end of the evaluation period -moving from project approaches to the first budget support operation on territorial development (signed in 2019). It also creates new opportunities to reach out to the local level as well as to the various subnational authorities.

The core portfolio of programmes retained for this evaluation shows the EU trajectory over the past decade. From the outset, the EU sought to support major national programmes such as the Initiative on human development (INDH) as well as Hakama (focused on governance reforms), amongst others because they provided opportunities to also reach out to the local level and engage with subnational authorities (at a time where the national frameworks regarding decentralization and regional development were not yet in place).[4] This was complemented with a range of project interventions targeting different local challenges (women's rights in local governance, social inclusion, disabled people, energy), funded from different sources (including regional programmes). This multi-pronged engagement helped the EUD to gradually build up a much deeper knowledge on local level realities, actors and dynamics. The programmes functioned as a kind of 'laboratory' and were instrumental in scaling up EU support to more systemic interventions once the national framework conditions evolved in terms of decentralization and regionalization. A good illustration of this evolution is the 2011 programme on integrated development in provinces in the Norther Region (DRIN), whose implementation generated major insights and lessons learnt which informed its 2018 successor, the EU programme in support of Territorial Development.[5]

Table 1 Overview of EU-financed interventions to the support of local authorities in Morocco selected for country case study

D or C year	Title	Budget (mEUR)[6]	Typology	Implementing partner
2018	Programme d'Appui au Développement Territorial au Maroc	50	A.1 National LA-specific frameworks	Central government
2011	Inclusion et participation sociale dans les quartiers périurbains d'Oujda (Maroc)	0.13	A.2 (LAs' political financial and administrative capacities)	Association of LAs
2014	EIDHR – Gouvernance locale et droit des femmes	1.19	A.2 (LAs' political financial and administrative capacities)	CSO - (I)NGO
2010	Soutien des handicapés dans la région de Figuig (Maroc)	0.13	A.3 Local infrastructure and related service delivery	LAs
2014	SUDEP – Chefchaouen: commune modèle et instigatrice d'un changement citoyen en matière de gestion énergétique durable	0.91	A.3 Local infrastructure and related service delivery	CSO - (I)NGO
2011	Cleaner Energy Saving Mediterranean Cities (CES-MED)	4.85[7]	A.3 Local infrastructure and	LAs, Private companies

[4] Interviews with EUD staff.
[5] See PADT Action Document.
[6] Planned EU contribution.
[7] Planned EU contribution for the overall regional project.

D or C year	Title	Budget (mEUR)[6]	Typology	Implementing partner
			related service delivery	
2011	Appui aux dynamiques de Développement Intégré des Provinces et territoires ruraux au Nord du Maroc (DRIN)	24	A.4 Local (economic) development	Central government, Private companies
2012	INDH phase II - Programme d'appui à l'Initiative Nationale de Développement Humain au Maroc	24.19	A.4 Local (economic) development	Central government, Private companies
2012	Programme Hakama (Gouvernance)	76.47	B. Secondary support with an expected effect on the context in which LAs work	Central government, Private companies

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

The 2011 Constitution paved the way for decentralization and the territorialisation of policies and investments. However, the EU considered that the prerequisites in terms of legislation first needed to be in place before it could structurally engage. In an initial phase, the EU sought to exercise leverage towards central government for a better dialogue and cooperation with LAs through projects and by supporting the implementation of national strategies that indirectly allowed to deal with decentralisation and LA issues (e.g. Hakama, INDH). As the framework condition were being established the EU shifted to a higher gear and launched the first budget operation: the *Programme d'Appui au Développement Territorial au Maroc* (PADT, 50 mEUR), in 2018 (instead of 2016 as initially planned). It also provides technical assistance aimed at strengthening the role of the regional authorities as nodal point in the territorial development process in 2 pilot regions. It is expected to foster more structured and harmonised forms of dialogue and cooperation between central and local governments. However, it should be noted that the policy of advanced regionalisation is still incipient, as reflected in the fact that the regions are now about to finalise their first mandate as newly elected bodies. The reform is therefore *'a grand chantier'* that will need to be find its way, with up and downs, in a yet not fully clear institutional architecture (including on the crucial question of delineating the respective responsibilities of state, regions and municipalities[8]).

1.1.2 Involvement of LA/ALAs (JC1.2)

In the highly centralised governance system in Morocco, there is limited space to include LAs in political and relevant (sectoral) policy processes. The Associations of LAs (ALAs) have been invited to selected upstream dialogue processes. LA involvement in programming processes and in the design of LA support programmes has been limited, though some projects applied participatory approaches (e.g. the DRIN programme). The main reasons for this limited inclusion are the lack of a legislative framework (before 2015) and capacity constraints among subnational authorities (particularly smaller and rural municipalities). In this rather restricted context, the CoR has played a useful role as dialogue channel with Moroccan LAs through the Euro-Mediterranean Regional and Local Assembly (ARLEM).

1.1.3 Adjustments to context change (JC1.3)

Although there was no budget support to decentralisation and regional development before 2018, the EU could address issues of administrative and fiscal decentralisation through major national policy initiatives (e.g. Hakama, INDH) or specific projects as well as valuable regional pilot initiatives (CES-MED, SUDEP, Clima-MED, Covenant of Mayors) that invested in awareness raising and training activities towards LAs aimed at generating interest to take up the 'general mandate' of LAs and act in critical areas (such as energy efficiency, climate change, etc.).

These experiences have given the EUD a good insight in the country specific power dynamics between central and local levels. It also helped to design increasingly sophisticated intervention strategies. With the new organic laws on decentralisation and the ambitious policy on advanced regionalisation, the EU seized the new window of opportunity by launching a 50 mEUR budget support programme (PADT) aimed at promoting territorial development as well as the empowerment of elected regional bodies as catalysts of such processes. It is too soon to determine what leverage the EU will be able to exercise, particularly through the PADT. The EU financial contribution stands no comparison with the national budget of 5 billion EUR for the territorial policy. In the absence of strong financial incentives to reform, the PADT rather seeks to provide strategic added value by accompanying the complex process of integrating subnational authorities over a longer period of time. The political, institutional and bureaucratic incentives are globally in place at EU level to increasingly integrate LAs in external action and cooperation processes, as reflected by the growing mainstreaming of LA participation (see further EQ 4) and current search for ways and means to channel financial resources more directly to LAs (including through blending).

[8] According to several informants, in particular from regions and municipalities.

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

1.2.1 Appropriate EU engagement with LAs (JC2.1)

The space for the EU to directly fund LAs' own plans and programmes, using available instruments and modalities was limited during the evaluation period. This was linked to the absence of legal frameworks, regulatory constraints to direct LA funding, limited LA absorption capacities as well as procedural incompatibilities. For instance, the implementation of the *Initiative Nationale de développement Humain* was also hindered by cumbersome funding-related processes. In order to avoid this recurrent problem, up to 60% of the PADT support to the '*Programme de Réduction des Disparités Territoriales et Sociales* (PRDTS)' funds are transferred from a multisectoral fund which makes implementation more direct and efficient. The other part of the funding (40%) is provided directly by the Regions (via the transfers from the State).[9] However, in this configuration, the funding that can be injected directly into regional and certainly municipal budgets to finance their own development priorities may be limited. Based on interviews, the EU is now exploring other ways and means (also in its sector operations) to channel more funding to LAs, including through joint EC-EIB actions in the framework of the new programming cycle.

Considering (restrictive) national framework conditions and limited space to engage directly with subnational authorities, it could be argued the EU used a good mix of aid modalities during the evaluation period. Following the new reform wave of 2015, the EU shifted to providing budget support for the new regionalisation and territorial development ambitions of the central government. In other sector budget support programmes (e.g. agriculture), TA will equally be provided to work with regional bodies and other actors to help 'territorialising' public policies. The EU funded the first initiatives aimed at promoting participatory budgeting in Morocco in a limited set of municipalities. The CSO-LA budget envelope allocated to Morocco for LAs in 2014 has not been used because 2015 was marked by the communal and regional elections. Within the CES-MED project, there are promising opportunities to leverage and facilitate access to additional funding from other sources, particularly IFIs. Other regional programmes such as SUDEP and the Covenant of Mayors equally enhanced the space for LAs to start developing their own local public policies. The Covenant of Mayors in particular, helped (the few) participating municipalities to have a 'concrete tool' to structure/operationalize/monitor their engagements regarding energy and climate. This is not an evident process to engage in for LAs in Morocco (considering their financial and technical constraints). Yet targeted forms of TA (provided by CES-MED and Clima-MED) helped the municipalities involved to gradually become less dependent of external consultants, train their own staff and ensure effective follow-up (including on reporting).[10]

The European Committee of the Regions through the Euro-Mediterranean Regional and Local Assembly (ARLEM) has involved Moroccan LAs and ALAs (in particular, the Moroccan Association of Presidents of the Municipal Councils (AMPCC)) in the work of the EU in the external action. Morocco has 4 members in ARLEM, with one mayor occupying the co-chair of the ARLEM Commission for Sustainable Territorial Development (2020-2022).

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

The growing interest at EUD level to engage with LAs across the board (i.e. de facto a policy of '*mainstreaming'* LA participation) means that adequate human resources are available to strategically engage with LAs. Support from HQ has been limited, due to capacity constraints to respond to highly specific EUD demands in a short period of time -though the design of the PADT could benefit from relevant short-term expertise from HQ. At this stage, ALAs and LAs' capacity to produce data or analysis is limited. The EU sources of external knowledge rely primarily on data produced by national authorities. The EU can also make use of the reports and analyses produced by various international development partners who equally invest in territorial development and decentralisation.

1.2.3 Measured performance informing planning (JC2.3)

At macro level, the EUD reports annually in the EAMRs, but interactions with CSOs and LAs are reported through the same indicator, thus LA-related information is very limited. At project level, it turns out to be challenging to include indicators assessing the involvement or empowerment of LAs. The budget support for territorial development and decentralisation (PADT) has its own performance assessment framework with indicators for the variable tranches, including on empowerment of regions. It is too early to assess how these indicators will be translated into practice. Monitoring mechanisms of EU projects have often provided a sound basis for new interventions or to enrich the territorial approach in sector support programmes.

[9] See PADT Action Document.
[10] Interview with mayor of Chefchaouen.

1.3 Coordination and complementarity (EQ 3)

1.3.1 3Cs of EU support with other donors (JC3.1)

The EUD is co-leading a recently established (2019) donor group on territorial development, focused on exchanging information, notably on the various entry points and engagement strategies followed by the different international partners. The effectiveness and impact of this new forum cannot be established at this stage. However, several stakeholders consulted expressed concerns about the proliferation of uncoordinated external interventions at local level, including through a myriad of decentralised cooperation activities by European regions, cities and municipalities. There has been no genuine process of joint programming or even joint analysis, including on issues related to decentralisation and regional development. Yet there many good examples of synergies that have been exploited between development partners operating at the local level. Several EU-supported programmes are built on previous projects of Member States. In the SUDEP programme, the contributions of several donors converge to enhance overall impact.

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

The possibility of having strategic partnerships was limited in Morocco because there was not less than three (competing) ALAs who are seen to be quite closely linked to central power holders -rather than representing in a transparent way the interests of the members. The EU dialogues with the ALAs, yet this has not led to establishing also a strategic partnership. Several domestic informants also expressed doubts that the currently existing associations could legitimately represent municipalities.

2 Effects of EU support to LAs

2.1 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

2.1.1 Roles and mandates of LAs (JC4.1)

The EU had to align its engagement with LAs with the rather restrictive national framework conditions, whereby decentralisation reforms have been initiated yet when rolling out the process, the implementation modalities and arrangements are geared to keep the control at national level. In this context, there is limited scope for the EU to empower LAs to participate in public policy processes conceived at the top and then handed down to the local level for implementation. Indirectly, LAs participating as implementing agencies of national and regional development policies may get some opportunity to partake in public policy debates, but this is not of a structured nature. In practice, the territorial approach of the central authorities is all about territorialising the ***implementation*** of national plans. This can add value to the development process, yet by reducing local development to the implementation of national policies, the country may miss the opportunity to also unlock the potential of the resources available ***within*** the territory through the promotion of genuine ***local*** public policies via empowered LAs working together with the private sector and civil society. At project level, small openings can be created for participation of LAs in public policies.

The scope for mainstreaming LAs into implementation of EU interventions is limited due to the prevailing political and institutional set-up in Morocco and capacity constraints at the level of LAs.[11] However, the unfolding regionalisation process (with its stated aim to territorialise public policies) provides a potential channel for the EU to foster the mainstreaming of LA. This approach is now followed in various EU-supported sectors, with evidence of impact in terms of opening space for LAs, pushing forward indicators in budget support operations that regionalise responsibilities. It is still an uphill struggle, though, due to political resistance from the centre and limited human and financial capacities of regions and municipalities.

2.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

This objective can only be meaningfully pursued through the recently launched EU budget support provided for the national territorial development policy (PADT) which started in 2018. Various sources have indicated that enhanced fiscal autonomy is not the core priority at this stage in the unfolding decentralisation and territorial development reforms. The main drive is to progressively shift decision-making power to the regions through the transfer of clearly delineated competences and *authority*. Once

[11] 7 contracts were signed, including the support to social inclusion and participation in the suburban districts of Oudja (0.13 mEUR).

this new framework is in place and operating, the scope to also demand the transfer of funding may follow suit more easily.

2.1.3 LA's knowledge about EU (JC4.3)

It has proven difficult to assess this indicator, yet the limited evidence collected suggests many LAs lack the capacity to acquire sufficient knowledge on Europe, on cooperation instruments and opportunities to access funding. Exceptions include major cities as well as entrepreneurial mayors, who managed to find their way in the labyrinth of international and EU cooperation.

2.2 LAs' empowerment and capacities (EQ 5)

2.2.1 EU support to national framework conditions for LAs (JC5.1)

During the 2010-2018 period, the collaboration with central governments on various national programmes targeting the local level (particularly Hakama and INDH) through central government has been conducive to political and policy dialogue, in which issues related to decentralisation and LAs could be raised. While LA empowerment could not be directly addressed, the regionalisation policy provided a new strategic entry point, which the EU seized by launching a major budget support operation (2018) geared at empowering the regions as catalysts of territorial development. The EUD has only to a limited extent helped LAs in accessing domestic resources. However, some EU interventions / partnerships with LAs helped to creating the required conditions for tapping both domestic resources and money from development finance institutions (e.g. the climate and energy related support to the city of Chefchaouen).

2.2.2 LAs' strengthened institutional capacities (JC5.2)

LA capacities have been strengthened through the major EU-supported development interventions, yet this occurred mainly in the framework of the nationally conceived and highly centralised system for investing in regions. The LA capacity development was instrumental to perform better as implementing agencies in the chain of territorialising public policies. Limited evidence is available on how EU interventions in these more comprehensive programmes helped LAs to develop the wider set of capacities needed to act as a development player towards its citizens. Obstacles recurrently encountered include the top-down approaches by national agencies, the lack of suitable process facilitators (to accompany genuine institutional change processes at local level) as well as the often-passive attitude of LAs targeted. Not surprisingly, more solid capacity development gains can often be noticed in the more focused project interventions, particularly regional initiatives (SUDEP, CES-MED, Clima-MED, Covenant of Mayors). They put LAs in the driving seat and help them -through adequate forms of TA- to progressively assume ownership, train local staff or associations (to avoid dependency on consultants) and transform pilot projects into local public policies.[12] However, these local attempts are often frustrated by less than optimal national framework conditions and regulatory frameworks (e.g. in terms of directly accessing funds or setting up a local development agency).

2.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

Similar answer as in the indicator above. EU-support programmes were not primarily conceived to empower LAs as catalysts of territorial development. Available evaluative evidence also clearly shows the baseline conditions for LAs to assume such piloting roles are often missing. The DRIN programme opened up some space for participating municipalities to take a greater role in planning local development, but the actors involved were generally focusing on short-term issues, lacked vision on how to mobilise the potential of the territory and reverted to consultancy firms to facilitate the processes. This experience illustrated again that transformational changes only happen in the long-term and with substantial process facilitation support. The PADT is conceived to remedy these weaknesses, but it is too soon to say how this will work out in practice. Regional initiatives like CES-MED, SUDEP, Clima-MED and CoM can be an effective catalyst in terms of providing incentives to LAs to take the lead in territorial approaches -though the impact now is limited to a few municipalities in Morocco.

[12] Interview with the major of Chefchaouen, beneficiary of the programmes mentioned.

2.3 Accountability, participation and local democracy (EQ 6)

2.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

In the more comprehensive and systemic EU-supported national initiatives (INDH) or programmes (DRIN), major efforts were made to create linkages between LAs and CSOs on issues related to local governance and territorial development. While this allowed for bottom-up inputs, dialogue and a wide range of (formalised) partnerships -leading to positive development results, it did not help much to empower LAs as credible and legitimate catalysts of local and territorial development. Involvement of the local private sector remains limited.

At project level, particularly regional initiatives (SUDEP, CES-MED), the EU could work in a more direct and focused on these local alliances, including with the private sector. However, the extent to which a genuine 'voice' can be expressed and more solid institutional mechanisms for dialogue, collaboration and scrutiny of LA action can emerge remains limited in the current context. While EU support has contributed to instil highly valuable ingredients of local democracy and local governance through its interventions, the overall impact on consolidating a democratic culture remain very limited.

2.3.2 Accountability of LAs (JC6.2)

In the prevailing political economy context, the space for the EU to strengthen the accountability chain was limited. The highly centralised mode of operation to address local level development challenges (e.g. in INDH) meant the focus was generally on better accountability in the framework of vertical planning and centrally steered coordination. LAs were capacitated to better perform in this system, *not* to improve horizontal accountability as a self-standing political entity or downward accountability to citizens (as the LAs lacked power and resources to act on their own). The EU also engaged on downward accountability at project level, with mixed successes.

2.4 Service delivery and response to local challenges (EQ 7)

2.4.1 LAs delivering quality public services (JC7.1)

EU-supported programmes targeted improved service delivery at local level. However, in the political context of Morocco, the channel used are major national policy initiatives such as INDH. Within this top-down institutional framework, access to services was effectively improved. However, there is scant evidence that the LA capacities have also been strengthened *as autonomous entities* to also formulate its *own local public policies*, *using its own resources* by mobilising all local actors and unlocking the (dormant) potential of the territories. This is the missing element the PADT now seeks to address, focusing on regions as possible -more autonomous- catalysts of territorial development. Regional thematic programmes (such as CES-MED, SUDEP, Clima-MED) have been relatively successful (in a limited set of municipalities) in empowering LAs to assume ownership and leadership, deliver services and ensuring some degree of institutionalisation of these projects in local public policy-making. The issue of maintenance of the infrastructure built remains a challenge, though participating municipalities have sought to mitigate it through training local staff or associating expertise from the local civil society or the private sector.[13]

2.4.2 LAs better respond to local challenges (JC7.2)

Major national programmes such as INDH -to which the EU contributed- sought to territorialise national policies and reduce inequalities. Substantial efforts were done to enhance resources and management capacities to integrate local concerns and challenges in nationally driven planning processes. Yet there is limited evidence that this also enhanced the political autonomy and own resource base to address pressing local challenges. The regionalisation process holds promises to create space for LAs to better respond to local challenges, yet implementation of this policy is at a very early stage. Regions are still trying to find their place in the new institutional architecture. Based on interviews, municipalities tend to see the region as a "*potential ally"* on the condition that they can get their act together and that the autonomy of municipalities is also fully respected (through a legally enshrined division of labour between various levels of governance).

[13] In Chefchaouen, the municipality sought to strengthen the capacity of the local federation of electricians to ensure maintenance of the solar installations.

2.4.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Close alignment to national policies is seen as the way forward for the EU to engage on key reforms, reach out to local level institutions and ensure sustainability (through the 'institutionalisation' of pilots and innovative practices, such as participatory budgeting[14]). EU action documents are generally politically savvy on the 'political will' to reform. Within a restricted environment, the EU tries to 'navigate' to prudently and gradually include elements of empowerment of regional and local authorities. In the absence of programmes directly working with LAs and in a context where all resources going to the local level are strictly controlled by the centre, sustainability issues also need to be addressed at that level (e.g. through substantial mobilisation of domestic resources and the generalisation of contractual agreements between state and LAs). In smaller projects, a mix can be found of projects without exit strategies and those who have integrated sustainability concerns (e.g. by focusing on local ownership, creation of networks, etc.).

[14] Ibid. It was argued that municipalities can launch pilot initiatives on participatory budgeting and achieve success (e,g, by ensuring the cost is integrated in the municipal budget after the pilot phase, as happened in Chefchaouen). Yet the real test of sustainability is the adaptation of the legal/regulatory framework by central authorities, transforming participatory budgeting into a formal requirement for all LAs.

Annex 1 - Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

Since the 2011 Constitution paved the way for a greater decentralisation, the EUD has sought to engage with the central government in order to exercise leverage in favour of the effective implementation of this agenda. This was notably put forward in the EU-Morocco cooperation framework 2014-2017 (*Cadre Unique d'Appui*). The same logic was followed with the national policy on 'advanced regionalisation'. Both reforms were seen to have a potential in terms of gradually creating space for more inclusive forms of dialogue and cooperation with LAs. However, without a clear legislative framework for both policies, the risk exists that donors follow their own development logic and get into a less than optimal partnership with the government. This led the EU to initially focus on project interventions at local level (serving as practical laboratory for enhanced dialogue with LAs) or on supporting major national programmes which indirectly created space to consider LA concerns (e.g. the various INDH programmes). It was decided to wait with more structured and direct forms of support to LAs until the moment that the national policy on advanced regionalisation was more '*mature*' and concretised.[15] In essence, it means that LA were seen in the EU strategy as beneficiaries of EU support to the local level, as a driver in localising the SDG agenda as catalyst (over time) of local and territorial development.

These prerequisites in terms of legislation were put in place by the government as of 2015 with the three organic laws (see section on context analysis). This facilitated the launch in 2018 (instead of 2016 as initially planned) of the *Programme d'Appui au Développement Territorial au Maroc* (PADT, 50 mEUR). This recent EU flagship programme includes a 42 mEUR budget support, combined with technical assistance (TA). Focused on two regions, the programme seeks to reduce territorial inequalities while strengthening the role of the regional authorities as nodal planning and decision-making point in the implementation of the national policy of advanced regionalisation. It aims to accompany the process of establishing '*contracts'* between the State and the regions, which should create new channels of dialogue and collaboration with LAs. They may also help to sustainably anchor the collaboration between state and regions in respect of each other mandates[16] and ensuring that funding from different sources (including sectoral ministries) are effectively territorialised.[17]

Although there was no budget support to decentralisation and regional development before 2018, the EU provided support to the longstanding '*Hakama*' programme on improving governance, which also addressed issues of administrative and fiscal decentralisation. In this framework, the EU provided technical assistance to various public institutions, such as the *Direction Générale des Impôts* or the *Ministère de la Fonction Publique et de la Modernisation de l'Administration.*[18] Based on interviews, opportunities to engage on local level issues and foster collaboration with LAs also arose through the EU support to the '*Initiative on human development'* (INDH).

It is too soon to determine what leverage the EU will be able to exercise, particularly through the PADT. All actors consulted stressed that the policy of advanced regionalisation is in an incipient phase. The reform does not represent '*a big bang*', but rather a deliberate policy choice of central government to territorialise sectoral policies and related investments. This includes gradually empowering regions to assume the delegated responsibilities through multi-actor approaches (i.e. involving the governors, de-concentrated services, provinces, municipalities, CSOs and the private sector). This represents '*a grand chantier*' with potential for transformative change over time, as mentioned a representative of a bilateral donor. The regional structures are young (first election in 2015), making their first inroads into planning and management in a policy framework which still leaves open many questions as to the scope of their

[15] This assessment is based on interviews with EUD staff on overall strategy towards LAs and related sequencing of interventions during evaluation period.

[16] Currently there are already '*conventions'* between state and LAs, reflecting an attempt to organise an equitable system of national distribution of resources. LAs can call upon relevant regional actors and ministries for their investment plans, but the result is uncertain and the conventions can be changed by central government at any time. It is expected that the '*contracts'* between state and region will provide a more stable and predictable system to channel funds to LAs.

[17] Interview with staff from Ministry of Interior and the two regional bodies selected for support through the PADT.

[18] TA targeting administrative decentralization amounted to 3 mEUR.

competences. There will likely be growing '*competition*' for political visibility between levels of governance in terms of delivering services.[19] There are important differences among the 12 regions of the country (e.g. in terms of political, economic and social capital). Furthermore, it emerged from interviews with both domestic and international actors that the scope for encouraging effective dialogue channels will depend on the sector involved and on prevailing informal norms as well as personal factors (e.g. the attitude of the wali, the President of the region, etc.). According to a donor representative, some fear that regions may end up being a '*boîte postale*' (or rubberstamping body) and see more potential for bottom-up processes of governance and territorial development at municipal level. In the same logic, it was argued that the COVID crisis illustrated the important opportunities now available at the level of the communes (e.g. in identifying and assisting vulnerable people, showing local leadership in applying security measures linked to the health crisis, etc.).

The Action Document of the PADT warns against too high expectations. It argues that the '*real added value*' of the support provided should not be considered from a financial perspective. The EU contribution of 50 mEUR stands no comparison with the national budget of 5 billion EUR for the territorial policy. From that envelope, the regions are expected to have budgets oscillating between 50 and 60 mEUR annually.[20] In the absence of strong financial incentives to ensure this reform is effectively implemented, the PADT rather seeks to provide added value by accompanying the complex process of integrating subnational authorities into the existing institutional architecture over a longer period of time. According to the Action Document, there is a genuine local demand from different sources to be able to tap '*external views and expertise*' on how to prioritise jointly and give more direct responsibilities ('*maîtrise d'ouvrage locale'*) to subnational authorities (in application of the principle of subsidiarity); on how to improve the '*contractualisation'* between State and regions; on how to ensure a better link between responsibilities and accountability at local level; or on how to organise meaningful participation at local level, etc.

1.2 Involvement of LA/ALAs (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

In line with the centralised nature of the governance system in Morocco (reflected in the position of the King and the dominant role of the Ministry of Interior), the realm of negotiating partnership agreements and determining cooperation priorities with the EU is confined to a rather limited set of national actors. Based on evidence collected during the field phase, there is not much space to directly involve other domestic stakeholders. The limited inclusion of LAs/ALAs is also due to the lack of legislative framework before 2015 and capacity constraints among subnational authorities. However, the ALAs can at times participate in upstream dialogue processes relevant to their mandates.

Involvement in project design has generally been limited. Inclusive approaches involving LAs existed to some extent during the implementation phase of projects. Thus, the project on social inclusion and participation in Oudja suburban districts (*Inclusion et participation sociale dans les quartiers périurbains d'Oujda*, 0.13 mEUR) sought to provide relevant '*action-research*' tools with a view to enabling LAs, de-concentrated state services, university departments and local associations to define the needs of the most vulnerable populations in the suburban districts of Oudja.[21] By contrast, the integrated regional development programme (DRIN) was designed based on participatory and multi-sectoral approaches involving key subnational players. However, the 2019 Evaluation of the DRIN notes that the inclusive nature was much weaker during implementation, with major local stakeholders (including the councillors) being left out of the process. The LA expectation of obtaining funding for their *own* planned priorities also did not materialise.

In 2018, extensive consultations took place in the two selected regions that would benefit from the PADT, with external experts carrying out 3 field missions to make the necessary diagnostics and involve the various stakeholders (including at provincial and municipal level) in defining a shared vision for the territory and identifying the priorities for the planned EU support.[22] However, it was mentioned during interviews that, in the governance structure of the PADT, the LAs are not meaningfully represented at the level of decision-making.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

[19] During consultations, the example was provided of enhancing the employment of youth. This is a highly political topic and therefore several levels of governance may compete to 'show' they work on this and deliver the goods.
[20] See PADT Action Document, pp12-13.
[21] See related Action Document.
[22] Interview with staff from involved national and regional authorities.

The top-down nature of policy formulation in Morocco implies that the participation of the various categories of actors is also strictly regulated and organised. There is not much space available for the EU to push for the integration of subnational authorities in political and policy dialogue processes at this stage.

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

Same analysis as in the above indicator.

1.3 Adjustments to context change (JC1.3)

EC's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

As mentioned in the overall context section, the EU has a longstanding tradition to engage at local level and to reach out to subnational authorities. This accumulated experience means that the EUD has acquired substantial knowledge on the country specific power dynamics between central and local levels. The internal learning curve is evidenced in well-substantiated core action documents. These include realistic assessments of political dynamics and the (limited) space opened-up by decentralisation and regionalisation reforms. They also make solid stakeholder analyses (based on power relations, interests and incentives to change of the various actors).[23] There is also evidence that this knowledge does not only exist in the governance unit, but is quite widespread across the EUD (as illustrated by the interest of sector units to include the territorial perspective and related need to work with LAs).

This knowledge has helped the EUD to strategize its interventions, including in terms of instruments and modalities to be used. Considering the political specificities of the Moroccan governance system, the EU's preferred approach when entering into (new) sectors is to provide budget support with a view to accompany the reform process (e.g. regarding advanced regionalization) and then to help with the rolling out of the policy throughout the territory, amongst other by investing in the autonomy and capacity of subnational authorities. This strategy also underpins the PADT. The current programme is seen as a mean to put *'oil into the machine'* (of the ongoing regionalisation process) by focusing on empowering the regions. The experiences gained will help to prepare the ground for a new generation of support programmes post 2023.[24]

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

The political, institutional, financial and bureaucratic incentives are globally in place at EU level to incorporate LAs in external action and development cooperation in Morocco. This is reflected in major partnership documents of recent years. However, building on past experiences, the EU has acknowledged that the incorporation of LAs needed to be done *within* the specific rules of the game and institutional arrangements of the prevailing governance system. The strategy of the EU is to align with (evolving) national policy frameworks (particularly those pertaining to decentralisation and regional development) while detecting '*openings in the system*' and channels to reach out to subnational authorities and invest in their empowerment. There is political support for this approach by management in the EUD, which facilitates a (gradual) process of mainstreaming LA participation across the board.

For instance, the territorial perspective -which in Morocco is probably the most promising entry point for LA empowerment over time- is now adopted in two newly designed projects dealing respectively with health and with skills development for better employment (to be executed by AFD). However, while these projects may provide further support to the ongoing process of territorialising sector policies and related investments, it will be challenging to also meaningfully integrate the objective of LA empowerment. In this context, it is useful to refer to the evaluation of the abovementioned DRIN programme. Its implementation was hindered by the fact that the new laws on subnational authorities (2015) reduced the scope of local development plans. The municipality was no longer requested to produce its own plan, reflecting its own priorities based on an integrated vision of territorial development, but to align to the agendas of the de-concentrated services (see also below in EQ5).[25] The evaluation notes that this subordination has limited the potential of subnational authorities to link up with its institutional environment, also hampering dialogue with state agencies and services.

EU capacity to adapt its engagement with LAs and seize windows of opportunity (I-1.3.3)

As mentioned in the above sections, this capacity exists at EUD level and has proven beneficial for the elaboration of increasingly sophisticated intervention strategies and programmes at local level. These

[23] A case in point is the detailed assessment of all players involved in the PADT. It is not merely a list describing the various players, but a genuine stakeholder analysis.
[24] See PADT Action Document.
[25] CAPA & Expertise Advisors (2019): Evaluation report of the DRIN programme, p18.

are closely linked to major national policies and development initiatives, as well as to the evolving role division between central and subnational authorities (particularly regions). Now that the legal frameworks are in place, the EU seeks to '*accompany*' the overall implementation process, including by providing complementary TA to the regions.

In other areas as well, evidence exists of the EU seizing windows of opportunities. The 2011 Constitution initiated the participation of civil society in the definition and monitoring of public policies, in particular at subnational level. In response, the EU supported a project on local governance and women's rights. A 2016 ROM report stresses this was a timely initiative as there is know-how available on how to put into practice the constitutional call to mainstream gender and women's participation in public affairs (see further EQ 6 below).

The EU is currently also exploring how blending could be further mobilised to foster investments by banks at regional and local levels (see below).

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

The space for the EU to *directly* fund LAs' own plans and priorities, using available instruments and modalities, was limited during the evaluation period[26] for a variety of reasons, including:

- The absence of suitable legal frameworks regarding the decentralisation and advanced regionalisation reforms. As mentioned above, the EUD considered that these needed first to be in place and sufficiently mature before funds could be directly transferred to LAs.
- As explained during interviews, external funding to LAs needs to be channelled through a specific account and requires the double authorisation from the Ministry of Finance and the Ministry of Interior. This also hampered an effective utilisation of the CSO-LA thematic instrument -as funds for LAs had to be channelled through CSOs.[27]
- The challenge to reconcile EU aid with Moroccan public accounting regulations.[28] This was, for instance, the case in the 2012 and 2013, cooperation with the Kingdom of Morocco, based on a partially decentralised management via '*devis-programmes'.* However, the aid provided by the EU entered into the general budget of the beneficiary State and the prevailing rules of that system created incompatibilities with the arrangements in the *Guide devis-programme* of the EU. At the end of 2014, this approach was excluded from current and future conventions (except for the DRIN projects because the beneficiary was a national agency able to provide a valid bank account).[29] The implementation of the *Initiative Nationale de développement Humain* was also hindered by cumbersome funding-related processes. Following the identification of projects by municipal committees and the final approval of the Governor of the Province -as representative of the State- numerous partnership agreements with local authorities, external services, development agencies and beneficiaries were necessary to transfer the funds. In order to avoid this recurrent problem, up to 60% of the PADT support to the '*Programme de Réduction des Disparités Territoriales et Sociales* (PRDTS)' are transferred from a multisectoral fund which makes implementation more direct and efficient. The other part of the funding (40%) is provided directly by the Regions (via the transfers from the State).[30] However, in this configuration, the funding that can be injected directly into regional and certainly municipal budgets to finance their own development priorities appears limited due to the vertical system of planning and the weight of the '*tutelle*'.[31]
- The absorption capacity of funding is a major issue for many municipalities, particularly in rural areas. In many instances, the basic preconditions in terms of governance and PFM are not

[26] There were attempts to reach out to LAs. The DRIN programme combined a project approach and call for proposals to LAs. The SUDEP and regional programme Clima-MED also managed to work with municipalities, with varying levels of success.
[27] Ibid.
[28] EUD Morocco (2013): External Assistance Management Report, p12.
[29] EUD Morocco (2014): External Assistance Management Report.
[30] See PADT Action Document.
[31] Interviews with both domestic and international agencies. The point was made that when donor agencies contact directly LAs, these often refer back to the wali as obligatory first entry point

fulfilled to receiving and properly managing external funds. Furthermore, the instrument of call for proposals has proven ill-suited for most LAs.[32]

Looking at the future, the EU seeks to expand opportunities for direct funding to LAs, but the various options have to be carefully assessed in terms of political feasibility, advantages and disadvantages. In such a prospective analysis, the EU expects its new budget operation (PADT) to *indirectly* contribute to improved conditions for regions (and municipalities) to mobilize resources for the development of the territories, primarily through the above mentioned 'contracts' between state and regions (which would allow to tap in a more structured and predictable way funding from sector ministries). Several interviewees consider the EU capacity to provide this type of untargeted budget support to a core national reform as a major added value as it allows the donor to influence framework conditions (more than through blending approaches).[33] Based on interviews, the EUD experienced that other sector budget operations facilitated the dialogue with the central government on different options to ensure stronger inputs from the local level or a delegation of responsibilities (e.g. to *'régies*' as in the sector of water and sanitation, which would also create more space for a direct involvement of LAs.

A possible channel to fund more directly LAs in the prevailing governance context is to pass through the '*Direction Générale des Collectivités Locales*' (DGCL) in the Ministry of Interior and related '*Fonds d'Equipement Communal'* (FEC), a public agency and bank created in 1958 to finance investments at local level -and occupying de facto a monopoly position[34] in terms of funding investments by LAs. Both the World Bank and the AFD jointly use this channel to invest substantial resources in more '*performant'* urban municipalities (using incentive-based schemes[35] as well as a combination of loans, grants, TA and adapted trainings). The EU is also interested in this channel, yet it is politically sensitive. According to interviewed staff from the donor community, there appears to be opposing views between the Ministry of Finance (reluctant to the approach) and the Ministry of Interior (keen to gain more direct control on resources going to the local level).

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

Considering (restrictive) national framework conditions, the need for some degree of maturity in national reform processes (e.g. on advanced regionalisation) as well as the limited space to engage directly with subnational authorities, it could be argued the EU has used a good mix of aid modalities during the evaluation period. Before the decentralisation and regional development laws came into effect (2015) it engaged with central authorities through budget support provided to major royal and national policy initiatives, using this entry point to indirectly address issues of administrative decentralisation, mainly through the use of embedded TA. It also funded classical projects on integrated regional development (DRIN) and smaller interventions targeting LAs to enhance local governance or address specific local challenges (using the NIP as well as EIDHR). Following the new reform wave of 2015, the EU shifted to providing budget support for the new regionalisation and territorial development ambitions of the central government. The PADT still is in the incipient phase yet the EUD has the stated ambition to empower regional authorities as catalyst of territorial approaches to local development that are coordinated in a balanced way with national priorities. As the PADT is primarily conceived to test out innovative approaches to planning and implementing territorial development, '*territorialised TA'* is a central component of the support. It was mentioned by the EUD that, in other sector budget support programmes (e.g. agriculture), TA will equally be provided to work with regional bodies and other actors to help 'territorialising' public policies. Furthermore, the EU portfolio also comprises regional initiatives and projects implemented by CSOs to intervene at local level on specific themes (such as clean energy or local governance).

The CSO-LA budget envelope allocated to Morocco for LAs in 2014 has not been used because 2015 was marked by the communal and regional elections. The EUD Morocco did not consider appropriate to launch the call for proposals for LAs as beneficiaries in this electoral context.[36] More widely, the use of the call for proposals modality was considered ill-suited for reaching out to public entities like LAs. If the latter participate it is generally as implementing agency, not as lead.

[32] This was also the case in the EU sector support to social protection. For the first time, it proved possible to open-up the budget support to finance CSOs involved in service delivery. The attempts to also include LAs were not successful (source: interview with EUD staff).
[33] Interviews with bilateral and multilateral donor agencies.
[34] Interviews with donor agencies.
[35] Access to additional funding by municipalities will be dependent on an annual evaluation of their performance, conducted by the Ministry of Interior. A grant of 500.000 euros has been provided by AFD to put in place adequate internal audit systems.
[36] PLATAFORMA questionnaire 'Accorder une autonomie accrue aux autorités locales dans les pays partenaires pour une meilleure gouvernance et des résultats plus concrets en matière de développement', filled by the EUD in 2020.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

Blending is an increasingly attractive instrument among donor agencies and EU, particularly for investments in infrastructure. According to various interviews, the emerging regions do not lack financial resources (contrary to the municipalities) and that makes them an interesting partner for financing institutions to consider sovereign loans (guaranteed by the State) or complementary budget support operations. The issue is more complicated with the '*non-sovereign loans'*, not guaranteed by the State, which could benefit LAs. The SFI (IFC/World Bank family) has been able for the first time to agree on a non-sovereign loan to Casablanca for major infrastructural works, executed by specialised agencies under the political leadership of the municipality ('*maîtrise d'ouvrage déléguée*'). Other financing institutions seek to step into this avenue, but they realise it will be difficult to do this, particularly for smaller, rural municipalities. That is where the new EU programming cycle comes in, with the EFSD+ and related system of guarantees. Currently, it is impossible to intervene through the European Investment Bank (EIB) without a state guarantee.

The regional 'Cleaner Energy Saving Mediterranean Cities' (CES-MED) project aims to developing the capacities of local authorities in the ENP-South region to formulate and implement more sustainable local policies, such as those implied by joining the Covenant of Mayors (CoM) and developing the related Sustainable Energy Action Plans (SEAPs). Three cities in Morocco were selected per country to become CES-MED's Partner Cities. This programme is conceived to leverage and facilitate access to additional funding from other sources, particularly IFIs. The 'CES-MED Milestones' (2018) advice IFIs to restructure investment projects to support local authorities and facilitate bank credit in favour of projects promoting high climate or energy added value.

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues. (I-2.2.1)

As observed during the field mission, there are several EU task managers across sectors in charge of the various programmes that allow directly and indirectly to associate LAs (e.g. staff in charge of civil society, infrastructure, social protection, education, VET or governance). As mentioned before, the growing interest at EUD level to engage with LAs across the board (i.e. de facto a policy of '*mainstreaming'* LA participation) means that adequate human resources are available to strategically engage with LAs. Some reports mention problems of timely responses by EUD staff on pressing implementation challenges, yet the reasons for this are apparently not linked to a lack of capacity problems.[37]

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs. (I-2.2.2)

When the idea of establishing a strategic partnership with ALAs was discussed internally in 2015, the EUD requested HQ to provide expertise for a short-term mission. However, the demand could not be honoured, apparently because of limited resources at HQ level with the required profile. By contrast, in 2016 the EUD received well-appreciated, short term TA from HQ to help with the exploration of a possible EU support programme on territorial development. The EUD did not make use of political steering from HQ to determine its engagement strategies with LAs over time.

Use of external knowledge and data (e.g. from ALAs). (I-2.2.3)

At this stage, ALAs and LAs' capacity to produce data or analysis is limited. The EU sources of external knowledge rely primarily on data produced by national authorities. A case in point is the '*Haut-commissariat au Plan'* (HCP), which produces annual reports presenting statistical, demographic, economic and social indicators disaggregated by region. The EU can make use of the reports and analyses produced by various international development partners who equally invest in territorial development and decentralisation.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

At macro level, the EUD reports annually in the EAMRs, but interactions with CSOs and LAs are reported through the same indicator, thus LA-related information is very limited. At project level, it turns out to be challenging to include indicators assessing the involvement or empowerment of LAs. A typical example is the earlier mentioned project on women's rights in local governance. While the project included a

[37] See the DRIN ROM report observing a '*lenteur généralisée*' in decision-making regarding implementation questions addressed to the EUD. The report suggests the delays are linked to more fundamental disagreements between central government, implementing agencies and TA on how to manage the programme and the funds involved.

specific result oriented towards engaging elected officials[38], the indicators focused only on citizen participation.[39]

The budget support for territorial development and decentralisation (PADT) has its own performance assessment framework with indicators for the variable tranches. Since the Specific Objective 2 is about strengthening the 2 pilot regions in the territorial development process, a set of indicators have been identified to measure the empowerment of the regions (in terms of financial transfers from the central government, concertation and dialogue with the central government, or project implementation). It is too early to assess how these indicators will be translated into practice.

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

Monitoring mechanisms of EU projects can provide a sound data basis to enrich the territorial approach of sectoral EU support programmes. For instance, the AGRI II programme[40] supports Pillar 2 of the Green Morocco Plan and has been applied for four years in four pilot regions, including the Oriental region. Thus, some of the programme's indicators should be able to enhance the commodity chain approaches per region and other crucial 'territorial' data. These, in turn, can help the work of the 'territorialized' TA of the PADT.[41] Learnings from recently closed projects provide some guidance for the newly formulated ones: e.g. the evaluation of the INDH programme and the DRIN programme have greatly contributed to the formulation of the PADT programme.[42] However, based on evidence collected during the field phase, monitoring and learning have mainly been used by the EUD to improve the design of new programmes and feed policy and political dialogue processes, less to monitor the inclusion of LAs as development actors and even less so to assess the empowerment of LAs.

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

EU engage in LA-related coordination & donor fora (I-3.1.1)

The EU has been an engaged actor in ensuring donor coordination efforts, particularly around regional and territorial development. In February 2018, the Moroccan party presented the state of the advanced regionalisation policy and a detailed inventory of the interventions of development partners in regional and municipal support to the '*Groupe principal des partenaires du financement pour le développement au Maroc*' (GPP). This induced the donor community involved to agree on the establishment of a thematic group on territorial development in 2019. The EUD has been co-leading the group since then with the World Bank.[43] This provides an effective, donor-led forum to exchange information, notably on the various entry points and engagement strategies followed by the different international partners[44].

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

No special dynamics exist in terms of joint programming, though at the request of France the upcoming programming cycle may include a joint analysis on how best to coherently support the ongoing territorial development process between the EU and Member States.

Division of labour promoted (I-3.1.3)

At this stage it is unclear to what extent the donor group on territorial development and decentralisation will be able to act as act as a useful instrument for promoting division of labour. The challenge is real, as several interviewees observed some degree of '*anarchy'* in the proliferation of local level interventions by a multiplicity of actors (bilateral, multilateral, CSOs, etc.) as well as decentralised cooperation initiatives by regions, cities and municipalities from Europe.

Evidence that synergies between development partners have been exploited (I-3.1.4)

There is strong evidence that EU support often relied on previous projects and lessons learnt by Member states:

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[38] The expected result was formulated as follows: '*Elected officials initiate a citizen dialogue using social accountability tools and taking into consideration the gender approach in the implementation of policies'.*

[39] EU (2016): 'Gouvernance locale et droit des femmes' ROM report.

[40] The Support Programme for the 2nd Pillar of the Green Morocco Plan aims to boost agricultural production in poor regions and promote sustainable management of natural resources.

[41] EUD Morocco (2018): External Assistance Management Report, p45.

[42] EUD Morocco (2018): External Assistance Management Report; Layoun, Grojean (2017): Final evaluation of INDH programme.

[43] PADT Action Document, corroborated during interviews.

[44] Based on interviews with various donors who see the added value of this Group even if only recently created.

- For instance, the complementarity of the intervention on local governance and women's rights[45] was highlighted in a ROM report (2016). As the participation of associations in public policies had already been supported by the AECID in the Oudja region, the EU intervention relied on the previous achievements of associations while placing a greater emphasis on gender equality.
- The DRIN evaluation report observed that the EU has sought to create an added value by concentrating on a region where few Member states were present. Moreover, the design phase of DRIN included extensive consultations with various Member States with a view to learn from their experiences and ensure synergies.[46]
- Concerning the project on social inclusion and participation in Oudja suburban districts, the training component is considered as an operational continuation of the project *'training of trainers of social workers*', promoted and developed within the framework of the partnership between the INDH, the Université Mohammed Premier d'Oujda (UMP) and the UNDP. This former project was part of the UNDP's ART GOLD Programme for the training of public administration executives, researchers from the UMP and members of NGOs, on techniques, objectives and intervention methodologies in the field of social research (training in which some the implementing partners of the EU project were already involved).[47] The EU project provides new planning tools aimed at the participation of the population in specific moments of data collection for the elaboration of the territorial diagnosis.[48]
- The experience of the municipality of Chefchaouen is a striking example of how a territory can benefit from synergies between development partners in terms of complementary activities, involving various EU programmes (including the regional projects such SUDeP, CoM, CES-MED), Member States initiatives (Germany, France) and other actors (Switzerland).[49]

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

There are three ALAs in Morocco:

- At national level: the *Association Nationale des Présidents des Collectivités locales*;
- At regional level: the *Association des Régions du Maroc*;
- At municipal level: the *Association Nationale des Présidents des Conseils Communaux*.

Whereas there is a longstanding dialogue between the three ALAs and the EUD, no strategic partnership was clearly officialised so far. The idea of funding ALAs[50] was already discussed in 2015. The debate was about using the direct grant procedure to strengthen the technical capacities of these three structures, to boost the partnership between local authorities and to envisage support as part of the process of advanced regionalisation underway in Morocco. However, following documentary research and interviews with decentralisation specialists, the support was considered as '*premature*'. This was partly based on the less than optimal experiences gained by other donors (GIZ-BMZ) in supporting the ALAs[51] as well as concerns that their policy impact is limited in the prevailing, highly centralised system of governance in the country. Nevertheless, collaboration with ALAs will probably gain intensify during the implementation of the PADT.

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

Major global partnerships for Morocco include Covenant of Mayors (CoM), CES-MED followed by Clima-MED, and SUDEP. The latter notably gave visibility to the Chefchaouen municipality as a star performer.[52] However, it has been observed that these instruments have been much less widely used in the Neighbourhood South and Morocco than in the Neighbourhood East.[53] Thus, SUDEP has effectively reached two municipalities while CoM could engage five LAs. This raises the question of how this valuable type of processes could be upscaled. Other sources attribute the limited current profile of these partnerships in Morocco to the novelty of the approach, the lack of a clear formal mandate of municipalities to take the lead on environmental issues and various restrictions linked to the limited

[45] EIDHR – Gouvernance locale et droit des femmes, 1.19 mEUR.
[46] CAPA & Expertise Advisors (2019): Evaluation report of the DRIN programme, pp18-19.
[47] See related Action Document.
[48] Ibid.
[49] EU (2018): Final evaluation of SUDEP Chefchaouen project.
[50] Interviews with EUD staff.
[51] The ALAs do not necessarily represent the 'local' interests as they tend to have close linkages with central power holders.
[52] Final evaluation (2018) of SUDEP Chefchaouen, p7.
[53] JRC (2018): The Com - Evaluation of the SEAPs in the MENA Region, confirmed during the field phase by EUD staff.

decentralisation and de-concentration (making it hard for a municipality to hire extra staff, reallocate budget resources or create a new public service).[54]

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

The EU had to align its engagement with LAs to the rather restrictive national framework conditions, whereby decentralisation reforms have been initiated yet in timid and controlled manner by the centre (in particular the Ministry of Interior and the system of '*tutelle*' by the wali).[55] In this context, there is limited scope for the EU to empower LAs to participate in public policy processes conceived at the top and then handed down to the local level for implementation. Indirectly, LAs participating as implementing agencies of national and regional development policies may get some opportunity to partake in public policy debates, but this is not of a structured nature. This illustrates the ambiguities of the concept of 'advanced regionalisation' in relation to the scope and degree of local autonomy it may provide. In practice, the territorial approach of the central authorities is primarily about territorialising the *implementation* of national plans. This can add value to the development process, yet by reducing local development to the implementation of national policies, the country may miss the opportunity to also unlock the potential of the resources available *within* the territory through the promotion of genuine *local* public policies via empowered LAs working together with the private sector and civil society.

At project level, openings can be created for participation of LAs in public policies. An example is the regional CES-MED project aimed at raising awareness and responsiveness of national authorities regarding the need for a greater involvement of cities in policy issues, which impact them directly, e.g. local waste and water management, urban mobility and transport, and local energy use.

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

The scope for mainstreaming LAs into the implementation of EU interventions is limited due to the prevailing political and institutional set-up in Morocco and capacity constraints at the level of LAs.[56] However, the unfolding advanced regionalisation process (with its stated aim to territorialise public policies) provides a promising policy framework for the EU to foster the mainstreaming of LA participation. This is the logic underpinning the PADT, which is all fostering innovating institutional practices, including (i) participatory planning processes; (ii) empowerment of the regions as the catalyst and 'pilot' of territorial development; (iii) balanced contractual arrangements between State and Regions; (iv) improved dialogue between the various actors of territorial development (citizens, elected councillors, private sector, civil society, de-concentrated services) and (v) enhanced transparency in public spending (including criteria for budgetary allocations between regions and municipalities).

Yet also in other sector interventions, the EUD seeks to use, where possible, the entry point of the 'territorialisation' of sectoral policies and investments to foster a better incorporation of LAs. A case in point is the longstanding EU's provision of budget support for literacy. In the third phase of this programme, the issue of territorialisation was fully integrated in the indicators[57] and the targets reached in the six selected regions (though this proved a labour-intensive process, requiring effective central organisation and pro-active regions). Other interesting EU approaches towards LA mainstreaming were reported, including by helping to clarify the governance arrangements underpinning the planned regionalisation of vocational training or the adequate division of labour between different levels of governance in the education sector (e.g. in terms of ensuring infrastructure, school transport, the fight against drop-outs, etc.). However, evidence collected during the field phase suggest that this type of LA mainstreaming processes encounters political resistance from central government and sectoral ministries and are also hampered by the limited human and financial capacities of LAs.

The thematic EIDHR envelope provided an entry point to involve LAs in the implementation of spatially targeted interventions, such as the support to disabled people in the Figuig region or the promotion of local governance and women's rights in two provinces. Yet such interventions cannot be equated with mainstreaming LA participation at a higher level.

[54] Interview with the representative of an NGO active in Chefchaouen.
[55] Deutsches Institut für Entwicklungspolitik (2017): Decentralization in Morocco. Discussion Paper.
[56] 7 contracts were signed, including the support to social inclusion and participation in the suburban districts of Oudja (0.13 mEUR).
[57] Based on EUD interviews, before the whole process was exclusively conducted at national level with high officials in Rabat.

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

This objective is pursued through the EU budget support provided for the advanced regionalisation reform through the PADT, signed in 2019. The abovementioned EU support to major processes and programmes in the past (Hakama, INDH) has indirectly contributed to putting the aspect of long-term funding for LAs on the political agenda. However, several interviewees observed that enhancing the *fiscal* autonomy of LAs is not the core priority in Morocco. The main drive is to progressively shift decision-making power to the regions through the transfer of competences as well as of *authority* (a more sensitive operation). Various stakeholders confirmed during interviews that, once this new framework is in place, the scope to also demanding the transfer of funds is likely to grow and result in a de-concentration of sector budgets to the regions.

Direct political relations with LAs/ALAs (I-4.2.2)

If there is a dialogue with ALAs, the EUD has limited direct political relations with LAs. An illustration of the limited scope provided for this in Morocco is provided by the preparatory process of the PADT. Though the project design involved extensive consultations with local stakeholders, there was no direct discussion at political level between the EUD and the Council of Regions in the 2 pilot regions but exclusively with the Ministry of the Interior.[58] Nevertheless, the complementary component (TA) will be within the Council of Regions in the two regions. This is the main opportunity in the EUD portfolio to build relationship with LAs in the short-term and in accordance with the national reform.

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

The main message coming out of consultations with the EUD is a clear commitment to further upgrade the strategic engagement with LAs, pursue the mainstreaming of LA participation and explore ways and means to increase direct funding to LAs through grants, budget support (the preferred road for the EUD) as well as the use of blending in the framework of the EFSD+.

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU, including through EUDs information and awareness campaigns (I-4.3.1)

In the absence of a field visit, it has proven difficult to assess this indicator. The ALA consulted agreed that this was work in progress. Many LAs lack the capacity to acquire sufficient knowledge on what Europe does in the country and on the various cooperation instruments available. LA involvement in EU call for proposals has been limited and successful applications very few. The exceptions -like the Mayor of Chefchaouen- can be explained by his longstanding mandate (10 years) but above all by his familiarity with donor instruments and procedures through his previous work as member of a well-connected CSO.

No evidence was collected on the existence of specific awareness and information campaigns targeting LAs on the overall EU external action in the country.

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

In the framework of the regional CES-MED project, a '*Communication and Visibility Manual for EU External Action*'[59] was shared with LAs.

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

There are indications that the EU could also use its support to the national programme Hakama to influence decentralisation issues (mainly through the TA provided). In the framework of the INDH programme implemented by the Ministry of the Interior, dialogue remained difficult until the end of the programme (June 2016), although the results, both qualitative and in terms of the level of disbursement, were excellent. Nevertheless, a relationship of trust was established with the Ministry, which had repercussions on the preparation of the PADT programme (same objectives as the INDH). Thus, certain issues which in the recent past had been the subject of tension were integrated into the sectoral

[58] Interview with EUD staff.
[59] European Commission (2010): Communication and Visbility Manual for EU External Action.

strategies of '*regionalisation avancée*' (such as the involvement of beneficiaries or the territorialisation of approaches).[60]

Budget support is usually the main entry point to improve conditions for LAs on a central level. Because the decentralisation and advanced regionalisation processes took a more solid (legal) shape from 2015 onwards, the EU finalised the PADT formulation in 2017. The results of this programme, signed in 2019, should become manifest in the coming years. As mentioned above, it certainly holds potential in terms of accompanying emerging regions (as the new nodal point in planning and decision-making) to progressively assume their functions and mobilise additional resources for territorial development. Consultations with EUD staff indicate that the ability to use budget support as a tool to create more space for LAs depends on the interests of the Ministries involved and their willingness to go beyond 'business as usual approaches'. In the sector of education, the EUD could agree on indicators that measure the degree of regionalisation in the planning the supply-side of educational and vocational services. Yet in other cases, the discussion with sector ministries is more complex and often turns around the question on how the decentralise and de-concentrate funding to the local level (this tends to be easier with strong ministries like Agriculture than with Youth). Other key stakeholders include Ministry of Finance (which is logically keen to maximize resources flowing into the Treasury) and the Ministry of Interior (who is open for additional funding going to the local level as long as they keep direct control).

EU assisted LAs in accessing domestic resources (I-5.1.2)

Under the Expected Result 5[61], the PADT aims at fostering the continuation of the financial efforts of the State in terms of allocated resources in accordance with the organic laws of 2015.

Some positive effects were obtained through interventions at local level. The EU notably assisted the Chefchaouen municipality to access domestic resources by supporting the municipality in formulating a clear and evidence-based strategy of qualitative and environmental upgrading of street lighting. The municipality submitted a request for funding of 8 mMAD to the Ministry of the Interior and the *Direction des Collectivités Locales* in addition to the SUDeP budget.

Several donors and domestic actors interviewed felt that a potential added value of the EU -that could be better exploited- is to lobby for more own resources of LAs. The EU is well placed to do so, considering its political weight and good and trustful partnership relations with the central authorities.

5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

Most of the EUD capacity support centred on the role of LAs as catalysts of territorial development and much less on increased ability to elaborate local public policies or to increase resilience to deal with local challenges.

In small EU interventions, direct support to individual LAs is often limited to reach the specific project objectives, with trainings being the main form of capacity development support. For instance, in the intervention targeting Oudja suburban districts[62], the capacities of the LAs are strengthened to enhance the local planning process for the formulation of social inclusion policies. Although LAs are implementing partners, their actual levels of involvement may vary substantially. In the project on gender and local governance, capacity building targeted not only elected officials but also permanent administrative staff of the communes[63]; some activities (training) have been delayed in order to reach newly elected officials. Although the Municipality of Figuig is one of the implementing partners of the EU support to people with disabilities, the project's actions are not anchored in the municipal structures and the *Association Figuig pour les Personnes Handicapées et leurs Amis* is in charge of implementing the planned activities.[64]

In the more comprehensive EU interventions, the following evidence could be gathered on the effects of the support on LA capacity development:

- The programme on integrated development (DRIN) helped to improve the overall working environment *within* the none core municipalities involved (office space, equipment, IT) and provided much appreciated trainings (a sensitive point for municipal staff who consider themselves to be '*les oubliés de l'administration publique*'). Positive *external* effects include a better image of the municipality, a greater involvement of (equally trained) associations in local governance and improved relations with de-concentrated services. These are incipient dynamics, yet things have been set in motion.[65] However, other reports mention important delays in the implementation of the

[60] EUD Morocco (2016): External Assistance Management Report, p15.
[61] R5. 'Les initiatives de contractualisation entre les 2 régions et les services de l'État sont accompagnées'.
[62] Inclusion et participation sociale dans les quartiers périurbains d'Oujda (Maroc), 0.13 mEUR.
[63] EU (2016): 'Gouvernance locale et droit des femmes' ROM report.
[64] EU (2012): 'Soutien des handicapés dans la region de Figuig' ROM report.
[65] CAPA & Expertise Advisors (2019): Evaluation report of the DRIN programme, p15.

DRIN, which also impacted upon the capacity development provided. This was mainly due to constraints at the level of the Moroccan implementing agency, the difficulties of reaching agreement on how to proceed among several players and the lack of 'proximity' of TA staff to the local level (which seriously hampered the process facilitation support needed in capacity development processes).[66]

- In the framework of the INDH (supported by the EU), major efforts were done to foster participatory diagnostics, improved planning and project implementation, with apparent success in many localities.[67]
- The complementary support of the PADT includes capacity building at regional level to strengthen its role as catalyst of territorial development. The provision of TA is foreseen to the two selected regions. Based on interviews, this is highly appreciated by the regional actors involved, yet concerns were heard that the process has incurred major delays (with the TA teams likely to be place only by the end of the year).
- The CES-MED and SUDEP projects have sought to expand the capacity building provided beyond trainings. CES-MED considers that '*the complexity of climate change and energy efficiency cannot be caught in a series of trainings and/or other supporting activities only. Participatory learning will be at the heart of our approach under this project, thus facilitating the build-up of knowledge and skills from which, in a next stage of development in the Beneficiary countries, also other institutions, businesses and CSOs, and the population as a whole will benefit'*.[68] Though concerning a technical field (energy infrastructure), the SUDEP project in Chefchaouen applied participatory approaches in all dimensions of the process (including in tendering, investment, external communication, etc.). This resulted in a strong ownership at different levels of the municipality, steep learning and competence enhancement of municipal staff as well as a better role division among the various actors involved.[69] Yet even in successful cities with entrepreneurial mayors and social capital[70], there are broader institutional and capacity development challenges that need to be addressed. These include skills development of municipal staff and councillors, the overall management of the local administration (where motivation, pay levels and career development prospects are low) as well as questions related to giving real life and substance to the consultative bodies, to downwards accountability or to inter communality.[71]

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

The recently launched PADT will focus strongly on helping the regions to become catalysts of territorial development (in accordance with national laws and policies). There is a major window of opportunity, though the political economy constraints of the context will remain challenging to move in this direction. The experiences gained with the 2011 programme on integrated development (DRIN) confirm the many hurdles that stand in the way for LAs to take a lead role in promoting bottom-up territorial development processes in close collaboration with the other actors of the territory. The following evidence from the 2019 evaluation are particularly interesting as lessons learnt. First, during the design of DRIN, insufficient attention was given to '*who can do the job*' (of facilitating the experimentation of innovative approaches to local and territorial development involving a multitude of un-coordinated actors). This resulted in the choice to delegate overall management to a national agency poorly equipped for this as well as in the choice of TA with an inadequate profile to engage in highly localised process facilitation work. Second, after the replacement of the first team of TA, the choice was made to charge the new TA with a much more reduced agenda, primarily focused on providing trainings. While this was successfully done, the net result was that the DRIN did no longer focus on the core challenges of reinforcing the municipality as an institution with a general mandate -a task communes cannot fulfil without the right type of internal processes, systems and capacities. Third, local politicians and municipal staff still often think in the 'short term' and have difficulties to develop a vision of territorial development. Fourth, while government insisted on the need for municipalities to be in the lead of the local planning process (as

[66] EUD Morocco (2014): External Assistance Management Report, p7.
[67] Layoun, Grojean (2017): Final evaluation of INDH programme, p21.
[68] CES-MED Organisation and Methodology, Part 2, p139.
[69] EU (2018): Final evaluation of SUDEP Chefchaouen project.
[70] According to a development NGO active in the region, this social capital is linked to the scant attention paid historically by central authorities to the territory (which fostered self-reliance), high levels of education, an associative fabric connected to the diaspora (mainly in Spain) and a strong local identity (resulting in a shared commitment to develop the territory, e.g. through tourism).
[71] Ibid.

'maître d'ouvrage'), seven out of nine municipalities hired consultancy bureaus to prepare the plans. Fifth, there was also a major gap between the design choice to involve CSOs as 'actors' in territorial development and the practice, where the municipality saw them rather as implementing agency or 'object' of development. Overcoming this type of mismatches again requires process facilitation work between actors -a support function DRIN could not effectively offer.[72]

Several interviewees stressed similar challenges are awaiting the PADT and other programmes trying to shift power, competences and resources to subnational levels. A concrete example comes from the EU efforts to promote a greener economy. The discourse on regionalisation is there, but the LAs lack capacities at this stage to meaningfully participate. Centralisation logically still prevails, with the Ministry of Interior being the lead in waste management. Limited opportunities exist for providing policy inputs and participate in decision-making. There are regional plans, but these are not harmonised (e.g. with contradicting plans to regulate the coastal zones while building more touristic sites). Regional centres exist to help LAs with planning purposes, but information flows are still weak. In such a context, the EU is not directly doing capacity development work towards LAs. According to interviewed EU staff, it rather seeks to open dialogue spaces, to promote exchanges and to foster the inclusion of LAs in training programmes.

These hurdles could be avoided in the SUDEP projects. The evaluation of SUDEP Chefchaouen confirms that the municipality is the 'maître d'ouvrage' and exercises all its core competences and regulatory powers. This includes the role of prescribing norms on how best to construct and save energy. The CES-MED and CoM are seen as useful vehicles for capacity development through peer exchanges[73].

LAs' have sustainable development strategies in partnership with local and central allies (I-5.2.2)

The DRIN was designed as an integrated, multisectoral and multi-actor project with ambitious objectives in terms of (i) better coordination between sectoral and territorial programming, and (ii) participation and behavioural change at the different levels. However, the DRIN implementation strategy neglected the importance of networking, coordinating actors and organising the information flow. As a result, the synergy of territorial planning with sectoral programmes has not been conclusive. The communes remained very poorly informed about the programmes of the ministries at the level of their territory and the deconcentrated services of the ministries do not give the necessary interest to the communes.[74] A lesson learnt highlighted in the final evaluation of the project concludes: *'Les changements et bonnes pratiques en matière de développement territorial intégré et participatif nécessitent des actions de longue durée, qui dépassent généralement la durée d'un projet, même si celle du DRIN était de 6 années (période d'exécution), ce qui est relativement long pour un projet classique. Une approche comme celle de l'appui budgétaire, comme celle envisagée pour le futur programme PADT financé par l'UE au Maroc pourrait s'avérer plus adaptée.'*

The SUDEP projects contributed to build more sustainable strategies in partnerships with local and central allies. It helped to set up the '*Centre Info Energie*'s' anchored in the territory. This structure has developed collaborations with many organizations and resource persons on various axes, such as the *Office National de Electricité et de l'Eau Potable* (ONEE), the provincial Council of Tourism, the *Entraide Nationale*, the INDH, -municipal, national and international- CSOs, as well as educational institutions. It notably communicates on public programmes and policies. But when looking at the overall project, the final evaluation of SUDEP Chefchaouen (2018) concludes that: *'relations with the DGCL and Ministries (of Energy in particular) have been rather limited due to a lack of willingness and capacity to monitor and integrate this type of 'innovative' action for dissemination and support. The inertia of public administrations represents an obstacle to the multiplication of this type of initiative.'*

CES-MED considers such local-central partnerships as crucial. It created a National Coordination Group (NCG) in each country, presided by the focal points and affiliating key national development and energy ministries. The Group acted as the project's implementation body at the national level, assuring that the CESMED decentralized actions at a local (cities) level are supported and are in line with national programmes and regulations, and thus more suitable to be sustained and replicated. The alliance of NCGs with the cities through CES-MED project is de facto a national-local partnership in support of decentralization and sustainable local planning. The field phase will be an opportunity to gather evidence of the effectiveness and impact of such collaborative arrangements.

LAs' increasing resilience and reducing inequalities (I-5.2.3)

[72] CAPA & Expertise Advisors (2019): Evaluation report of the DRIN programme.
[73] Ibid.
[74] In the final evaluation of the project (2019, p18), the mission rightly noted that during a meeting in Ketama, no external service responded positively to the invitation even though all the communes were present.

The reduction of (territorial) inequalities has been at the core of national development strategies. In the EU-Morocco *Cadre Unique d'Appui* (2014-2019), the first intervention area is the equitable access to basic services, with the following expected results: progressive reduction of poverty and the risks associated with precariousness; the improvement of access to health and education, water and sanitation services and the reduction of isolation, as well as the improvement of the quality of these services; and the promotion and increase of access to basic services, in particular for women and young people. And in a 2015 Progress Report, it was recommended *'to promote equitable access by the population to basic social services; to strengthen the fight against poverty and the reduction of social, gender and territorial inequalities by accompanying any gradual revision of the system of generalized subsidies by a system offering better targeting of the most deprived sections of the population.'*[75]

The INDH and the DRIN both sought to reduce of inequality and territorial disparities. According to existing evaluations, both programmes did have an impact on reducing inequalities and improving access to services in poor and locked-in territories. The long-term nature of both interventions may help to explain this. The DRIN built on previous EU projects in the region and there are clear indications the dynamics generated by DRIN will be pursued through other institutional arrangements, in which the regions will play a greater role.

At macro level, the Special Report on Morocco (2019) stated: *'Le niveau de pauvreté au Maroc a considérablement baissé depuis 2001, bien qu'aucune donnée ne soit disponible après 2014. Malgré cette baisse, rien n'atteste que les disparités sociales ont été réduites, que ce soit au niveau national, en milieu urbain ou en milieu rural'*.[76] Furthermore, it also remains to be seen whether the successful interventions aimed at reducing inequalities have simultaneously favoured LA empowerment processes (the evidence of DRIN is rather sobering in this regard – see above).

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

The participation of civil society in the management of local affairs has been strongly supported by the EU since the new Constitution was enacted in 2011 and the subsequent legal framework for local and regional authorities came into force (2016), putting in place a number of consultative bodies in the implementation and monitoring of local development policies.[77] In various local level projects, dealing service delivery, civil society was involved as implementing partner. In other projects, innovative approaches were used, as in the EU intervention on social inclusion in Oujda, where the method of '*action research*' was successfully applied to stimulate reflections among citizens and communities on how effectively to tackle complex local challenges. In the framework of INDH, positive experiences were gained with intercommunal approaches as well as with (five-year) contractual partnerships between LAs and Associations (for service delivery and maintenance of infrastructure).

In the design of the DRIN, fostering horizontal and vertical collaboration between all relevant actors was considered a key objective, including through the provision of funding for local CSOs and opportunities for engagement of the private sector. However, as mentioned above, DRIN did not succeed in stimulating this type of local dynamics and multi-actor forms of dialogue and collaboration -primarily because it could not ensure sufficient presence in the field and adequate process facilitation support.[78]

The CES-MED framework have created promising openings for private sector participation. In their sustainable energy plans, the communes of Benslimane, Agadir and Oudja have committed themselves to a 20% reduction of emissions by 2020. One of their four main goals is '*affirming the leading role of the commune in the municipal area to allow local teams to intervene on all of the GHG-producing activities and industries'.* This goal, requires, on the one hand, that the image of public powers as an example to follow is strengthened and on the other, that participative and partner-focused approaches are piloted with all actors across the municipal area (in particular in the residential, industrial and tertiary sectors).[79]

Building on these interventions and the use of the CSO-LA thematic line, some generic lessons were learnt by the EUD. It proved challenging to move from a '*project logic'* to a more '*strategic*' approach in

[75] European Commission (2015): 'Mise en œuvre de la politique européenne de voisinage au Maroc - Progrès réalisés en 2014 et actions à mettre en œuvre' Joint Staff Working Paper.
[76] European Court of Auditors (2019): 'EU support to Morocco – Limited results so far' Special Report.
[77] EUD Morocco (2016): External Assistance Management Report, p8.
[78] CAPA & Expertise Advisors (2019): Evaluation report of the DRIN programme, p14.
[79] CESMED (2018): CES-MED Milestones: A leam forward to Sustainable Energy Cities, pp31-33.

the territories. Both the instrument of the CfP and the expectations of (smaller) CSOs tend to focus on individual projects, less on accompanying processes of change in local governance over a longer period of time. The trend to integrate evolving EU priorities in thematic instruments (e.g. migration) further compounds the problem. A more recent EU-supported civil society programme, executed by UNOPS, sought to adopt a more comprehensive approach, focusing on territories and on core institutional challenges for more constructive state-society relations (such as translating legal frameworks into practice, turning consultative bodies into real structures, fostering partnerships, demanding accountability to petitions, etc.). Yet this EUD ambition to be more strategic in supporting CSOs for better local governance and service delivery encountered numerous limitations, linked to poor access to information, the politicisation of many CSOs and associations, the lack of transparency of LAs in funding legitimate and capable CSOs as well as the deficiencies of the implementing partner (UNOPS) to ensure a truly effective and transparent bottom-up approach of working with and funding different types of CSOs.[80] Furthermore, while EIDHR allowed to finance pilot projects in favour of participatory budgeting, this is a far cry from truly institutionalising the approach across the board. Another key lesson learnt through interviews is that EU-supported thematic project interventions can be very effective in testing out innovative approaches to local governance and service delivery, but their relevance and impact ultimately depends on the existence of conducive legal and institutional frameworks. The issue of local corruption is another major bottleneck to effectively link LAs and CSO, as there are often situations of 'double hats' (unclear distinction between LAs-CSOs), an organised lack of access to information as well as limited transparency in functioning LAs (this, combined with the politicisation of CSOs, explains why GiZ works with trusted persons rather than with formal associations when promoting local governance in its programmes.[81]

The EUD has so far been less active and successful in trying to also involve the private sector in territorial development processes and improved local governance, partly because of lack of adequate knowledge on 'who is who', particularly at local level. Projects related on climate or energy tend to provide a more conducive environment to involve the local private sector.

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

Several EU-supported interventions have contributed to such institutional mechanisms. In the framework of INDH, impact studies on the first phase of the programme, indicated the need to upgrade the quality of the institutional arrangements for participation of local actors (LAs, associations, citizens) both in planning and implementation. This led to new rules concerning the participation of civil society in the Regional and Local Councils set-up for INDH. In line with the political economy of the decentralisation reforms, these Councils are presided by centrally appointed governors and delegates to municipalities. There is some evidence in INDH reports pointing to a better participation of women and youth, enhanced access to funding by associations and improved dialogue between LAs and CSOs.

The SUDEP programme has invested in better and transparent information to citizens, using modern technologies (i.e. a screen at the entry of the municipality), on the functioning and cost-efficiency of the energy infrastructure put in place. This has been a successful exercise that also generated local public debates on the issue of energy and the role of the municipality. It is now planned to set up a multi-actor '*Conseil participatif de l'énergie, du climat et du développement durable*' with three core missions (follow-up of implementation, provision of expertise to the municipality and communication to the public) More information will be collected on progress achieved and potential outcomes.

There is not yet a tradition of public-private partnerships at LA level in Morocco.

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

This is very difficult to assess considering top-down policy-making and implementation culture in Morocco, which heavily influences all aspects of local development and governance. The INDH reports systematically calls for participatory approaches to ensure local ownership and a myriad of workshops and capacity building initiatives have been developed to include a diversity of local actors.[82] There is a discourse on the need to also integrate the local development dynamics originating from the bottom-up. Evidence exist of inputs provided by populations in local planning processes. But this type of 'voice' is rather instrumental to the needs of *national* planning processes. It cannot be equated to expressing voice *within* the political and institutional framework of LAs -acting as autonomous entities and catalysts of genuine *local* development and improved governance at local level. The recently launched PADT will encounter similar challenges of trying to move beyond the expression of voice in centrally driven and vertically oriented governance processes.

[80] Amar (2019): Rapport final du monitoring approfondi.
[81] Interview with a donor representative.
[82] EU (2014): INDH, Phase 2 – Rapport Mission 1.

The experience with the gender and local governance programme shows that ensuring voice in local governance is not a quick fix. Providing training to municipal actors and local associations on rights-based approaches is highly valuable (as knowledge is often missing on what this implies). However, it does not suffice to empower both set of actors to integrate, in a knowledgeable and meaningful way, the concerns of women in local governance processes.[83]

The issue of raising '*voice'* is hampered by the difficulty of building up national and regional networks of CSOs that can upscale valuable local advocacy attempts in terms of local governance. In the case of violence against women, the competent Ministry will insist on putting in place suitable arrangements to accommodate the victims, but implementation will be largely dependent on the availability of small associations on the territory. This can fill gaps but will not foster a sustainable system of LA responsibility (as duty bearer).

Considering the challenges of funding both LAs and CSO to work in a more structured, long-term manner on local governance challenges which could induce transformational changes (e.g. institutionalised new practices), the EU is rethinking its future support along two lines. First, EUD staff and experts highlighted during interviews that working more with the Ministry of Interior, i.e. the DCCL, will provide a lever to translate innovative practices into norms -though there is a fear that this could lead to an 'instrumentalization' of CSOs in the prevailing political context. Second, targeting capable CSOs on local governance -with an own agenda and real track record – and finding ways and means to support the implementation of their own strategic plan is essential.

LAs contribute to reconciliation and stability (I-6.1.4)

The issue of reconciliation is not relevant in this context. It could be argued that the various EU-support programmes addressing the huge territorial inequalities can have positive effects on social cohesion and stability. However, this may not be directly linked to the contribution of LAs, as these lack the necessary autonomy, competences and resources to directly take responsibility for these critical challenges.

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

In the prevailing political economy conditions and resulting top-down mode of governance, the focus of national programmes like INDH has logically been on improving vertical accountability 'upwards', particularly to ensure better coherence of planning and a more efficient allocation of resources directed at the local level. LAs were capacitated to perform better in that chain of command. A similar logic seems to prevail in the advanced regionalisation process. Several interviewees confirmed that the whole process -though driven by genuine concerns to territorialise policies and investments- continues to be managed in a top-down manner, with a central role in decision-making still left to the wali. This is not an easy area for donors to influence.

Strengthening horizontal accountability (I-6.2.2)

There is limited evidence available on this aspect, as the empowerment of LAs and the improved internal accountability were not the target of the interventions supported.

Strengthening downward accountability (I-6.2.3)

Similarly, there is limited evidence available on LAs being supported at structural level to build solid systems of downward accountability. This is linked to their subordinated status in a top-down governance system, the limited degree of autonomy and own resources they enjoy for pushing forward their own priorities, the lack of tradition in demanding this type of accountability and the 'passivity' of citizens (who are not aware of their rights or tend to believe they cannot really influence the process.[84]

At project level (e.g. the inclusion of disabled people in Figuig, the women's rights and local governance initiative or the SUDEP project in Chefchaouen), positive effects are reported on improved willingness of local politicians and administrators to provide social accountability to the stakeholders concerned. Yet this is a far cry from having more institutionalized mechanisms for accountability at LA level. The flagship programme PADT has improved transparency and accountability as a core objective.

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

This is not possible to ascertain the effects of EU support in terms of local democratic culture at this stage. The various EU-supported programmes in the local ambit have focused on improvements in local democracy and local governance, often with successful approaches. While positive effects are reported

[83] EU (2016): 'Gouvernance locale et droit des femmes' ROM report.
[84] Compiled on the basis of several interviews with donors and domestic actors.

at project level, the shift to genuine qualitative improvements implies a much more structural and long-term transformation process.

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Evidence of increased LAs capacity and resources to deliver services. (I-7.1.1)

For service delivery outcomes, the two most comprehensive support programmes are again the INDH and DRIN. Considering its nation-wide coverage and the huge amount of (domestic) resources involved, it is logic to see in M&E and evaluation reports on INDH that access of citizens to services has effectively been increased in several policy areas (health, education, agriculture, rural electrification, clean water, rural roads, etc.). As mentioned before, though conceived and steered from the top, INDH has put the emphasis on participatory approaches in both planning and implementation, targeting the various actors active at subnational levels (regions, municipalities, associations, de-concentrated services, implementing agencies, etc.). There have been valuable experiments with contractual arrangements for service delivery and the financial resources to invest at local level have increased substantially. Citizen's access has improved but there is limited evidence that the populations attribute this to their LAs. Results have thus clearly been achieved in 'territorialising' national policies aimed at improving service delivery at local level.[85] Similar positive evidence comes out of the DRIN evaluation (e.g. concerning the education sector).

However, despite the recurrent discourse about the 'bottom-up' nature of these processes, there is scant evidence that the LA capacities have been strengthened *as autonomous entities* to also formulate its *own local public policies and deliver services*, *using its own resources.* The LA capacity building has largely been instrumental, i.e. to facilitate the efficiency of national budget allocations for improved service delivery, in a vertical logic (despite all kind of consultative fora and coordination mechanisms at regional and local levels). The capacity development took place in order to strengthen the local part of the national policy chain of delivering services to citizens. In a context in which the whole question of service delivery is predominantly steered by national processes, it was indicated during interviews that it makes little sense to invest heavily in promoting parallel local public policies. At best, this could lead to a better targeting of social services (at least by municipalities equipped with the required skills and systems). At worst, it would open the door (in municipalities with opaque systems of governance) to clientelist systems of service delivery.

As argued above, this territorialisation has undoubtedly proved valuable, yet it has had only limited influence (so far) on also empowering LAs to have additional contributions (to the national efforts) by mobilising all local actors and unlocking the (dormant) potential of the territories. This is the missing element the PADT now seeks to address, focusing on regions as possible -more autonomous- catalysts of territorial development.

Capacity to operate and maintain facilities for service delivery improved. (I-7.1.2)

At this stage, only scant evidence has been collected on this issue. The INDH reports make references to the challenge of ensuring viability of infrastructure for service delivery and of possible measures taken to address it (e.g. guidance with clear norms on the type of projects and average costs of maintenance). The field phase will provide an opportunity to kook deeper into this critical factor.

In the SUDEP programme it could be observed that municipalities were not really aware of their 'patrimoine immobilier' (all the infrastructure), partly because the buildings had been constructed by the central government or donor agencies. This leads to a wide range of challenges in terms of maintenance.

Two major EU transport and rural roads programmes in poor and remote areas, funded between 2005 and 2015, managed to obtain positive results. However, the question of road maintenance to ensure sustainability remains unresolved as the regionalisation policy has not clarified who is in charge, let alone foreseen the required budgets to the competent LA.[86]

Citizens and businesses satisfaction with higher quality of LA services/products (I-7.1.3)

Both the INDH and DRIN reports and evaluations suggest high levels of satisfaction of citizens with the enhanced quantity and quality of services. Yet this is seldom attributed to LAs -who act as subordinated players in a top-down scheme or end-up being mere beneficiaries. A quote from the 2016 evaluation summarizes well this point: '*La disponibilité des services de soins de proximité appuyés par l'INDH a*

[85] Impressive figures can be found in INDH reports and evaluation, e.g. in terms of access to prenatal assistance, reduction of maternal death by birth, pre-scholar.
[86] EUD Morocco (2017): External Assistance Management Report, p47.

amélioré la perception du service public de sante par les bénéficiaires du milieu rural qui, dans les trois provinces visitées, ont exprimé leur reconnaissance envers le Roi du Maroc S.M. Mohammed VI pour le lancement de cette Initiative dans leurs zones éloignées.'

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

The answers to this indicator are largely connected to the analysis provided for the above indicator. Major national programmes such as INDH -to which the EU contributed- sought to territorialise national policies and reduce inequalities. Substantial efforts were done to enhance resources and management capacities to integrate local concerns and challenges in nationally driven planning processes. Yet there is limited evidence that this also enhanced the political autonomy and own resource base (to be used in a discretionary manner) of LAs.

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

At project level, the example of the EU intervention in social inclusion in Oujda was closely linked to the rural exodus, which affects the major urban centres in the Eastern region, and in particular the city of Oudja. They experienced uncontrolled population growth in recent years which resulted in the emergence of 'ghost' districts, completely detached from the rest of the city and without the basic services needed by the population.

7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage (I-7.3.1)

The relevance of the interventions regarding the Moroccan political strategy is generally well documented in action documents. As mentioned before, the decentralisation process has a long history in the country and the push to start a new wave came from the King Mohammed VI himself and was therefore embraced by the national élites. Thus, most of the sampled interventions are in accordance with the 'regionalisation avancée' strategy. The PADT supports the *Stratégie Nationale de Développement de l'Espace Rural et des Zones de Montagne* (SNDERZM), and the indicators in the logframe refer to the implementation of the organic laws of 2015. The National Initiative for Human Development was launched by the King in May 2005 and was explicitly supported by the EU over the past decade. In the prevailing political economy conditions, such a close alignment to national policies is the only sustainable way for the EU to engage on key reforms and reach out to local level institutions. However, within this developmental-oriented yet fairly 'closed' national framework, the EUD tries to 'navigate' to also work on the empowerment of regional and local authorities. It does so on the basis of solid and political savvy analyses.[87] The Action Document on the PADT can be considered as a good practice in terms of assessing in a realistic way the political will at design stage and to draw coherent operational response for future support.

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions. (I-7.3.2)

This is difficult to assess as there are no major EU programmes of a systemic nature EU directly targeting LAs as lead partners. The EU support to the local level is channelled through the whole central government machinery with its various executing services and agencies active at regional and local level. In this scheme, LAs are either mere beneficiaries or subordinated actors in charge of helping to translate nationally conceived and steered development schemes.

At project level, implementation is often left to associations (e.g. EIDHR on women's rights and local governance or Handicap Figuig). The existence of capacities and resources at municipal level is examined, yet only from a perspective of what is needed for effective project delivery.

EU interventions integrate other sustainability factors (e.g. existence of exit strategies) (I-7.3.3)

Different scenarios prevail according to the channels used by the EU for its support. When the EU seeks to reach out to the local level through major national programmes (like INDH), the sustainability issues are in the hands of central government. According to INDH reports and evaluations, sustainability of the localised projects aimed at reducing territorial inequalities, has been helped by high levels of local ownership, effective coordination mechanisms between top-down and bottom-up planning processes as well as the generalisation of contractual arrangements between State and subnational authorities to ensure maintenance and viability of the investments made. Furthermore, it is claimed that the resulting

[87] See for example the EC-commissioned study by El-Mensi (2017): Mainstreaming Local Authorities through a Territorial Approach in EC supported external programmes.

partnerships have fostered a '*spirit of dialogue and constructive collaboration*' between the various actors at different levels.[88]

During the kick-off meeting with the EUD, this argument was further developed by stating that probably the most promising road into sustainable interventions at local level is to invest in the national framework conditions, i.e. the consolidation and deepening of the decentralisation and regional development policies. These frameworks, if truly operational and adequately managed, provide the key to ensuring political, institutional and financial sustainability of external interventions.

In the case of the integrated development programme DRIN, the evaluation stresses that the viability of educational services provided in targeted municipalities may be jeopardised because the associations in charge fail to mobilise the required resources to ensure continuity. However, the overall concept of DRIN could prove to be sustainable as a coalition of national and regional agencies is envisaging to pursue the initiative. A similar challenge of financial sustainability of services provided is found in the Figuig programme targeting disabled persons. The contribution of the municipality does not suffice to cover the costs once the project finishes. No exit strategy was foreseen during the design phase. The issue of sustainability was better handled in the project on women's rights and local governance as efforts were done to organise the supporting associations in a network, enabling them to pursue the dialogue and collaboration on gender issues with the LAs.[89]

The SUDEP project in Chefchaouen equally refers to the high levels of ownership of local politicians and administrative staff of the energy projects -helped by a high visibility and linkages with regional and international fora bringing together LAs involved in similar processes. Yet it also observes that acquiring a lead role in the management of the projects does not mean the LAs also embrace a more fundamental change in vision and approach in terms of environmental culture.[90] As mentioned before the CES-MED programme bids on the construction of mutually beneficial central-local partnerships to ensure sustainability.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation. (I-7.3.4)

This was not a major point of attention in the structured forms of support provided by the EU through national programmes (like INDH) or in pilot programmes (such as the DRIN) as the LAs were not in the driving seat and were rather associated as agencies that could help territorialising development or executing national programmes.

[88] Layoun, Grojean (2017): Final evaluation of INDH programme, p47.
[89] EU (2016): 'Gouvernance locale et droit des femmes' ROM report.
[90] EU (2018): Final evaluation of SUDEP Chefchaouen project.

Annex 2 - List of persons consulted

Name	Organisation	Position
Ghizlane Ratbi	EUD	Focal point for the evaluation
Briac Deffobis	EUD	Head of section, Social sectors and rural and territorial development
Philippe Lebussy	EUD	In charge of the PADT programme (formerly in charge of DRIN and INDH, now closed)
Jacques Legros	EUD	Head of section, Environment
Jean-François Moret	EUD	Programme manager, Economic Competitiveness, Environment & Infrastructure
Sandrine Beauchamp	EUD	Programme manager, Economic Competitiveness, Environment & Infrastructure
Philip Mikos	EUD	Head of Cooperation
Séverin Strohal	EUD	Head of section, Governance & Civil Society
Agnès Betholier	EUD	Programme manager, Governance & Civil Society
Said Dahraoui	EUD	Programme manager, Governance & Civil Society
Silvia Favret	EUD	Programme manager
Hikmat El Farjani	EUD	Programme manager
Laetitia Graux	EUD	Programme manager, Literacy, Youth, Higher Education and Research
Virginie Guy	GERES	Project Coordinator
Mathieu Artiguenave	AFD	Project Manager, Governance
Alexander Proehl	GIZ	Programme manager
Silke Nikolay	GIZ	Head of Programme
Anne-Lucie Lefebvre	World Bank	Senior Public Sector Specialist
Augustin Maria	World Bank	Senior Urban Specialist
Chaymae B	World Bank	Political Economy Specialist
Ahlam Drissi Bakhkhat	Ministry of the Interior	PADT Coordinator
Khalid Morjane	DGS Région de Beni Mellal / Khénifra	Managing Director of Services
Najjari Miloud	DGS Région de l'Oriental	Managing Director of Services
Mohamed Sefiani	Chefchaouen Commune	Mayor
Mohand Laenser	Association des Régions	President
Hervé Guénassia	EIB	Country lead Maroc
Anna Barone	EIB	Head of Representation

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2014): Single Support Framework Morocco 2014-2017
- Council of the European Union (2013): Action Plan 2013-2017

2 EU reporting

- European Commission (2012): Morocco Progress Report
- European Commission (2013): Morocco Progress Report
- European Commission (2015): Morocco Progress Report
- European Commission (2015): 'Mise en œuvre de la politique européenne de voisinage au Maroc - Progrès réalisés en 2014 et actions a mettre en œuvre' Joint Staff Working Paper.
- European Court of Auditors (2019): 'EU support to Morocco – Limited results so far' Special Report.
- EUD Morocco (2011): External Assistance Management Report
- EUD Morocco (2012): External Assistance Management Report

- EUD Morocco (2013): External Assistance Management Report
- EUD Morocco (2014): External Assistance Management Report
- EUD Morocco (2015): External Assistance Management Report
- EUD Morocco (2016): External Assistance Management Report
- EUD Morocco (2017): External Assistance Management Report
- EUD Morocco (2018): External Assistance Management Report
- EUD Morocco (2019): External Assistance Management Report

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the following interventions (see also details in the list presented in Table 1).

4 Decentralisation and LA-relevant studies

- Deutsches Institut für Entwicklungspolitik (2017): Decentralization in Morocco. Discussion Paper.
- El-Mensi (2017): Mainstreaming Local Authorities through a Territorial Approach in EC supported external programmes.
- OECD (2017): Accompagner les réformes de la gouvernance locale au Maroc. Guide de bonnes pratiques.
- PLATFORMA questionnaire 'Accorder une autonomie accrue aux autorités locales dans les pays partenaires pour une meilleure gouvernance et des résultats plus concrets en matière de développement', filled by the EUD in 2020.

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note (desk-based) - Tunisia

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List of acronyms and abbreviations

AFD	Agence Française de Développement
ALAs	Associations of Local Authorities
ARLEM	Euro-Mediterranean Regional and Local Assembly
CES-MED	Promouvoir le développement des énergies durable dans les villes méditerranéennes
CGDR	Commissariat Général au Développement Régional
COPIL	Comité de Pilotage
CSO	Civil Society Organisation
CDT	Collectivités territoriales décentralisées
DIDT	Diagnostic Intégré de Développement Territorial
EC	European Commission
EAMR	External Assistance Management Report
ECDPM	European Centre for Development Policy Management
EIP	External Investment Plan
ENPARD	European initiative for Agricultural and Rural Development
EQ	Evaluation Question
EU	European Union
EUD	EU Delegation
FNVT	Fédération Nationale des Villes Tunisiennes - Tunisian Association of Cities
GDP	Gross Domestic Product
HQ	Headquarters
IFIs	International Financial Institutions
ILO	International Labour Organization
IPDLI	Initiative pilote de développement local intégré - Pilot initiative of integrated local development
IRADA	Initiative Régionale d'Appui au Développement économique durable
JC	Judgement Criterion
LA	Local Authority
MDICI	Ministry in charge of Development, Investments and International Cooperation
MFF	Multi-Financial Framework
MS	Member States
NGO	Non-Governmental Organization
NIP	Neighbourhood Investment Platform
PASC	Programme d'Appui à la Société Civile
PDLs	Plans de Développement Local - Local Development Plans
PEC	Programme d'empowerment des communes - Empowering Municipalities Programme
PFM	Public Finance Management
PRAL	Programme de Renforcement des Capacités des Autorités Locales - Capacity Building Programme for Local Authorities
PROVILLE	Programme d'Appui à la Politique de la Ville - Programme in Support of Urban Policies
SDG	Sustainable Development Goals
SUDEP	Sustainable Urban Demonstration Projects
TA	Technical Assistance
TALD	Territorial Approach to Local Development
UCLGA	United Cities and Local Governments of Africa
UN	United Nations
VNG	Association of Netherlands Municipalities

Introduction

Country context

The popular uprising (end 2010-early 2011) in Tunisia, which sparked the Arab Spring across the region, was largely motivated by the huge territorial inequalities between coastal areas and the interior of the country. The regional development policies pursued by the government since independence (1956) had failed to address these gaps[1]. Hence, the core expectations of the Tunisian people in 2011 were not only related to democracy and liberties, but also to '*human dignity'* through a fair and equitable distribution of resources, social services and job opportunities across the country. This, in turn, brought along a broad societal demand for a process of democratic decentralisation that would inverse the highly centralised, top-down governance and public service delivery system, inherited from the colonial power and strengthened under the authoritarian regimes of Bourguiba (1956-1987) and Ben Ali (1987-2011). This system aimed at ensuring political stability through control of the territory by a strong and omnipresent State -conceiving and implementing national and sectoral policies in a top-down manner. For decades, (non-elected) subnational structures were relegated to the role of mere implementing agencies -subordinated to central control for all decisions taken at local level (through the so-called '*tutelle*' exercised by the centrally appointed governors of the regions and related delegates in the municipalities).

In order to transform this system, the 2014 Constitution puts forward decentralisation as a fundamental political reform aimed at to creating genuine 'local powers' (entrusted with meaningful levels of autonomy and resources) that could be the vehicle to unlock the development potential of disadvantaged territories *('les zones défavorisées'*)[2]. The Constitution guarantees financial mechanisms to ensure equity between regions based on positive discrimination. Three levels of subnational authorities are recognised: Municipalities (350), Regions (24) and Districts[3], all supposed to function according to the principle of '*libre administration'* (= only subjected to controls '*a posteriori'* on the legality of their decisions).

Considering the extremely centralised governance tradition of the country, it ought not be surprising that the pace of implementation of the reform is slow and hampered by a host of political and institutional challenges, as illustrated by the following examples:

- In April 2018, a new '*Code des Collectivités Locales'* has been adopted by the Parliament. While it respects the spirit of the 2014 Constitution, several key provisions remain vague or ambiguous on the nature and scope of the administrative and financial autonomy to be granted to LAs. This holds particularly true for the so-called ***'general mandate***' of the LAs (as elected political entities) to take all necessary policy initiatives for the development of the territory and the welfare of citizens (except for competences that have been explicitly reserved by law to higher-level authorities)[4]. Without such a general competence, it might be particularly difficult for LAs to play an effective role as catalyst of territorial development, provider of quality services or key partner in terms of ensuring the localisation of the SDGs. Furthermore, there are not yet implementation decrees to operationalise the new Code, leading to confusion in the field on *'who can do what*'. This, in turn, favours the continued dominance of the prevailing top-down mode of governance.
- In May 2018, the first ever municipal elections were organized. Yet voter's participation was low (37%) illustrating the loss of confidence of people in the overall political system post-2011 and in the chances of having a genuine shift of powers and resources to the local level. On the positive side: the elections provided an opportunity for a new generation of actors (particularly women and youth) to engage in politics and be elected -many of them '*independent'* candidates[5].

[1] The export-oriented economic model adopted exacerbated the *"fracture territoriale"* as private investors had limited incentives to target poor regions.

[2] After the revolution, substantial public funds were injected at regional/local level yet with no real impact. If anything, the gap between coastal zones and the interior of the country became wider. This confirms that the problem with regional development in Tunisia was not a lack of resources or capacities, but poor governance and inefficient, top-down administration and funding approaches -with no direct involvement of local stakeholders/LAs.

[3] These refer to supra-regional entities still to be created and whose deliberative organs would be (indirectly) elected by the municipal and regional bodies involved (depending on the geographic delimitation of the future districts).

[4] This vision is consistent with the 2013 EU Communication on local authorities which calls for the "*empowerment"* of the latter as development actors -in partnership with the central state as well as other key actors at local/territorial level (private sector, civil society). LAs are seen to have a double role: (i) to facilitate the implementation of national policies at local level; (ii) to elaborate their own local public policies, as part of their general mandate, to respond to the expectations of their local electorate.

[5] This illustrates the weakness and limited attractiveness of the formal political parties in Tunisia, including Ennahdha (i.e. the islamist party) as the only party which openly supports decentralization.

- The recently created Ministry of Local Affairs and the Environment (2016) reflected the formal government commitment to decentralisation and local/territorial development. It has set up an internal Agency to accompany the decentralisation process and elaborated a comprehensive implementation plan (spread over 3 cycles of 9 years), to be carried out in close collaboration with other ministries. In practice, however, the Ministry of Local Affairs sees itself as the political master of the whole process, which tends to alienate the sectoral ministries and limit the space for a meaningful involvement of LAs in shaping the direction of the reform process[6].
- While the legal framework provides for the functional separation between the roles of de-concentrated services and municipalities, the former remains strongly in the driving seat. Furthermore, until March 2016, only 70% of the population in 10% of the territory were covered by a municipality and the level of own resources of LAs is very low (approximately 3% of fiscal revenues and 1% of the GDP).
- Another structural factor hampering the emergence of LAs as catalysts of local/territorial development is the powerful role of the Ministry in charge of development, investments and international cooperation (MDICI). It is the main interlocutor and receptor of development funding and it steers, in a top-down manner, the various state agencies for regional development as well as the '*Commissariat général au développement régional*' (CGDR).
- In looking at decentralisation and local development dynamics, one should also not lose sight of the rather fragile overall situation of the country, characterised by a very vulnerable economy, huge inequalities that threaten social cohesion, a fragmented political landscape resulting in a weak Parliament as well as institutional stability (involving recurrent changes at the top of ministries and the civil service). All factors that affect central capacity to carry out and finance complex and costly reforms such as decentralisation.

Overview of the EU support to LAs

A strategic EU approach to supporting LAs was envisaged following the adoption of the democratic 2014 Constitution which put decentralisation forward as a key reform in order to better root democracy at local level and reduce territorial inequalities. The first ever municipal elections of 2018 increased the stakes for the EU to rethink its overall engagement strategy towards LAs -despite the constraints of a highly centralised governance system. Prior to 2014, EU support was largely limited to intervening at local level with a view to addressing specific local needs -through central state agencies.

In the 'privileged partnership' that exists between the EU and Tunisia the issue of decentralisation was integrated as a shared political priority from 2015 onwards in the '*Cadre d'Appui Unique'*, subsequent core policy documents[7] and action plans. For the EU in Tunisia the interventions in support of national decentralisation reforms are inextricably linked to the issue of '*territorial development'* as defined in the landmark 2013 EU Communication on local authorities. This engagement is reflected in 3 recently launched complementary programmes:

- In 2016 a 60 million EUR grant programme for integrated local development was elaborated ('*Initiative pilote de développement local intégré'* – IPDLI). It combines the financing of concrete actions in new municipalities in disadvantaged regions (whereby LAs would be put in the driving seat as directly responsible actors) and the provision of TA (geared at LAs, de-concentrated services, CSOs as well as for communication purposes). Implementation happens through a complex set of delegated management arrangements with both the Agence Française de Développement (AFD) and the International Labour Organisation (ILO) covering different municipalities. It also involves the core national financing institution for LAs ('*Caisse de Prêts et de Soutien aux Collectivités'*) to channel the resources to the municipalities.
- The project on empowering municipalities (PEC, 2017-2020, for 1.7 Million EUR0 executed by the Tunisian Association of Cities (the 'Fédération Nationale des Villes Tunisiennes', FNVT) and VNG (the Dutch Association of Local Governments). It focuses on capacitating LAs for local planning and improved local governance.
- To further pursue this logic of *going local* and trying to put responsibilities directly in the hands of LAs in terms of exercising their general mandate, the EU agreed an additional programme in 2018 for an amount of 59,5 million EUR (called *'Appui à la Gouvernance Locale - Ettamkeen El Mahali'*).

[6] Interview with EUD official and action documents of EU in support of decentralization and local development.
[7] See the EU Communication of 29 September 2016 on " Renforcer le soutien de l'UE à la Tunisie".

Table 1 Overview of EU-financed interventions to the support of local authorities in Tunisia selected for country case study

D or C year	Title	Budget (mEUR)[8]	Typology	Implementing partner
2015	CAP2D - Cap sur la Décentralisation et le Développement Intégré des territoires	39.4	A.1 National LA-specific frameworks	Central government, Association of LAs, International organisation, Private companies
2011	Renforcement des capacités Institutionnel du Centre de Formation et d'Appui à la Décentralisation en Tunisie	0.2	A.1 National LA-specific frameworks	CSO - (I)NGO
2017	PEC - Programme d'empowerment des communes (Tunisie)	1.6	A.2 LAs' political financial and administrative capacities	Association of LAs
2018	Impliquer les citoyens dans la sphère publique et encourager le rôle de la société civile locale en matière de redevabilité (Tunisie)	1.0	A.2 LAs' political financial and administrative capacities	CSO - (I)NGO
2013	Projet d'appui à la gouvernance environnementale locale de l'activité industrielle à Gabès en Tunisie	4.6	A.3 Local infrastructure and related service delivery	EU MS, Private companies
2016	NIP - Centrale photovoltaïque à Tozeur (Tunisie)	1.6	A.3 Local infrastructure and related service delivery	EU MS
2016	IPDLI - Initiative pilote de développement local intégré	60.0	A.4 Local (economic) development	EU MS, International organisation, Private companies
2015	IRADA - Initiative Régionale d'Appui au Développement économique durable en Tunisie	31.1	A.4 Local (economic) development	Central government, Private companies
2018	NIP - PROVILLE 2 - Programme d'Appui à la Politique de la Ville	30.7	A.4 Local (economic) development	EU MS
2017	Stratégie Bargou 2020 - Promotion d'un développement territorial inclusif en Tunisie	1.3	A.4 Local (economic) development	CSO - (I)NGO
2019	Appui à la gouvernance locale (Ettamkeen el Mahali)	55 (financial support + 4.5 (process facilitation	A.2 (LAs political, financial and administrative capacities A.3 (Local infrastructure) A.4 Local (economic) development	Central government Caisse des Prêts et Soutien aux collectivités locales International agency or Fédération Nationale TA

[8] Planned EU contribution.

1 Strategy and implementation

1.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

1.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

In the initial years after the revolution, there was no genuine domestic political support for effective decentralisation. It led the EU to mainly support activities '*at the local level*' which responded to local needs but did not involve (non-elected) LAs as these had no meaningful autonomy. The 2014 Constitution changed the overall context as it put forward democratic decentralisation and equitable territorial development as the core of the new governance system the country should adopt. The EU used this opening to launch a new generation of more structural support programmes, based on a mix of aid modalities (budget support and projects) to accompany the implementation of both intertwined reforms. It has proven a difficult exercise as the balance of power in Tunisia is quite unequal, with central government agencies and sector ministries *de facto* opposing genuine devolution of powers and LAs being still too weak to be a countervailing power and influence the course of reforms. Hence, it could be argued that the EUD has internalised the core EU policy frameworks and sought to translate them into practice, amongst others by encouraging (where possible) emerging forms of dialogue between central and local governments or involvement of LAs in policy/political dialogue processes (particularly in sectors) (I-1.1.3).

1.1.2 Involvement of LA/ALAs (JC1.2)

Both LAs and the national association have long been excluded from programming, policy and political dialogue processes. This was linked to their status as non-elected bodies, subordinated to central government functioning in a top-down manner. In project design as well, LAs were often not involved but rather seen as mere beneficiaries. In this regard, the ARLEM nurture political dialogue at a regional level and strengthen the voice of local and regional authorities to the EU. This is also slowly changing at country level, particularly after the first free municipal elections in 2018. Both the EU and Member States are now trying to upgrade their engagement strategies and dialogues with LAs within the still limited political space available to do so. A partnership has been concluded with the 'Fédération Nationale des Villes Tunisiennes' (FNVT), the only association of LAs. Funding is provided through the CSO-LA thematic line for capacity development as well as improved services to members. In the annual EUD programming processes there is now a keen interest of sector staff to reach out to LAs and involve them in the identification/formulation processes.

1.1.3 Adjustments to context change (JC1.3)

In recent years, the EUD has invested in a better understanding of the political economy of Tunisia's decentralisation reform. A recent core outcome is the production of an integrated diagnosis of the opportunities for territorial development (2019)[9].

Political and institutional incentives exist at EU level to move beyond central government. Yet the space to do so is rather limited considering the state-to-state focus of EU-Tunisian relations as well as the reluctance of central authorities to bring LAs on board as genuine partners and the capacity constraints affecting the latter.

During the evaluation period, the EU has shown a preparedness and capacity to seize windows of opportunities within the evolving national policy frameworks and of what was politically feasible at a given moment in time. It has also displayed a capacity to flexibly adapt modes of intervention. This is illustrated by the qualitative jump forward from a disjointed 'project approach' to mores structured (budget support) operations post 2016 in response to the start of a democratic decentralisation process driven by the central government. Even within these structured programmes, one can detect a search for innovative approaches to empowering LAs -demonstrating an internal learning capacity.

1.2 Adequacy of EU implementation processes and approaches (EQ 2)

1.2.1 Appropriate EU engagement with LAs (JC2.1)

Before the adoption of the 2014 Constitution which enshrined decentralisation and genuine local powers as key political priorities, the EU aid targeted the local level yet through central government, state agencies, regional development offices and various intermediaries. There was no room to properly

[9] European Commission (2019): *Diagnostic Intégré de Développement Territorial (DIDT). Analyse de l'Etat et perspective de la decentralization par rapport au développement territorial.*

engage with LAs and provide direct support. Once the government started the decentralisation reform and renewed attempts to promote territorial development, the EU diversified its portfolio to a mix of budget support and projects. Some of the benefits of these new-style programmes trickled down to the local level (e.g. in terms of capacity development support or investments in infrastructure). Yet it remained challenging for EUD to reach out in a more prominent way to LAs in terms of giving them a greater say on local priorities (through genuine processes of bottom-up planning involving all stakeholders) and channelling funds more directly into municipal budgets. While the limited capacities of LAs helps to explain this, the main problem is the reluctance of central/sectoral players 'to let go' - with the 'complicity' of a wide range of intermediaries (including implementing agencies of EU Member states, the UN and others) who have an interest to remain in the driving seat in terms of managing the programmes -including in terms of allocating the resources. Involvement via ARLEM may help to enhance the dialogue on how progressively more effective space could be created for LAs.

1.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Tunisia is a priority country in the Neighbourhood South, as reflected in the growing aid envelope, wide range of other relations and the size of the EUD. Local development and local governance have been longstanding concerns, to which the EUD added decentralisation reforms after 2014. On the whole the EUD has been able to built-up capacity over the last decade to engage on these matters. There is interest to invest in political economy analysis on the reforms at stake, to rely on the various TA schemes that are part and parcel of the various support programmes as well as to build on external sources of expertise. The national 'Fédération' of LAs is for the moment too weak to be a reliable interlocutor and source information / policy analysis, but the EU (and other donors) are investing in the empowerment of this actor. In essence, the problem for the EUD is not so much the availability of knowledge and expertise but the capacity to make good use of it (= effective '*uptake'* and translation in actual support programmes) or to ensure an effective monitoring of the work delivered by implementing agencies involved in EU-funded programmes.

1.2.3 Measured performance informing planning (JC2.3)

The earlier generation of EU support programmes focused 'the local level' rather than LAs (as self-standing institutional actors with their own identity and mandate). This explains why the M&E systems were quite project output-oriented, paying only scant attention to the role of LAs and the potential impact of projects on their empowerment. With the shifting focus of EU support towards making decentralisation work and enhancing the capacity/autonomy of LAs, the M&E approaches became slightly more 'systemic' in nature and focused on LAs as such. Yet this is clearly still work in progress as it proves a complex exercise -in the Tunisian context- to define adequate indicators on LA empowerment in both budget- and project-related interventions. It is equally challenging to develop an M&E system that can assess the overall impact of all-EU related interventions in support of LAs, decentralisation, local governance and local/territorial development.

1.3 Coordination and complementarity (EQ 3)

1.3.1 3Cs of EU support with other donors (JC3.1)

There is a growing interest of bilateral and multilateral agencies to '*go local*' and engage with LAs, as reflected in the financial flows involved that are targeting the local level. The EU has taken the initiative to create, lead and chair a working group on decentralisation and local development. Yet coordination or division of labour has proved a complex challenge because of lack of leadership from the government, the substantial amounts of funds available for Tunisia (with related disbursement pressures) and other factors linked to the political economy of each donor (including visibility concerns). This brings along the risk of a proliferation of diverging donor interventions at local level (e.g. using different models for local development plans). This also explains why joint programming has been largely limited to joint analysis.

1.3.2 Strategic partnerships have improved 3Cs (JC3.2)

Contextual conditions explained before also shed a light on the limited progress achieved with engaging in strategic partnerships with LAs and their national association. There was no available space for this till after the promulgation of the 2014 Constitution and related launch of a decentralisation process. Yet the structural weaknesses of the LA movement and the huge resistance of central/sectoral actors to consider genuine forms of '*local pow*er' continue to reduce the scope to integrate LAs and the Fédération as full-fledged partners that can function as genuine policy interlocutors. Yet the EUD (and other donors) are investing in this type of partnerships which may yield positive outcomes over time.

2 Effects of EU support to LAs

2.1 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

2.1.1 Roles and mandates of LAs (JC4.1)

This is also work in progress, considering the recent launch of the decentralisation process in Tunisia (2016). The government 'signals' a formal commitment to genuine democratic devolution of powers and resources and has adapted laws (e.g. the 2018 '*Code des Collectivités Locales*') and developed action plans. These formal processes all claim to work towards the (gradual) emergence of enabled LAs who can assume their '*general mandate*' to develop local public policies on the core issues affecting their territory. However, in practice, there are major concerns that the government is reluctant to give the green light for such an empowerment process of LAs. The reality now is more a top-down decentralisation process which continues to subordinate LAs to national policy-making, planning and political economy considerations. In this challenging context, the EUD has tried both to create space for LAs to (gradually) assume their general mandate (mainly through the recently launched Ettamkeen programme) and to involve them more in sector support programmes that affect them (reflecting incipient attempts at mainstreaming).

2.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Building on responses provided on earlier EQs/JCs it could be argued that the EUD is engaged in trying to improve the overall place and weight of LAs in the emerging and evolving decentralisation landscape. They do this *politically* by opening space (where possible) to involve LAs in policy dialogue processes (at sectoral level) and also in the ongoing new programming cycle related to MFF 2021-2027. All EU-supported programmes have an institutional development component, yet not always based on a clearly defined '*empowerment strategy*'. It is more difficult to assess at this stage how the EU -mainly through its different budget support operations- can also exercise sufficient leverage to influence the financial sustainability of LAs over time.

In line with the spirit of ongoing EU operations -seeking to explore the existing scope to engage more strategically with LAs and fund them in a more direct manner- there is certainly an interest at EUD level to engage in the MFF debate on future support modalities with LAs.

2.1.3 LA's knowledge about EU (JC4.3)

Very limited so far for reasons explained above (i.e. the structural weaknesses of LAs and their federation, their exclusion for a long time of EU-Tunisia external action and development cooperation processes, etc.). The ARLEM is contributing regularly to broaden the LA knowledge about EU of its members on a multilateral basis during its statutory meetings and via different studies, reports and publications. The EUD in Tunisia has done remarkable efforts to communicate about the various support programmes, including towards LAs. But this information has not yet trickled down and important efforts will be needed in coming years to upgrade LA knowledge about EU external action (beyond procedures for accessing donor funding).

2.2 LAs' empowerment and capacities (EQ 5)

2.2.1 EU support to national framework conditions for LAs (JC5.1)

After the promulgation of the 2014 Constitution and related start of a centrally-driven decentralisation process, the EUD has globally sought to work on the '*national framework conditions*' for LAs through its various support programmes and aid modalities. It works both on the 'supply side' (i.e. national reforms) and the 'demand side' (i.e. by strengthening the capacity of both LAs and CSOs to demand development friendly decentralisation reforms). The EUD also uses local/territorial development as a vehicle to (indirectly) push for genuine devolution. Yet the impact of these overall efforts is uncertain, partly because of consistent opposition from the government, partly because the empowerment approach towards LAs still has to be further internalised at EUD level (including in sector operations).

2.2.2 LAs' institutional capacities have been strengthened (JC5.2)

The various structural programmes initiated after 2016 (CAP2D, IPDLI, Ettamkeen) all have capacity development programmes directed at regions and LAs -as well as to a broader set of concerned state actors (in line with the first lesson described above). Yet there are important differences in the capacity development approaches and methods used by these various programmes. All of them *formally* subscribe to the principle of the decentralisation reform and the stated objective of creating genuine

local powers. However, *in practice*, they vary in the extent to which they put LAs at the centre of the whole process (to create local ownership), genuinely promote the involvement of other local stakeholders of the territory (through effective bottom-up planning processes) and seek to diminish the dominant role of intermediaries in decision-making and allocating/managing funds devolved to the local level.

2.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

Genuine attempts are made by EUD, particularly in the most recent generation of support programmes, to put LAs at the centre of TALD processes. This is particularly the case with the Ettamkeen programme, which concentrates on enabling LAs to assume their '*general mandate*', link up with all stakeholders of the territory and produce genuinely owned local development plans. The latter could then be used to enter into dialogue and negotiation with central / sectoral actors as well as de-concentrated services on how to work together - based on local agendas.

Yet these processes are incipient (and contested) so it much too early to say how this will evolve and lead to (gradual) empowerment of LAs.

2.3 Accountability, participation and local democracy (EQ 6)

2.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

The centralised and top down approach to governance that long prevailed was not conducive to foster collaborative arrangements between local actors, amongst others because LAs had no mandate and legitimacy to be the convenor of such processes. The legal framework may have changed with the initiation of the decentralisation reform in 2015-2016 and the new Code on LAs (2018) but on the ground it will take time before LAs can act as catalysts of local/territorial development and mobilise local actors to this end. That might be easier with civil society actors, as the EU and other donors have supported since 2011 a wide range of programmes to capacitate CSO to interact with LAs (e.g. on planning or social accountability), with some success. By contrast, there is no tradition of the private sector involvement in horizontally constructed partnerships at local level. The Ettamkeen programme in particular aims at acting as a '*laboratory*' for new forms of local governance (that could be replicated / scaled up if effective). Considering the urgency of local/territorial development in Tunisia, such collaborate arrangements could help ensuring stability in the country by improving social cohesion and reducing inequalities.

2.3.2 Accountability of LAs (JC6.2)

The recently started decentralization process (2015-16) aims at reforming the prevailing *'accountability chain'* inherited from the past. This consisted mainly in subordinating LAs to higher authorities by an ex-ante control of all their decisions (both on the legality and relevance), the so-called *'tutelle*' by the governor and delegates in the municipalities. As LAs were not elected and had no autonomy, there was no horizontal and downward accountability.

However, the transformation promises to be slow as there is resistance to abandon the '*tutelle'* and it will take time to build mutually constructive relations at horizontal level in the recently elected LAs as well as to develop effective mechanisms for 'downward accountability'. The latter may be helped by the fact that EU and others invested in the past in local accountability. Evaluations suggest these initiatives yielded positive results in terms of creating space for a multi-actor dialogue around concrete local development challenges, building trust, exploring ways of working together in the provision of services, etc. Yet in the absence of a local government bodies endowed with sufficient levels of autonomy (in terms of competences and resources) it was difficult to truly make the LA responsible in terms of downward accountability towards citizens.

The EU supported Ettamkeen programme seeks to work on innovative forms of local governance and accountability. It may over time contribute to qualitative improvements in local democratic culture.

2.4 Service delivery and response to local challenges (EQ 7)

2.4.1 LAs delivering quality public services (JC7.1)

The empowerment of LAs to provide public services is high on the agenda of the decentralisation reform. Yet the heritage of the past will be hard to overcome as LAs were largely marginalised in favour of higher-level authorities, de-concentrated and implementing agencies, who controlled / managed public service delivery. Before 2016 some projects targeted local level infrastructure or specific local challenges (e.g. energy) but generally with a limited participation of LAs. Post 2016, the more structured

programmes of the EU first seek to capacitate LAs to carry out participatory planning processes for integrated local/territorial development (including the public service delivery component). The next step is to promote collaborative arrangements with sector ministries and de-concentrated bodies to explore how LAs could be more directly involved in service delivery by assuming *'la maîtrise d'ouvrage locale'* (i.e. the political and managerial leadership on the intervention). In this context, it is too early to assess LA capacity to maintain facilities or ensure sustainability of service delivery.

A recent mapping has illustrated the growing amount of donor funding going to the local level (in a rather chaotic and fragmented manner). A critical challenge will be to ensure that these various interventions do incorporate LAs in a way that respects their general mandate and role (legally delegated) to act as catalyst of local/territorial development. This is not the case for the moment in the majority of donor support programmes -who largely continue to see LAs more as 'beneficiaries'.

2.4.2 LAs better respond to local challenges (JC7.2)

There have been project interventions in the past which have targeted specific areas. A case in point is the provision of energy infrastructure to the town of Nabeul under de SUDEP-South. These are valuable initiatives, but they are standalone projects. The more structured EU interventions launched after 2016 all seek to create the institutional conditions for LAs to assume greater leadership in local/territorial development. Yet these are incipient processes and it will take time before the effects are visible at local level.

2.4.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

The action documents of the more structural EU programmes initiated from 2016 onwards, have reflected on the political economy conditions in the country. Their respective risk analyses are fairly comprehensive. A common key factor for sustainability is, not surprisingly, the commitment of the government to pursue the decentralisation reform and enable LAs to be development actors in their own right. Yet as argued above, this commitment should not be taken for granted in practice. At this stage, the configuration of powers is such that the centre continues to hold full control.

Annex 1 – Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

The EU's overall approach to LAs and related use of leverage to promote dialogue and cooperation with central government went broadly through three phases since 2011. In a ***first phase***, immediately after the revolution, the focus of EU support was primarily on investing '***at the local level'*** to improve living conditions, infrastructure, availability of decent jobs in poor urban areas and disadvantaged regions. The projects were implemented through sectoral ministries with the local populations as ultimate beneficiary. At best, the non-elected local institutions were informed / consulted on what would come to their territories. A case in point is the EU support provided in grants (69 million EUR) to a government-initiated programme targeting run down popular neighbourhoods across the country ('*Programme de réhabilitation et d'intégration des quartiers d'habitation'* - 2011-2019), executed through central agencies. A relative exception is the 'emergency' programme to reinforce the capacity of local authorities to redress their financial situation after the 2011 revolution, including by enhancing their tax collection capacity (PRAL, 30 Million Euro).

The EU-Tunisia cooperation framework 2014-2015 (*Cadre Unique d'Appui*) includes a formal commitment of both parties to translate the decentralisation reforms envisaged by the new Constitution into practice. This led to a ***second phase*** of engagement in which the EU made use of its leverage and financial clout to put (soft) pressure on the government would set ambitious targets for the reform (e.g. in terms of granting genuine administrative and financial autonomy to LAs; developing national policies (e.g. on territorial development); fostering effective de-concentration, or ensuring timely implementation). While there was a global agreement on the changes required, the EU also met resistance at central government level and particularly in sector ministries[10]. The '*lack of capacity*' of subnational authorities was often invoked to slow down the decentralisation process. More fundamentally, the planned reforms '*go against the grain'* of more than five decades of highly centralised management of the development process -with all what this implies in terms of vested interests, practices and attitudes.

In this context, a 35 million EUR ***sector budget support*** was provided to the central government for the period 2016-2020 to promote inclusive territorial development through effective decentralisation ('*Cap vers la decentralisation et le développement intégré des territoires' or CAP2D*). It foresaw a pilot testing in 8 regions with a view to fostering dialogue and collaboration between national, regional and local institutions on territorial development. According to EUD staff, the budget support allowed for a relatively effective policy dialogue on the performance assessment framework and related indicators. Two tranches were released yet the need was also felt to adapt some indicators perceived to be too ambitious (particularly regarding targets for de-concentration reflecting the resistance of sectoral ministries). According to EUD staff and TA interviewed, there was a systematic need in these policy dialogues to push for the respect of the '*spirit of the Constitution*' regarding the core objective of empowering regional and local authorities LAs (as opposed to the prevailing situation where the latter act as mere *implementing agencies* of policies / actions decided elsewhere[11]). The programme was complemented with an envelope of 8 million EUR for complementary measures, including for a substantial TA component and capacity building of LAs (through a fiduciary fund administered by the World Bank).

Realizing the limitations of working primarily at macro level with central agencies, the EU then sought to ***deepen direct engagement with subnational authorities (both regions and municipalities)***. This ***third phase***, more strongly oriented towards LAs, led to three complementary programmes, examined in the above context analysis, i.e. the programme for integrated local development (IPDLI); the project on empowering municipalities (PEC) and the programme in support of local governance (Ettamkeen). The novelty of this latter programme lies in five choices:

[10] Interview at EUD level. A statement also confirmed by existing studies and reports on decentralization reforms in Tunisia (see Annexe).

[11] The key concern is to protect the space for LAs to exercise their "general mandate" (= to promote the development of their territory) and related '*maîtrise d'ouvrage locale'* (= to take *direct* responsibility for carrying out the competences and responsibilities legally given to them).

- While it extends the resources available for funding infrastructural works (using the above-mentioned national mechanism of the '*Caisse*' like in IPDLI) it seeks to promote LA leadership in identifying specific needs and progressively break with the tradition of having top-down decisions imposed on LAs.
- It intends to facilitate genuine bottom-up, multi-actor processes of formulating local development plans (PDLs) in 18 municipalities.
- It foresees funding to the LAs involved for priorities identified in their local development plans.
- It sees the existence of properly owned local agendas for territorial development, elaborated through LAs, is a precondition for a meaningful dialogue with central authorities.
- The ***theory of change of this programme is that these grants, put directly at the disposal of LAs for their priorities, will provide incentives to LAs to increasingly position themselves as active development players***, strengthen their legitimacy, trigger processes of dialogue between different local actors as well as create space test out innovative local governance arrangements *within* the current decentralisation framework. Such an experimental approach could help to identify systemic problems with the existing legal framework and create a (bottom-up) demand for changes based on practical experiences.

For the EU is quite challenging to strategically oversee and steer these various structural programmes, involving substantial resources, implementing agencies, funding channels and TA teams (see below). Yet the political challenges are equally huge as the EU tries to ***move the centre of gravity to the LAs and effectively empower them*** -as reflected in the most recent programme Ettamkeen. Furthermore, all these dynamics are recent and ongoing, so it is not possible at this stage to assess how this will work out.

1.2 Involvement of LA/ALAs (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

The donor community in Tunisia, including the EU, collectively realized the need to engage more at local level after the 2011 revolution. Yet in the absence of (elected) LAs endowed with minimal autonomy, it was difficult to adopt inclusive and participatory approaches. The focus in these years was clearly more on engaging with civil society through a proliferation of schemes and facilities -often also targeting local governance[12]. As mentioned above, the EU exercised political leverage and used its financial clout to push for the (rapid) implementation of the decentralisation reform, enshrined in the 2014 Constitution. This was seen as a precondition to create space for a meaningful involvement of LAs as interlocutors and development actors in their own right.

In practice this means that there was limited involvement of LAs in the identification of priorities or in the design and implementation of local development programmes supported by the EU between 2011-2016. The scope was restricted to central (sectoral) ministries, implementing agencies (domestic or external) and the ultimate beneficiaries (generally also confined to a role of passive recipients). This is slowly but steadily changing, particularly since the municipal elections of 2018. The EU has now a new generation of support programmes that seek to give a voice to LAs and facilitate inclusive and participatory processes of identifying local level priorities from the bottom-up. A partnership has been concluded with the 'Fédération Nationale des Villes Tunisiennes' (FNVT), the only association of LAs. Funding is provided through the CSO-LA thematic line for capacity development as well as improved services to members. Concerning the EUD programming processes, there is now a keen interest of sector staff to reach out to LAs and involve them in the identification/formulation processes. This is now happening with a new 120 million EUR programme for the environmental sector.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

The above history of how LAs start only now to timidly emerge as 'actors' largely explains why today there are no relevant fora allowing for their involvement in political / policy dialogue processes. This would also be 'technically' difficult to organize in a productive way considering the prevailing institutional capacities of the LAs and their association. The LAs are keen to express voice and have concrete demands, yet these represent a wide range of highly localised concerns. The overall capacity to pull together and collectively defend a convincing advocacy agenda on decentralisation and local/territorial development is logically lacking at this stage. The widespread reluctance of central authorities, governors and de-concentrated services to open genuine space for participation further compounds the problem.

[12] Like the 'Programme d'Appui à la Société Civile' (PASC, 7 mEUR).

Yet at the same time, openings are gradually being created, which hold the potential to become over time relevant for a for dialogue. They emanate from ***entrepreneurial mayors*** who seek to establish more constructive relations with governors and de-concentrated services or from sectoral ministries, who have understood that they could also win by associating LAs more seriously and working together for greater impact (e.g. the Ministry of Health). External agencies such as the EU are also contributing to the opening-up of space, particularly through their major support programmes under the bilateral envelope (e.g. Ettamkeem) or dialogue initiatives at sectoral level.

Existing political/policy dialogue mechanisms with LAs feed the programming process (I-1.2.3)

This is also *'work in progress*'. As the dialogue mechanisms are still incipient, the impact of these on EU programming are inevitably still very weak. Yet things are moving and several EUD units are currently seeking ways and means to involve LAs in the programming of new sectoral (e.g. environment) or in the implementation of thematic interventions (e.g. a recent EU-supported Youth programme).[13]

The EUD is now engaged in a new overall programming cycle 2021-2027 under the new Multi-Financial Framework (MFF). Contrary to what happened in the past, there is a clear commitment to consult LAs and their association in the process. This is not an easy exercise -considering the structural challenges faced by the 'LA family', including limited capacity for advocacy, divisions and tensions within the LA movement (along political lines), lack of legitimacy of the Federation or the limited knowledge with EU external action and development cooperation.

1.3 Adjustments to context change (JC1.3)

EC's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

Decentralisation reforms are highly political processes. They are essentially about (evolving) power relations between actors at difference levels of governance as well as the control over competences and resources. This, compounded by the technical complexity of the issue, calls upon external agencies to ensure they can properly understand the power dynamics around the decentralisation reform in a given partner country, the interests of the various actors involved as well as the incentives to change.

In recent years, the EUD has invested in a better understanding of the political economy of Tunisia's decentralisation reform. A recent core outcome is the production of an ***integrated diagnosis of the opportunities for territorial development*** (2019).[14] In order to add value to existing studies that are of a more descriptive/technical nature on the decentralisation reform, the diagnosis is based on a political economy approach. It sought to ***determine the extent to which the currently prevailing decentralisation system facilitates or hampers the empowerment of LAs as development actors***. Six dimensions were analysed: (i) the nature of the reform process; the motivations and rationale behind it; (iii) the implementation progress; (iv) the outcomes achieved; (v) the triggers of change and the obstacles; and (vi) the follow-up of the reform.

This study is providing a navigation tool to the EUD in its current attempts to reach out more directly to LAs. Yet the study is seen as a first step. The need for an iterative process of carrying out political economy analyses is recognised by the EUD staff concerned as well as some TA.

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

As highlighted above, the EUD's engagement with LAs went through several phases, characterised by a growing interest to engage more directly with LAs and exploring the scope for support modalities that would help empowering them as active development players. This shift in approach has broad political support within the EUD including at high levels. This reflects both a certain '*fatigue'* of working with national agencies on reforms (many of which are stalled) and a belief in the need to unlock the development potential of the territories through LAs. However, while such political incentives exist at EU level to move beyond central government, the space to do so is rather limited considering the state-to-state focus of EU-Tunisian relations as well as the reluctance of central authorities to bring LAs on board as genuine partners.[15] The substantial size of the EU support (300 million EUR to be programmed annually) and the institutional/capacity constraints facing the EUD, tend to create a bureaucratic inventive to use the budget support modality which, by definition, is geared at national level actors. Furthermore, the EU's intention to channel resources directly to LAs faces major hurdles and

[13] See Action Document (2018) on the '*Programme d'Appui à la Jeunesse Tunisienne*', aimed at enhancing the participation of youth in local public policy-making. It was designed to be carried out through delegated agencies in a rather top-down manner, but where the EUD is now trying to also open it up to a more direct participation of LAs.
[14] European Commission (2019): Diagnostic Intégré de Développement Territorial (DIDT). Analyse de l'Etat et perspective de la décentralisation par rapport au développement territorial.
[15] See above-mentioned studies on the decentralization reforms, including the EUD commissioned integrated diagnostic (2019).

disincentives related to restrictive legal and administrative frameworks on the Tunisian side as well as the EU's own regulations and financing instruments.

EU capacity to adapt its engagement with LAs and seize windows of opportunity (I-1.3.3)

During the evaluation period, the EU has shown a preparedness and capacity to seize windows of opportunities within the framework of what was politically feasible at a given moment in time. In practice, this meant the EU quickly steeped up its interventions *at local level* immediately after 2011 revolution with a view to improve living conditions and tackle other pressing challenges. This was done through targeted programmes and projects of diverse scope and level of ambitions. The typical approach for this phase is top-down (with central ministries and governors firmly in control) and the involvement of the non-elected municipalities is very limited. Their role was limited to be represented in local steering committees[16] or to act as passive recipients of programmes imposed from above and executed through a wide range of intermediaries.

Following the promulgation of the new Constitution (2014), the EU promptly shifted to a higher gear with a new generation of programmes aimed at supporting both the national decentralisation reforms (through budget support) and the strengthening of local level institutions and processes. It also built on opportunities provided by the government's own policy frameworks such as the *'Plan National de Développement 2016-2020'* which gave a central role to the regions in coordinating territorial development.

However, in the years to come, this quick and flexible EU response capacity will be put to the test. The EU's professed commitment to integrate LAs into mainstream external action and cooperation processes is likely to face growing central resistance if the LA empowerment logic is further pursued and deepened. This could become problematic for flagship programmes directed at LAs (such as the Ettamkeen programme on local governance). As the LA movement gets stronger (also with the support of many other bilateral and multilateral agencies), it will exercise stronger voice and pressures for a *'seat at the table*'. Another challenge for the EUD will be to optimally seize windows of opportunities at sectoral level (including by engaging with 'willing' ministries eager to increase collaboration with LAs) or to ensure a meaningful participation of LAs in the ongoing new programming process 2021-2027.

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

The EU's bilateral envelope has been used during the evaluation period to address specific local needs. This support took the form of programmes and projects varying in scope and levels of ambitions, as reflected in the shortlisted portfolio of actions. They sought to address a wide range of challenges such as the improvement of living conditions in disadvantages neighbourhoods[17], environmental governance and industrial pollution in the town of Gabes[18], basic public service delivery in the town of Nabeul[19] or energy infrastructure for the town of Tozeur.[20] These interventions were launched before decentralisation became a priority reform process for both the government and the EU. This helps to explain why they did not reserve a key role for LAs in the elaboration and implementation of these projects.

The political focus on decentralisation from 2016 onwards led to a new generation of EU support programmes of a more structural nature which are gradually created wider opportunities for LAs to access EU funding:

- LAs benefit *indirectly* of the budget support provided by the EU since 2016 (CAP2D) for the decentralisation reform through capacity development initiatives and investments in infrastructure (through the fiduciary fund managed by the World Bank).
- The 2017 pilot initiative of integrated local development (IPDLI) has a component for concrete projects to be managed by the municipalities under the '*maîtrise d'ouvrage locale*'. To this end, the EU signed delegation agreements with the AFD and the ILO acting as intermediaries -each supporting a number of (different) municipalities (e.g. in producing a local development plan). Each of them also organises calls for proposals for the LAs concerned. The actual channelling

[16] See the priority programme on rehabilitating popular neighbourhoods.
[17] Programme Prioritaire d'Intégration des Quartiers Populaires (32,9 mEUR).
[18] Projet d'Appui à la gouvernance environnementale de l'activité industrielle a Gabés (4,3 mEUR).
[19] SUDEP, Commune de Nabeul et solutions renouvables pour les services publics de base (975.000 EUR).
[20] Centrale photovoltaique à Tozeur (1,6 mEUR).

of the (delegated) EU resources to the municipal budgets happens through a well-established national mechanism ('*Caisse de Prêts et de Soutien aux Collectivités'*).

- The third major EU programme consisting in a '*Support to Local Governance*' (or '*Ettamkeen El Mahalli*', 2019) goes a step further. One component (55 Million EUR) has been put aside to strengthen the abovementioned funding system of IPDLI through the Caisse. The list of beneficiary municipalities is currently being determined and there is also an ongoing debate on the criteria to be used for the allocation of funding. A second component is in the form a small additional envelope (4,5 Million EUR) aimed to launch and accompany 18 pilot municipalities experimental processes of improving local governance. The purpose is to put the LAs involved '*in the driving seat*' in defining a properly owned local development plan through a genuine bottom-up process involving all relevant local stakeholders (instead of following external formats and relying on various intermediaries to produce such plans). The novelty is the availability of EU resources to directly fund priorities identified by the LAs themselves.

Other recent initiatives also seek to reach out to LAs in a different manner. An example is the intervention geared at improving the urban policies of cities (PROVILLE) where the EU co-finances through a grant (30 Million EUR) a loan provided by the AFD. Spearheaded by central agencies, it finances urban rehabilitation in priority neighbourhoods across the country. The EU contribution focuses on enhancing local governance by ensuring a greater participation of both LAs (in line with the decentralisation reform process) in the elaboration and follow-up of the investment projects.

The thematic instruments have hardly been used in support of LAs in Tunisia because the LAs were not in a position to use this tool -as subnational entities lacking autonomy, resources and capacities In 2018, the EU decided at HQ level to recentralise the resources left on the LA budget line and to allocate these to a new global programme aimed at supporting partnerships between cities in the Global South and Europe. In the first call for proposals (2019), two Tunisian cities got selected (Tunis and Kasserine). The EU has not funded cross-border initiatives in the period under consideration. In terms of global/regional programmes, reference is to be made to the European initiative for agricultural and rural development (ENPARD) that supports pilot actions in Tunisia in relation to local products and spatially relevant value chains (10 Million EUR) as well as the Covenant of Mayors for Climate and Energy that helps municipalities coping with climate change and sustainable energy provision (executed through the project CES-MED in a limited number of towns).

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

As can be inferred from the above section, the question of ensuring a strategic mix of aid modalities only arose after 2016 when the EU provided the first budget support (CAP2D) to stimulate central government action regarding the decentralisation reform process and territorial development. Soon after two complementary programmes saw the daylight geared more at promoting local-level dynamics of integrated local development (IPDLI) and local governance (Ettamkeem). One could therefore argue that the EUD now has a quite strategic portfolio of interventions based on a mix of aid modalities and accompanied by several TA teams. Managing these various strands in a coherent way will be challenging in the coming years. While the three programmes benefit from a shared '*Comité de Pilotage'* (COPIL) under the Presidency and involving the different ministries concerned, tensions seem unavoidable as key players at central / sectoral level are at best ambiguous about the degree of autonomy to be granted to LAs, including the possibility for the latter to effectively exercise their 'general mandate'. This will influence the whole reform process and a wide range of strategic issues (e.g. genuine local planning or territorialisation of national plans?). If the EU pursues its logic of trying to 'empower' LAs and facilitate greater access to (direct) funding, the two logics may at a certain moment clash and lead to policy reversals.

Ensuring a coherent use of different aid modalities and delivery channels is set to become more challenging if the EU continues to open windows of opportunities for LAs in its core sectoral programmes (e.g. environment) and with the expansion of investment-related tools (such as the EIP) that may also reach out in a near future to Tunisian cities.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

No evidence in the shortlisted portfolio.

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues (I-2.2.1)

Knowledge on LA issues (encompassing decentralisation, local/territorial development, empowerment of LAs, local governance, etc.) is globally available at EC level. This is linked to the growing involvement of the EUD in this domain over the last years. Knowledge has been built up internally within the unit in charge and increasingly also among sector colleagues who feel the need to factor in the decentralising

environment in their operations (e.g. in health, agriculture, environment). This asset is increasingly used in programming new interventions which approach LAs from a different, more political and strategic angle. In principle, the EC can also rely on the expertise within the various implementing agencies of the above-mentioned core EU programmes and the different TA teams. However, the actual possibilities to make effective use of these external knowledge resources tends to vary substantially[21]. There are also challenges to effectively monitor implementation of major support programmes targeting LAs entrusted to various external agencies (from EU Member States, UN family and others).

Availability and effective use of training facilities and technical/thematic support provided by HQ to EUDs (I-2.2.2)

There has been a limited use of training facilities. Thematic support was provided through the TALD-facility, including to carry out a light political economy analysis of the decentralisation process. A regional seminar was organized by HQ for the Neighbourhood South in Tunis (2018).

Use of external knowledge and data (e.g. from ALAs) (I-2.2.3)

This has been very limited due to the structural institutional constraints affecting both the LAs and the Federation of Tunisian cities. The capacity development efforts of the EU and other donors are geared at ensuring that over time the LAs and their association can be a producer of relevant data, analyses, studies, policy notes on reform options.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

The various programmes and projects all have their own M&E system (of varying depth and quality). Depending on the type of involvement foreseen for LAs, they seek to capture (or not) the specific results targeting the latter as institution. In the earlier generation of projects that largely by-pass LAs, there is logically limited attention for such matters. In the more structured programmes of the new post 2016 generation, the LAs occupy a more central place. For these, the challenge at this moment is to put in place and refine the M&E systems through learning by doing. This involves complex methodological issues, for instance related to the baseline for measuring capacity development progress or on how to capture the dimension of '*empowerment'* of LAs.

The budget support for decentralisation and territorial development (CAP2D) has its own performance assessment framework with indicators for the variable tranches. It has been a useful tool for policy dialogue. Some indicators had to be adapted as they overrated the readiness of governments and central/sectoral services to move ahead on critical aspects of the reform.

There is no cross-cutting system of M&E to see what the EU is globally doing for LAs and their effective empowerment, based on the whole portfolio of interventions -though EUD staff would be keen to develop such a system in the coming years.

Data from M&E systems feed into future programmes and EC learning/adaptation (I-2.3.2)

Considering the fragmented nature of the M&E systems at project and program level, the learning is equally of a rather ad hoc nature. In the Action Documents of new programmes one can observe attempts to draw lessons from past interventions. Based on current evidence, it would appear that future programmes are driven more by political imperatives (i.e. the need to go local, address territorial imbalances, empower LAs) and resources (i.e. the need to programme annually 300 Million EUR) than by sophisticated internal learning processes linked to M&Es.

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

EU engage in LA-related coordination & donor fora (I-3.1.1)

As decentralisation became a political priority in Tunisia post 2016, the EUD took the lead in establishing and chairing a donor working group on decentralisation and local development (in 2018). This is no easy task, considering the proliferation of new donor engagements targeting the local level and/or the LAs. The EUD recently conducted a basic mapping of '*who is doing what*' in many areas related to

[21] For multiple reasons, including varying levels of independence of the TAs, political or commercial pressures, supervisory arrangements (=- who controls the TAs), absence of formal coordination mechanism (leading to work in silos).

decentralisation, local governance and local/territorial development across the country[22]. The resulting picture is both promising (as it shows the growing recognition of LAs as pivotal player) and sobering (as the risk exist of 'balkanisation' of the country by a wide range of overlapping or competing donor interventions).

The EUD acknowledges that the Working group faces major limitations to ensure a streamlining of all these activities. This is linked to the absence of leadership by the government, which is seen to prefer a 'divide and rule' approach by concluding separate deals with the different external partners[23]. This also has the advantage to reducing the risk of having common positions of the donor community that would not be in line with government thinking. Other disincentives for effective collective action are the sheer volume of resources accruing to Tunisia each year and related pressure on all donors involved to disburse. Or the 'business' interests of external implementing partners such as the agencies of Member States or the UN to whom the delegates most of its support to LAs [24].

Considering this complex arena, pragmatic solutions have been adopted by the EUD in the Donor Working Group. A concrete example is the choice for thematic meetings, where donors exchange on how they intervene on specific issues (e.g. local development planning).

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

There have been attempts at joint programming in Tunisia in the period of 2016-2017. Yet it proved a complex exercise for political, institutional and procedural reasons[25]. As a result, the exercise was largely limited to joint analysis and agreeing on common objectives (including regarding the need for EU/MS support to decentralisation and territorial development). For the new programming cycle 2021-2027, the ambitions in terms of joint programming would also be largely limited to carrying out a 'joint analysis' of the county's situation and the strategic responses required by the EU and MS.

Division of labour promoted (I-3.1.3)

In line with the above section which indicated the limits of joint programming in Tunisia, there is no explicit and formalised division of labour between the EU and MS. At best, there is some implicit recognition of each actor's specific preferences (e.g. the longstanding tradition of AFD to invest in urban development) or assets (e.g. the EU's ability to mobilise substantial resources or provide budget support). The picture is further blurred as the EU (as principal donor) delegates the implementation of its support programmes in decentralisation/territorial development to a variety of implementing agencies from the MS, the family of the United Nations or other players who passed the PAGODA test (such as VNG). In practice, this means that each of these agencies apply their own approaches to the topic and methods of work (e.g. on how elaborate a local development plan). The EUD is now looking for ways to ensure a greater quality control over these PAGODAs and capacity to orient them in the desired direction.

In terms of the division of labour with domestic actors, the prevailing paradigm has been to work with central and sectoral ministries as well as with the conglomeration of state agencies at different levels (e.g. the Offices for Regional Development), all operating in a top-down manner. In the coming years, there will be quite some pressure to integrate LAs in that equation as an actor in its own right (as several EU programmes are already trying to do by ensuring that LAs have the 'maîtrise d'ouvrage locale').

Evidence that synergies between development partners have been exploited (I-3.1.4)

Only in a limited, ad hoc manner, for reasons explained above.

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.1)

Soon after the EU engaged firmly in the unfolding decentralisation reforms, it sought to establish a partnership with the '*Fédération Nationale des Villes Tunisiennes*' (FNVT). This included the provision of dedicated funding (through the LA thematic budget line) as well as opportunities to participate in the implementation of new EU-support programmes (like IPDLI) with a view to boost the organisation's legitimacy and delivery capacity[26].

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[22] European Commission (2019): Jorge Rodriguez, e.a. Diagnostic des interventions dans la décentralisation et expériences de planification.
[23] EUD official in charge of the donor Working Group.
[24] This can push these agencies to focus primarily on acquiring 'new contracts', showing visibility and satisfying the needs of central government -at the detriment of trying to push a genuine empowerment of LAs. These agencies also tend to play too central a role in managing the programme (e.g. through the call for proposals or by monopolizing the dialogue with the EUD).
[25] EUD Tunisia (2017): External Assistance Management Report. Also confirmed by interviews with EUD staff.
[26] See related Action Document.

The process of building a mutually beneficial partnership is at the incipient stage and must first go through a complex phase of institutional consolidation of FNVT -starting from a very weak baseline. Hence, it will take time before the potential benefits of this partnership will materialise (e.g. in terms of having a strong ally in advocating for genuine reforms or reliable partner in implementation).

Visibility, relevance and impact of EU support enhanced by global partnerships (I-3.2.2)

Not applicable in case of Tunisia. The Covenant of Mayors concerns a limited number of municipalities and there is no evidence of a direct impact of the work by UCLGA (United Cities and Local Governments of Africa) or PLATFORMA.

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

As explained above, the issue of the role and mandate of LAs stands at the core of the unfolding decentralisation reform in Tunisia. The « DNA » of the country's governance system is all about state control of the territory (a trend exacerbated by the threat of terrorism and the implosion of neighbouring Libya) and a top-down management of the development process, fully directed from central/sectoral ministries and handed down to subnational levels (through appointed governors and de-concentrated services).

In this context, LAs were seen as an appendix of this state apparatus, with a role largely limited to being a possible implementing agency of national policies and a (passive) beneficiary of public investments and services. This, in turn, explains why municipalities across the territory (particularly the 'new' and 'enlarged » municipalities[27]) lack human, financial and infrastructural resources.

Both the 2014 Constitution and the 2018 *Code des Collectivités Locales* promulgate the need to reverse this logic and transform LAs in genuine local powers, enjoying autonomy and being accountable to their citizens. This is needed to ensure that LAs can be the vehicle for inclusive and sustainable local/territorial development -in close collaboration with all the relevant local players (through adequate local governance systems, see EQ 5), de-concentrated services (whose role will need to evolve from dominant actor to technical support to elected LAs) and other levels of governance (through suitable intergovernmental relations).

As exemplified in the previous EQs, this transition is incipient and confronted with major resistances emanating from central actors. This results in delays in harmonising the legal and administrative frameworks and a systematic tendency to reduce the levels of autonomy effectively granted to LAs. In this political context, the EU has been trying in recent years to create space for LAs as self-standing institutional actor and potential catalyst of territorial development. So far this has mainly happened at the programmatic level, i.e. in concrete interventions at local level. The strategy of the EU is double:

- to defend the principle of the « libre administration » of LAs and related right to exercise their 'general mandate' as elected political entity;
- to negotiate on that basis some room *within* EU support programmes to empower LAs by giving them the 'maîtrise d'ouvrage locale' and identifying smart direct funding systems. The recently launched programme on support to local governance (Ettamkeen) is the flagship EU intervention in this regard.

There is less evidence of the EU trying to also open space, in a strategic and structured manner, for LAs in national and sectoral public policy processes. This is partly understandable, considering the political blockages for such participation by central agencies and the limited level of preparedness of LA and the FNVT to engage in these processes in an effective and productive way.

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

The EU political support to the decentralisation reform and to territorial development has been translated in a complementary set of programmes since 2016. Slowly but steadily, it has also led to a wider reflection within the EU on how to mainstream LA participation in all relevant interventions in the EU portfolio for external action and development cooperation.

The process of integrating LAs across the board is at an incipient and experimental stage. Yet there is a genuine interest and commitment of several sectoral units within the EUD to pursue this path.

[27] This is linked to a reform of the territorial delimitation in Tunisia (carried out in 2015 and 2016) which keeps the existing municipalities (77), extends the territory of many municipalities (187) and creates new ones (86).

According to EUD staff interviewed, this is driven by two main considerations. First, the new 2014 Constitution and subsequent 2018 'Code' on LAs have redefined the place and role of LAs (including the need for greater autonomy to exercise their general mandate). EU interventions have to align to these new institutional realities when they deliver support that touches upon competences now also exercised by LAs. The 2030 Agenda also gives a crucial role to LAs in 'localising' the sustainable development goals. Continuing to bypass LAs (for instance on the grounds that they lack capacity) would not be helpful, as it goes against the legal provisions and reduces the chances of supporting genuine empowerment processes over time. Second, the sector staff involved experience the limits of '*putting all the eggs in the central basket*'. Hence, they are keen to explore how they could engage more meaningfully with LAs as the state level closer to people and with a potential added value in determining local needs, experimenting, finding adequate local solutions, testing out innovative local governance mechanisms, and, last but not least, helping to deliver public goods and services in a more sustainable way.

A recent example of mainstreaming LA participation can be found in a new EU intervention currently being programmed in the sector of the environment (for 120 Million EUR). Rather than using the traditional mechanism of passing exclusively through central government and specialised agencies, the EUD seeks to include a programme component in the form of a '*Fonds Municipal d'appui à l'Environnement'* that would reduce the number of intermediaries and facilitate linkages with the own priorities and budgets of participating municipalities.[28]

According to the EUD, the intention is also to invite LAs to participate in relevant steering committees or coordination groups dealing with decentralisation and local / territorial development.

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

This objective is pursued through the EU budget support provided for the national decentralisation reform and territorial development (CAP2D). Further discussion with the EUD during the field phase will permit to get more information on current state of affairs with this particular dimension.

Direct political relations with LAs /ALAs (I-4.2.2)

As mentioned before, the EU portfolio since 2016 has a budget support operation (CAP2D) targeting reforms at macro level (e.g. new legal provisions or regulatory arrangements for the de-concentrated services) and a set of complementary programmes (IPDLI, PEC, Ettamkeen) targeting the local level institutions, in particular LAs.

In the latter, the EU strategy is to exploit all the windows of opportunities (in a restrictive framework) to start LA empowerment processes. In practice, this means focusing on the capacity to ensure participatory bottom-up planning and rethink the approach to local governance. This, in turn, should help to *demonstrate* that an effective way of build LA capacity is to create space for LAs to exercise their general mandate and '*learn by doing'*. The underlying theory of change is that unless LAs can define (with other local stakeholders) a coherent vision for the territory (beyond the classical shopping list), gain legitimacy as local public entity and define an own advocacy agenda, it will be very difficult to build a different set of relations with de-concentrated services, governors or central/sectoral ministries.

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

Such a reflection process is taking place in the EUD, though still in a rather informal and ad hoc manner. Yet there is a genuine potential to scale up the whole EU perspective on what it means to engage with LAs from an empowerment perspective in a highly centralised political environment like Tunisia. According to interviewed EUD staff, this can be perceived at both operational level (where sector units experiment with new forms of partnerships and funding with LAs) and at strategic level, where the integration of LAs in the new programming cycle 2021-2027 is an important concern. It could also be argued that the creative solutions currently being sought to fund more directly LAs (e.g. in the programme Ettamkeen) can provide a source of inspiration for the new MFF and the ongoing search for suitable financing instruments for this specific actor.

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU, including through EUDs information and awareness campaigns (I-4.3.1)

[28] Discussions with EUD staff involved in the ongoing programming of this new support.

ALAs' and Las' knowledge of EU is still very limited, considering the history of LAs in Tunisia and their recent and only gradual empowerment. The same holds true for the national association FNVT. Their knowledge (and main interest) in the EU so far is to access project funding and get acquainted with the related procedural requirements. An investment over a longer period of time will be needed to bring the LA community on board with regard to the wider EU agenda of external action and development cooperation.

The EUD has not yet initiated such awareness campaigns (beyond providing standard technical information on projects and on funding opportunities).

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.2)

The EUD has invested substantial efforts in providing users-friendly information on its overall cooperation programmes, including at the level of individual projects (through highly readable one-page sheets). Yet this valuable information -and other relevant communication initiatives- do not trickle down yet to the LAs, partly because there is no mechanism to further process, filter and simplify it in more adequate formats for LAs. It could be expected that the national association will gradually pick up this role.

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

EU has started to engage consistently with the central government following the promulgation of the new 2014 Constitution and its clear mandate to introduce a genuine democratic decentralisation system of governance in Tunisia. This is explicitly linked to a local/territorial development agenda that put regions/municipalities at the centre -with a proper central administrative support system through new-style de-concentrated services.

As explained above, this requires a profound transformation of the current top-down model of managing development and a '*mise à jour*' of a wide range of legal, administrative, fiscal and technical arrangements. That will inevitably be a complex, slow and conflict-ridden political process, which will have ups and downs over time, including risks of retaining status quo.

For the EUD staff and TA allies directly involved, it is clear that the role of the EU in such a setting is to be a trusted '*advocate*' towards both the central government and EU Member States in order to safeguard the spirit of the constitutional provisions regarding the nature of the decentralisation reform required in Tunisia. In practice, this means continued vigilance and pressure to ensure the respect for the principle of 'libre administration' of LAs by exercising their '*general mandate*' (i.e. to do all what is needed for the welfare of the population provided it is not a competence exclusively reserved for another layer of government). In the view of the EUD, this is the essential 'battlefield' of the reform process. If this principle is effectively translated in the new legal and administrative arrangements[29] and gradually put into practice (in a spirit of dialogue and collaboration with other government actors), it should be possible to build a different, multi-layered governance system with genuine LAs acting as development player and catalysts of local/territorial development.

The 2016 budget support programme, CAP2D, provides an obvious entry point to advocate for a progressive transformation of the overall framework conditions for LAs. In line with the need for a phased approach to implementing the decentralisation process, the general conditions for releasing the funds are linked to crucial objectives such as progress in the implementation of the national policy for regional development, in PFM reforms and in budget transparency. These are translated into three sets of indicators dealing respectively with (i) the decentralisation and de-concentration process (e.g. implementation decrees, a new urban code, new regulatory frameworks for de-concentrated services, diagnostic studies); (ii) integrated regional development in 8 pilot regions (e.g. bottom-up regional development plans, a new global national scheme for territorial organisation, annual performance plans regarding the regionalisation of core sectoral ministries); and (iii) the rationalisation of existing financing instruments for regional/local investments (e.g. elaboration of development contracts between the regional councils and the technical ministries). Taken all together, one can see a clear red thread, i.e.

[29] This requires a scrutiny of the draft proposals that circulate on the implementation decrees for the recently adopted *Code des Collectivités Locales*. Fears have been expressed that central governments and their TA teams may limit the scope of the general mandate of LAs and focus rather on enumerating a restrictive list of '*specific competences*'. Such a dilution of the constitutional provisions would de facto erode the possibility of empowering LAs as catalysts of locally driven development processes.

to start deconstructing the highly centralised system of governance and gradually creating some space for regional and local authorities to step in and find their place in a multi-level system to be constructed.

The other EU interventions in the field of integrated local/territorial development (IPDLI) or local governance (Ettamkeen) equally have the potential to improve overall framework conditions from '*the bottom-up'*. Examples include the testing out of ways and means to (i) better reconcile genuine local development planning processes with national planning dynamics; (ii) accompany the reconversion of de-concentrated services from 'masters of the local game' to technical support agencies for elected LAs; (iii) facilitate the co-production of sustainable public services through partnerships between central and local authorities as well as other relevant local stakeholders.

This diversified EU portfolio contains many other interventions that have the potential to help reshaping the overall conditions for the integration of LAs in the development process. Reference can be made in this context to the various EU support programmes towards civil society (at both bilateral/regional levels) which systematically include a focus on local governance or the substantial sector (budget) support programmes (where the inclusion of LAs can over time change attitudes and practices).

EU assisted LAs in accessing domestic resources (I-5.1.2)

This issue is clearly on the agenda of the unfolding processes of decentralisation / territorial development as well as on the radar of the EU. As mentioned in the section above, a key entry point to achieve progress in this regard is to push for the rationalisation of the current funding schemes for regional and local development. The highly centralised governance approach to development, combined with clientelist practices, has led to a fragmented, opaque and largely inefficient system of channelling of public funds to subnational levels. The EU's budget support indicators seek to ensure the gradual establishment of a more strategic, transparent and above all locally driven system of allocating resources to LAs.

At a later stage, the issue of fiscal decentralisation and own revenue generation will be put on the agenda (with the support of the IFIs). This aspect will further be probed during the next phase.

5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

One of the major obstacles for the emergence of autonomous subnational authorities is the structural weaknesses of both regional and local authorities. This is a heritage of decades of highly centralised management whereby very limited functions were left to LAs (civic status, waste collection, local roads) without a fiscal and administrative ability to deliver quality public services. In addition to this, LAs were subjected to a suffocating form of '*tutelle*' through a priori control of all their actions by the governor. Also, the regional councils functioned in a subordination logic to the central agencies and representatives.

In the Action Document underpinning the 'Support to Local Governance' programme (Ettamkeen), some key lessons are drawn from past capacity development efforts. First, future support in this area should not be limited to providing better services. It will be equally important to empower LAs to influence higher level authorities and negotiate mutually beneficial deals with them in the framework of intergovernmental mechanisms (that need to be reviewed). This, in turn, implies broadening the capacity development agenda towards all actors involved in these processes (e.g. de-concentrated services, the governor or its delegates in the LAs, sector ministries, regional development agencies). Second, capacity development of LAs should also target 'horizontal' dialogue and collaboration with all relevant local stakeholders (civil society, private sector, etc.) within the territory[30].

The various structural programmes initiated after 2016 (CAP2D, IPDLI, Ettamkeen) all have capacity development programmes directed at regions and LAs -as well as to a broader set of concerned state actors (in line with the first lesson described above). Yet there are important differences in the capacity development approaches and methods used by these various programmes. All of them *formally* align to the spirit of the decentralisation reform and stated objective of creating genuine local powers. However, *in practic*e, they vary in the extent to which they put LAs at the centre of the whole process. While CAP2D and IPDLI tend to see LAs as *beneficiaries* of capacity development support provided by intermediaries, Ettamkeen seeks to reverse this logic and start from the dynamics and potential of each municipality. The outputs and expected outcomes are largely similar in the 3 programmes (e.g. a coherent local development plan, better dialogue among local stakeholders, enhanced access to domestic and external funding). Yet the path followed to get there varies substantially from an ownership and empowerment perspective. To provide a practical example. In the IPDLI programme executed by FDA and BIT, local development plans are largely following a format conceived by each of the agencies

[30] European Commission (2018): 'Support to Local Governance: Ettamkeen Elmahalli' Action Document.

in charge. The process is steered and facilitated by these intermediaries, often under considerable time pressure. In the Ettamkeen programme, the choice was made for a genuine bottom-process, with the municipality directly in charge and a large local consultation (including visits to distant localities). The exercise took several months yet there is incipient evidence that it helped to create a much wider sense of ownership and led to major capacity development gains through 'learning by doing'.

This should be noted that all these capacity development initiatives are of a recent date. Hence, it is too early to assess their respective effects on the basis of firm evidence 'what has worked' and 'what did not work'.

Prior to the more structured EU support programmes, the project interventions in towns or regions tended to focus on concrete local level challenges (e.g. infrastructure, housing, energy, promotion of local products, etc.). The involvement of (non-elected) regional and local authorities in these projects was quite small. This also meant that the capacity development objectives were equally limited in scope. Thus, the mid-evaluation of the programme in support of urban policies (PROVILLE) concluded that the objective of strengthening the capacity of LAs to participate in the process did not yield satisfactory results, largely because of wider framework conditions (i.e. an unclear overall legal and administrative framework specifying the mandate of LAs[31]).

It is also worth mentioning the EU support to the 'Centre de Formation d'Appui à la Décentralisation en Tunisie' (214.038 EUR) that sought to provide training and capacity development support to LAs.

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

Not relevant in Tunisia.

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

As explained in several EQs above, the EU has been pushing for the adoption of territorial approaches to local development (in line with the 2013 EU Communication, the 2014 Tunisian Constitution and the 2016-2020 National Development Plan of Tunisia[32]). It has been a consistent '*advocate*' in terms of recognising the specific role and added value of LAs as catalysts of urban/local/territorial development on the basis of their '*general mandate*'.

In this context, the EU has sought to sensitize LAs through its various post-2016 structural support programmes (particularly Ettamkeen) to assume their new roles and effectively take up a '*general mandate' i*n the conduct of local affairs. According to EUD and TA staff interviewed[33], this has proved to be a challenging task for many reasons, including the heritage of decades of centralised management and subordination by LAs; the ambiguous policies and attitudes of central/sector agencies who talk about devolution but maintain a top-down culture of dialogue and management; the 'path dependency' of LAs and related fear/reluctance to take up the new responsibilities provided to them by the Constitution and the *Code de Collectivités Locales.*[34]

It is too early to assess whether the current EU attempts will succeed in enhancing the number of LAs that embrace their general mandate as catalyst for local/territorial development.

LAs' have sustainable development strategies in partnership with local and central allies (I-5.2.2)

As can be inferred from the above section, this comes too soon in the unfolding process of decentralisation and territorial development in Tunisia. Yet the overall intervention logic of the EU is geared to support the emergence of such locally owned territorial development strategies, the co-production of quality public services, smoother intergovernmental dialogue and collaboration as well as the consolidation of supportive *national* policies (regarding decentralisation or urban / rural policies).

LAs' increasing resilience and reducing inequalities (I-5.2.3)

[31] Urbaplan (2017): Rapport d'Evaluation rétrospective du PRNU et évaluation à mi-parcours de PRO-VILLE, p19.
[32] EU (2013): Communication on local authorities.
Government of Tunisia (2014): Tunisian Constitution.
Government of Tunisia (2016): 2016-2020 National Development Plan of Tunisia.
[33] Interview with Fatma Moussa (EUD official in charge of decentralization and LAs) and with Jorge Rodriguez, TA for the Ettamkeen programme.
[34] A good illustration of the continuation of subordinated attitudes comes from the TA team in charge of implementing the second component of Ettamkeen (i.e. direct support to LAs to develop their own local development plan and test out innovative local governance approaches). In their search for "*willing LAs"* to participate in the scheme, some of the contacted mayors first demanded an "authorization" by the governor before the team could visit the locality and engage in talks.

Same limitation here. The stated objective of empowering regional and local authorities in Tunisia is to enhance resilience and reduce the vast inequalities between territories that threaten social cohesion and democratic consolidation. Yet the process of implementation is at the incipient stage and LAs are only beginning to get familiarized with their new responsibilities. The whole legal, administrative and fiscal architecture still needs to be adapted in order to create the conditions for seeing the emergence of more legitimate and resilient LAs with the autonomy and capacity to act as catalyst of inclusive territorial development.

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

The participation of civil society in the management of local affairs has been strongly supported by the EU and other donors after the 2011 revolution, with positive results (see below). This is linked to the main expectations of the people after the demise of the dictatorship: liberty, democracy, human dignity, fight against corruption and inequalities. All this led to a proliferation of programmes in support of CSO, several of which targeted the local level. The main purpose was to restore the trust between citizens, civil society and the local state through dialogue and working together in addressing local challenges.

There is no tradition in Tunisia of involving the local private sector in the management of local public affairs, orchestrated by LAs based on a shared vision for local/territorial development. Several EU-supported programmes formally aim at exploring the potential for such collaborative arrangements.

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

See above. Too early to assess this aspect.

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

The extensive EU programmes through different financing instruments (bilateral, regional, thematic) towards civil society since 2011, all included a component on promoting local governance. Available evaluations indicated that these interventions have contributed to opening space for dialogue, for the expression of citizen's voice or for collaborative arrangements (e.g. in terms of public service delivery, local development planning, social accountability).[35]

The new institutional landscape envisaged by the 2014 Constitution -with elected LAs as genuine local powers- opens new windows of opportunity for inclusive forms of local governance and more effective systems of downward accountability (towards the citizens of the territory). In particular, the Ettamkeen programme (second component) is all about experimenting with such innovative forms of local governance concentrated on specific problems of the locality involved. The programme is conceived as a 'laboratory' to shape these new horizontal relations through practice -with the potential to scale up workable solutions at higher levels.

However, from an evaluative perspective, it is too early to come up with evidence-based analyses on this dimension.

LAs contribute to reconciliation and stability (I-6.1.4)

The issue of reconciliation is not relevant in this context.

Empowering LAs is seen as a measure that can contribute to greater stability, as the expectation exists that providing more space to subnational authorities is the key to unlock the development potential of disadvantaged territories, reduce inequalities and therefore also the risk of conflict.

Yet considering Tunisia's history, governance culture and recent adoption of democratic decentralisation agenda, this type of outcomes can only be expected in a couple of years *if* the current reforms effectively create the conditions for developmental LAs to emerge.

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

[35] See Amar, Bossuyt (2016): *Independent evaluation of the capacity building initiatives in support of civil society in the Neighbourhood South 2012-2016* ; see also Floridi, Costantini (2017): *Evaluation du programme d'appui à la société civile.*

As mentioned before, the current system of upward accountability in Tunisia is based on a control ex ante of all decisions taken by subnational authorities through the 'tutelle' exercised by the centrally appointed governor or its delegates at local level. In practice, this meant these actors were de facto the in control of local government.

The unfolding decentralisation reform foresees to break down that system and put in place mechanisms of upward accountability based on a control '*a posteriori*' of LA actions to check whether they respond to the legal requirements. The administrative courts would be the ultimate arbiter in case of dispute.

Yet this profound transformation of the institutional set-up for upward accountability is still to be carried out in the coming years. In the meantime, prevailing practices of top-down control and related forms of 'tutelle' are likely to continue -not only on the 'legality' of LA decisions but also on their 'relevance'-.

Strengthening horizontal accountability (I-6.2.2)

Horizonal accountability is about the procedures, regulations and laws that shape the incentives and frameworks for both local administrative staff and LA politicians. As Tunisia only holds its first free elections in 2018, this also constitutes 'work in progress' and a set of complex interlocking reforms. In many municipalities there is a huge lack of trained local administrative staff. Also, the local politicians still have to learn the job, particularly those who were elected as '*indépendants*' without formal support of a political party. Furthermore, both actors have to operate in a highly centralised political environment.

Strengthening downward accountability (I-6.2.3)

Past EU civil society support programmes have invested in social accountability processes and mechanisms with the (non-elected) subnational authorities. The abovementioned evaluations of the PASC or of the 'EU Civil Society Facility for the Neighbourhood South'[36] suggest that these initiatives yielded positive results in terms of creating space for a multi-actor dialogue around concrete local development challenges, building trust, exploring ways of working together in the provision of services, etc. Yet in the absence of a local government bodies endowed with sufficient levels of autonomy (in terms of competences and resources) it was difficult to truly make the LA responsible in terms of downward accountability towards citizens. The structural conditions in which LAs had to operate impeded their ability to 'offer' something to the citizens. This, in turn, affected their legitimacy and capacity to collect taxes. The LAs involved also lacked the means to respond to the expectations of the population, thus further broadening the gap between the local state and the citizens. All this will need to be 'reconstructed' at local level before meaningful forms of downward accountability can become operational. The EU programme Ettamkeen seeks to work on such innovative local governance mechanisms.

Evidence of qualitative improvements in the local democratic culture (I-6.2.4)

Too early to assess for the structural EU programmes addressing local level institutions and actors.

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Evidence of increased LAs capacity and resources to deliver services (I-7.1.1)

As mentioned before, subnational authorities have always had a rather limited role in public service delivery -as this function was carried out by higher level authorities, governors and delegates, de-concentrated services and a host of other agencies. It also means that LAs currently lack both the legitimacy and expertise to engage in this area.

Upgrading the role of LAs in public service delivery is a key component of the decentralization reform, yet it will take years to materialize both in legal / administrative terms and at the operational level on the ground.

In this context, EU-supported programmes need to adopt a sequenced approach. The current strategy of programmes like IPDLI and Ettamkeen is to empower LAs to better identify the specific needs of their territory (e.g. in terms of health, education). In principle, LAs are well-positioned to assume this responsibility considering their proximity and knowledge of the locality. The next step is to strengthen local development planning and facilitate a reconciliation with higher level planning processes.

Considering the institutional weaknesses of LAs and the opposition of many central agencies 'to let go', a staged approach is also required to actually entrust public service delivery to LAs. The EUD and TA

[36] EU (2017): PASC ROM report. See also: Amar, Bossuyt (2016): *Independent evaluation of the capacity building initiatives in support of civil society in the Neighbourhood South 2012-2016.*

teams privilege the option to experiment with the *contractual delegation* by sector ministries to LAs as a mean to localize service delivery while ensuring sufficient support by higher level authorities.

From an evaluative perspective, it is too early to assess capacity gains of LAs.

Capacity to operate and maintain facilities for service delivery improved. (I-7.1.2)

Not possible to assess at this stage as LA for long time had no direct political and institutional responsibility for this under the prevailing top-down and centralised governance system. The ongoing decentralisation reform started in 2016 and the whole new architecture for service delivery is still to be put in place.

In this context, it is interesting to refer to a standalone project financed by the EU (see Table 1, section 1.2) in the town of Nabeul. It originates from the 'SUDEP-South' programme, initiated in 2015 with 12 cities in 6 countries of the southern Mediterranean. The objective of the SUDEP Programme is to assist local authorities in responding to the sustainable energy challenges and to enable them to implement sustainable energy actions leading to energy savings, energy efficiency and more use of renewable energy sources such as solar energy. The Nabeul municipality could thus benefit from the installation of two photovoltaic plants and 200 public lighting funded by EU, providing energy for municipality building and street lighting and for waste water treatment of the city. This helped the municipality to save up to 50% of its energy bill.[37]

Citizens and businesses higher quality of LA services / products (I-7.1.3)

Not possible to assess at this stage.

Yet Tunisia's democratic system means citizens can voice their concerns and discontent. Every year, there are more than 10,000 manifestations around specific public issues, often of a localised nature. It means there is a huge potential to mobilize citizens and businesses for improved local governance and service delivery.

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

The abovementioned mapping of donor interventions shows a proliferation of donor initiatives towards the local level and LAs in particular. This reflects not only the shared priority given to local/territorial development, but also a wider belief in the donor community that the local level is a key trigger to put the country back on track.

In practice it means quite some resources are flowing (through different channels and operating systems) to the local level to address a wide range of challenges. The real question is where the LAs fit into this manna reserved for local/territorial development. This concern is raised in the Action Document of the recent EU programme in support of local governance (Ettamkeen) and summarises well the challenge at stake: '*Nous pouvons constater aujourd'hui l'existence d'un nombre significatif de projets/ programmes financés par l'UE dans différents domaines. Ces programmes, tout en contribuant à améliorer les conditions de vie des populations et même s'ils s'inscrivent de plus en plus en appui aux collectivités territoriales, ne bénéficient pas forcement la décentralisation car la commune est considérée en tant que bénéficiaire, sans une prise en compte de ses prérogatives en tant que maître d'ouvrage. En mettant l'accent sur ses objectifs spécifiques, ces interventions n'apportent pas toujours un réel savoir-faire au niveau des CDT [i.e. collectivités territoriales décentralisés], ni une amélioration de leurs ressources, encore moins une visibilité de leurs actions auprès de leurs administrés'.*

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

Before the initiation of the decentralisation reform and the first municipal elections (2018) there were limited incentives and indeed means for LAs to directly address local challenges. As mentioned above, LAs were obliged to rely on the 'goodwill' of higher-level authorities or donor agencies to invest in their territory.

It remains to be seen whether the new generation of elected mayors and councils will be in a position to take up leadership roles in addressing local challenges and act upon them effectively. That illustrates again the importance of empowerment-oriented donor (EU) support programmes.

7.3 Sustainability is addressed in programming and implementation of EU interventions (JC7.3)

As explained in the above sections of this EQ, LAs in Tunisia are just at the very start of taking up a meaningful role in the delivery of services. Core framework conditions in terms of political, administrative

[37] Source: Sudep-South website.

and fiscal decentralisation still need to be put in place at macro level while basic capacity development is required at local level to enable LAs to gradually assume such a role. As a result, it is not possible to meaningfully analyse the integration of sustainability concerns in EU-supported programmes at this stage.

It is too early to look at the sustainability of the recently initiated, more structural EU interventions related to decentralisation reforms, local/territorial development or local governance. They have more complex objectives than earlier generation of programmes and projects. In varying ways, they seek the role and autonomy of LAs in a decentralisation system still under construction. As mentioned above, the action documents of these new programmes -mobilising substantial resources, have reflected on the political economy conditions in the country. Their respective risk analyses are fairly comprehensive. A common key factor for sustainability is, not surprisingly, the commitment of the government to pursue the decentralisation reform and enable LAs to be development actors in their own right, endowed with autonomy and accountability. Yet as argued above, this commitment should not be taken for granted in practice. The constitutional and legal framework may have been adapted toward a more decentralised governance system, but the road to this destination is bumpy and unpredictable. At this stage, the configuration of powers is such that the centre continues to hold full control, with LAs, strengthened by their electoral legitimacy, are trying to 'emerge' and assume more responsibilities in a constrained environment (also in financial and human terms).

Political will is adequately assessed at design stage and monitored based on evidence of progress on policy reforms and their implementation (I-7.3.1)

See above.

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions (I-7.3.2)

The central government and related agencies are the main actor driving the various EU support programmes. Though the overall capacity of public administration has been weakened since the revolution[38], adequate resources seem to be in place at that level. However, the approach followed is the traditional top-down, highly centralised mode of operation. EUD staff and TA interviewed have major concerns that such an approach is not suitable to push forward a genuine decentralisation process in which LAs also have a voice and that translates into effective changes. On the other side, the majority of LAs have limited human and financial capacities. Ensuring sustainability will require smart investments in institutional development of LAs. This is foreseen by the various EU programmes, though as observed before, not all approaches to capacity development are equally promising in terms of empowering LAs.

EU interventions programming and implementation integrate other sustainability factors (e.g. existence of exit strategies) where relevant (I-7.3.3)

Not observed so far.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation (I-7.3.4)

Yes – see before.

[38] European Commission (2019): Analyse d'économie politique pays (Tunisie).

Annex 2 - List of persons consulted

Name	Organisation	Position
Sophie Van Haeverbeke	EUD	Head of Cooperation
Jean-Pierre Sacaze	EUD	Head of Section (dealing with environment)
Fatma Moussa	EUD	In charge of programmes on decentralisation, local governance and LAs
Mario Varrente	EUD	Head of the Section (governance)
Jorge Rodriguez	Consultant	TA linked to the Ettamkeen programme
Rachid Karroum	Consultant	TA linked to the Ettamkeen programme

Annex 3 - List of documents

1 EU Strategy Programming

- European Commission (2011): National Indicative Programme 2011-2013
- Council of the European Union (2013): Action Plan 2013-2017
- EU (2013): Communication on local authorities
- EU (2016): Communication on 'Renforcer le soutien de l'UE à la Tunisie'
- European Commission (2014): Single Support Framework for EU support to Tunisia 2014-2015
- European Commission (2017): Single Support Framework for EU support to Tunisia 2017-2020
- European Commission (2019): Jorge Rodriguez, e.a. Diagnostic des interventions dans la décentralisation et expériences de planification

2 EU Reporting

- European Commission (2012): Tunisia Progress Report 2011
- European Commission (2013): Tunisia Progress Report 2012
- European Commission (2015): Tunisia Progress Report 2014
- EUD Tunisia (2011): External Assistance Management Report
- EUD Tunisia (2012): External Assistance Management Report
- EUD Tunisia (2013): External Assistance Management Report
- EUD Tunisia (2014): External Assistance Management Report
- EUD Tunisia (2015): External Assistance Management Report
- EUD Tunisia (2016): External Assistance Management Report
- EUD Tunisia (2017): External Assistance Management Report

3 Project documentation

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the following interventions (see also details in the list presented in Table 1).

4 Decentralisation and LA relevant studies – Other reports

- European Commission (2019): Diagnostic Intégré de Développement Territorial (DIDT). Analyse de l'Etat et perspective de la décentralisation par rapport au développement territorial.
- European Commission (2019): Analyse d'économie politique pays (Tunisie).
- Government of Tunisia (2014): Tunisian Constitution
- Government of Tunisia (2016): 2016-2020 National Development Plan of Tunisia
- Abderrahim, T., ECDPM and Centre for Mediterranean and International studies (2017): Beyond slogans: Challenges to local empowerment in transitioning Tunisia.
- Yerkes, S and M. Muashe. Carnegie Endowment for International Peace (2018): Decentralisation in Tunisia: Empowering towns, engaging people.

- International Crisis Group (2019): Décentralisation en Tunisie: Consolider la démocratie sans affaiblir l'Etat. Rapport Moyen-Orient et Afrique du Nord. No 198, Mars 2019.
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Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note - Local democracy in the Western Balkans – Regional Programme on Local Democracy in the Western Balkans (ReLOaD)

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List of acronyms and abbreviations

ALDA	European Association for Local Democracy
BCSDN	Balkan Civil Society Development Network
BIEPAG	Balkans in Europe Advisory Group
CIVEX	Commission for Citizenship, Governance, Institutional & External Affairs
CoR	European Committee of the Regions
CSO	Civil Society Organization
EQ	Evaluation Question
EU	European Union
IPA	Instrument for Pre-Accession Assistance
JC	Judgement Criterion
JCC	Joint Consultative Committee
LA	Local Authority
LG	Local Government
LOD	Reinforcement of Local Democracy
NALAS	Network of Associations for Local Authorities in South-East Europe
PCM	Project Cycle Management
SCTM	Serbian Association of Local Authorities
STAR	Support to Territorial and Administrative Reform
TA	Technical Assistance
UNDP	United Nations Development Programme

Introduction

Regional context

The Western Balkans comprises Albania, Bosnia-Herzegovina, Kosovo[1], Montenegro, North Macedonia as well as Serbia. Following the implosion of Yugoslavia, each of the former component entities followed its own trajectory of transition towards systems of democracy and market economy. They also responded differently to EU accession processes and the major reforms required to become a member.

In this region-specific context, ***the democratic transition logically entails a complex and non-linear transformation process,*** influenced by a wide range of (external) factors and actors. The legacy of the past should also not be underestimated, including the communist heritage, the enduring sequels of armed conflicts, the claims to self-determination, the ethnic tensions as well as embedded systems of corruption and organized crime.

Most analyses from academia on the state of (local) democracy in the Western Balkans concur on a ***mixed and rather sobering track record*** so far.[2] They all acknowledge that substantial progress has been achieved across the region on the ***formal-institutional dimensions of democracy***. As such, constitutional changes call for the separation of powers, the rule of law and the respect for fundamental rights. Checks and balances on the exercise of power have been introduced. Elections are held at both central and local levels. Decentralisation reforms have been launched to create space for autonomous sub-national authorities. Legal frameworks exist in most countries to ensure an enabling for civil society participation in public affairs. These reforms have been supported by a myriad of initiatives of the international donor community, in particular by the EU as the largest donor with its important incentive-package as well as the set of conditionalities linked to accession.

Yet, there is also a large consensus on the fragility and limited effectiveness of this new formal democratic architecture. Several secondary sources thus observe a ***major gap between stated reform ambitions and actual practices*** in a wide range of areas such as public administration, decentralization reforms (often facing huge resistance in implementation) or the enabling environment for civil society (as reflected in growing pressures on civic space).[3] At local level, this results in still limited collaboration between LAs and civil society, compounded by the structural weaknesses of civil society (e.g. fragmentation, polarization, financial dependency, capacity shortages) as well as the lack of transparency of existing public mechanisms for supporting civil society organisations (CSOs).[4] Other common problems recurrently highlighted by this research are the lack of democratic accountability of local political parties and the tenuous link between elected politicians and their constituents. According to these sources, there is not yet a genuine '*culture*' of requesting feedback or demanding accountability while citizens are generally not encouraged or motivated to participate actively in policy formulation or decision-making at the local level.[5]

These academic analysis consistently stress that ***'hybrid' systems of democracy*** have emerged, characterized by the existence of a '*democratic façade'* (of formal laws and institutions) which blurs the view on the real governance systems in place -with political elites relying on informal structures, clientelism, and control of the media.[6] Conceptually, these regimes can be defined as '***competitive authoritarian systems',*** meaning civilian regimes in which formal democratic institutions exist and are widely viewed as the primary means of gaining power and obtaining significant advantage vis-à-vis their opponents.[7]

According to the international watchdog Freedom House, both Serbia and Montenegro are, for the first time since 2003 no longer democratic states but 'governments in transition or hybrid regimes' where power is based on authoritarianism as a result of incomplete democratic change.[8] The position of Bosnia and Herzegovina remained unchanged (as hybrid regime) while Kosovo and North Macedonia reportedly have achieved significant progress.

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[1] This designation is without prejudice to position on status and is in line with UNSCR 1244/1999 and the ICJ opinion on the Kosovo declaration of independence.
[2] See bibliography in annex.
[3] Spasovska (2019*): A star is born but a region is not shining: Enabling environment for civil society*. Development and Enlargement Package. Background analysis.
[4] Gadjanova (2006): *A study of local democracy processes and institutions in Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia and Montenegro.*
[5] Ibid.
[6] Kmezic (2020): Rule of Law and Democracy in the Western Balkans: Addressing the gap between policies and practice.
[7] Levitsky, Way (2010): Competitive authoritarianism: Hybrid regimes after the Cold War.
[8] Freedom House (2020): Nations in Transition. Dropping the Democratic Façade.

This type of political economy analysis has also been carried out by the European Union. In its 2018 Communication on the Western Balkans, the European Commission was not using diplomatic language in its assessment of the rule of law by stating openly that IPA beneficiaries show '*clear elements of state capture, including links with organised crime and corruption at all levels of government and administration, as well as a strong entanglement of public and private interests*'.[9] The EUs annual Enlargement Package includes detailed assessments of the state of play in each candidate country and potential candidates regarding core reforms, including on democracy, the rule of law, public administration or civil society. These ***annual EU progress reports,*** based on facts and analyses from EUDs, EU member states active in the country, CSOs, etc, allow to see which partners are advancing or regressing with regard to a wide range of required democratic and governance reforms.

The European Committee of Regions (CoR) is linked on the basis of parity with partners in the Western Balkans (i.e. national associations of LAs). In Montenegro, North Macedonia and Serbia this dialogue and collaboration takes place through Joint Consultative Committees (JCC) and in the other places through the CoR Working Group for the Western Balkans. In this framework, the ***CoR and allies have recurrently stressed the need to involve LAs more prominently in the accession dynamics*** and related capacity development processes -arguing that most of the 'acquis' will need to be implemented at local level[10]. More recently, the CoR reiterated its ***concern about the phenomenon of 'local state capture' as a major challenge to local democracy.***[11] This phenomenon is understood as '*a local governance system that is fully or partially usurped by powerful individuals or groups to the benefit of their own particular interests*'[12], often in close alliance with judges and judicial officials who obstruct investigations in return for economic benefits. The CoR also observes that local state capture has '*an impact on the conduct of elections by discouraging the political participation of citizens*'.[13]

In conclusion, the available analyses and consultations with local actors and donors in the national case studies North Macedonia and Serbia) suggest that much remains to be done to ensure effective freedoms, the rule of law, civic space and democratic accountability across the region -though important variations exist among candidate countries and potential candidates. The fragility of the political systems and norms at *national* level is inevitably also to be found at *local* level (e.g. as reflected in highly politicised LAs operating with opaque governance standards). A wide range of local democracy and governance innovations were fostered through projects by the EU and other donors, yet most of them are still at the pioneering phase (e.g. on participatory budgeting or transparent and more predictable funding mechanisms for CSOs). During consultations, the observation was often made by local and external actors that the intricacies linked to Western Balkan societies are such that changes in political circumstances (e.g. newly elected leaders at local level) often imply that the positive effects obtained on local governance by external support programmes may prove of limited sustainability.

To compound the challenges at stake, there is a growing influence of authoritarian such as Russia, Turkey, China, and several Persian Gulf states in the Western Balkans[14], with the effect in certain respects of corroding the integrity of democratic institutions.[15]

Overview of the EU support to LAs

Main features of the EU financial and non-financial support to the region

After the collapse of Yugoslavia and the ensuing armed conflicts, the EU focused initially on stabilization and reconstruction of the region. In the early 2000s, it shifted to a higher gear by embracing the enlargement policy and opening-up the perspective of EU membership (EU Council of Thessaloniki,

[9] European Commission (2018): A credible enlargement perspective for an enhanced EU engagement with the Western Balkans, p3.

[10] See recent Opinion of the CoR on the 'Enlargement Package 2019'. European Committee of the Regions, CIVEX – 01/042

[11] European Committee of the Regions (2020). Opinion on 'Local Democracy Challenges in the Western Balkans'. CIVEX-VII-003.

[12] Local state capture can take many forms, including manipulated or illegal public procurement; undeserved appointments, recruitment and promotion of civil servants, as well as of managers and employees of public-sector companies; pressure on the judiciary; non-transparent support from local authorities to civil society organisations; misuse of political parties for personal enrichment, etc.

[13] As evidenced by the fact that the turnout in local elections is often lower than in national elections. Examples include elections that are boycotted by the opposition party, as well as local elections that have been postponed for many years.

[14] Bassuener (2019): Pushing on an Open Door: Foreign Authoritarian Influence in the Western Balkans. National Endowment for Democracy.

[15] For example: all of the authoritarian actors analyzed employ a mode of governing through personalized power that blurs the line between public and private resources. This has deep congruence throughout the region, where institutional mechanisms meant to ensure accountability and enforce the rule of law remain shallow.

2003). This transformed the partnership relationship as candidates needed to introduce major institutional changes to satisfy the Copenhagen criteria. In return, the EU provided substantial financial support to the candidate countries and potential candidates in order to progressively internalize the '*acquis communautaire'.* In addition to this, the EU mobilises considerable human resources to provide guidance to the Western Balkans on how to align to the 'acquis', mostly through guidance by the relevant Commission services.

In the enlargement framework, negotiations with Western Balkan partners take place with national authorities. Framework laws to implement the 'acquis' are equally adopted at national level. At this stage, there is no direct involvement of local authorities in the formal political and/or policy dialogue processes with the candidate countries and potential candidates.

DG NEAR is currently exploring how subnational levels of governance could be better included in future cooperation. It is not the role of the EU to prescribe a particular decentralisation model in the Western Balkans (as this policy is not part of the 'acquis'). However, DG NEAR is fully aware that effective implementation of the 'acquis' will have to take place (for up to 70%) at local level. Furthermore, an increasing amount of IPA assistance is likely to be targeted at local level in the future. Hence, the need to also foster public administration reforms and better governance / PFM at local level so as to ensure a proper use of EU funds. This shift will also require new channels of dialogue with subnational actors, greater institutional clarity on the role division on the side of Western Balkan partners ('*who is responsible for what*?') as well as adjustments to working methods and approaches (e.g. in terms of channelling funds to LAs).[16]

From the outset, ***democratisation was part of the enlargement 'fundamentals'*** alongside respect for fundamental freedoms, independence of media, rule of law, electoral processes, effective public administration as well as transparent and accountable governance. The democratisation agenda has been supported by the EU through a wide range of programmes at national level (see Table 1). The EU has also spearheaded a number of ***regional programmes*** towards local authorities in the Western Balkans***, including the ReLOaD project*** assessed hereunder, focused on promoting local democracy and governance through improving collaboration between LAs and CSOs. The potential added value of regional programmes in different areas was recognised by EU officials, yet effective implementation was seen as '*tough'*, amongst other because of prevailing regional dynamics.[17]

Table 1 Overview of EU-financed interventions to the support of local authorities directly related to local democracy selected for country case studies[18]

Country	D or C year	Title	Budget (mEUR)[19]	Typology	Implementing partner
Albania	2016	Support to Territorial and Administrative Reform (STAR) 2 in Albania	3.5	A.2	International organisation
Albania	2018	2018 Civil Society Facility: 'Rural Watch – improving CSOs role in supporting transparency and accountability of public authorities and business in the rural areas'	0.17	A.2	Private company
North Macedonia	2015	Civil Society Facility North Macedonia Programme 2014 - Civic Participation for Local Democracy	0.22	A.2	CSO - (I)NGO
North Macedonia	2016	Civil Society Facility North Macedonia Programme 2015 - CSOs for Making Local Democracy work	0.29	A.2	CSO - (I)NGO
Serbia	2014	Civil Society Facility Serbia Programme 2013 - Participatory Budgeting Process	0.1	A.2	CSO
Serbia	2015	Civil Society Facility Serbia Programme 2014 - media freedom Local Watchdogs	0.1	A.2	CSO
Serbia	2016	Civil Society Facility Serbia Programme 2015 - Enhancing local CSOs-government policy dialogue	0.4	A.2	CSO

Before examining the ReLOaD project in *detail*, it is important to make two general observations related to EU external action in the Western Balkans, particularly in terms of promoting democracy, derived from EU country reports, studies and evaluations.

[16] Interview with DG NEAR staff.
[17] Interview with DG NEAR staff.
[18] See respective case studies for more detailed analysis of these interventions.
[19] Planned EU contribution.

First, most sources consulted concur that the democracy assistance provided by the EU and other donors have contributed to the adaptation of *formal legal and institutional determinants* of democracy in the region. Yet it has proven ***highly challenging to also influence deeper change processes required in terms of power relations, informal rules, prevailing cultural norms or attitudes.***[20] Thus, the 2019 country report of the EU on Serbia notes that '*the ruling coalition's parliamentary practices led to a deterioration of legislative debate and scrutiny, and undermined the parliament's oversight of the executive'.* Another example can be extracted from the 2019 EU report on Montenegro which observes the '*low level of trust in the electoral framework, which needs to be revised in a comprehensive and inclusive manner*'. In the current system, local elections continue '*to take place on a rolling basis, making their international observation difficult, and leaving ample opportunities for claims of irregularities that cannot be independently evaluated'.*

Second, several analyses call into question the EU's transformative power and its ability to export democracy successfully through its enlargement policy.[21] The recent rise of illiberal tendencies in several EU member states has weakened its credibility and leverage while the EU also '*severely underestimate[d] its institutional mechanisms for dealing with bad faith actors"*(i.e. entrenched elites seeking the survival of their regimes).[22] In a similar vein, it has been observed that '*democratization and EU accession have stopped being complementary in the Western Balkans', paving the way for the phenomenon of 'stabilitocracy' – preference of stability over democracy by the EU'.*[23]

Structure of the report

Following the above contextual introduction, Chapter 1 briefly explains what the Regional Programme on Local democracy' (ReLOaD is all about, what theory of change underpins it and why it has potential relevance for LAs.

Chapter 2 reviews ReLOaD in the light of ***four relevant evaluations questions***[24], dealing respectively with the coordination and complementarity of EU support with other partner's interventions (EQ3), the effects on LA empowerment and capacity development (EQ5), accountability, participation and local democracy (EQ6) and LA ability to deliver services and address local challenges (EQ7).

[20] This was confirmed by interviews with stakeholders from the region consulted in the framework of the evaluation's case studies carried out in North Macedonia and Serbia.
[21] Kmezic, Bieber (2017): The crisis of democracy in the Western Balkans. An anatomy of Stabilitocracy and the Limits of European Democracy Promotion.
[22] Mijanovic (2018): The EU and the crisis in Democracy in the Balkans.
[23] Burazer e.a. (2017): Democracy in Progress. Shadow report on political Copenhagen criteria in Western Balkans EU candidate states.
[24] The template for the country case studies carried out during the field phase, contains seven evaluation criteria. Not all of them are applicable to the ReLOaD project, which explains a focus on the above mentioned four EQs.

1 The Regional Programme on Local Democracy in the Western Balkans

1.1 Background and programme objectives

The Regional programme on Local Democracy in the Western Balkans (ReLOaD) builds on and scales up the experiences of the Reinforcement of Local Democracy (LOD) project, funded by the EU and implemented by UNDP in Bosnia and Herzegovina in the period 2009-2016. It became a regional intervention as the underlying idea of fostering more effective collaboration between LAs and CSOs in service delivery through transparent public funding, was seen to be highly relevant for the region as a whole.

ReLOaD started in 2017 as a pilot project with a duration till January 2020. It covers the six Western Balkan candidate countries and potential candidates. The objective of the project is to strengthen participatory democracies and the European Union (EU) integration process in the Western Balkans by empowering civil society to actively take part in decision making and by stimulating an enabling legal and financial environment for civil society. It aims to achieve this objective by introducing a transparent and project-based funding mechanism of CSOs from LA budgets.

It does so by providing a combination of technical assistance and grants to LAs with a view to funding CSOs involved in service delivery in fifty-three municipalities across the region. The ReLOaD project has a ***total budget of 10.03 million EUR of which 8.5 million EUR is funded by the EU and the remainder by UNDP and the respective participating LAs***. Of the total budget, 60% (or 6.08 million EUR) is earmarked for grants for project implementation by CSOs, while the remainder is intended to cover the costs for training, regional activities (i.e. networking, sharing of experiences, etc.), salaries for staff and consultants and overhead costs.

1.2 The theory of change underlying the programme

The conceptual underpinnings of ReLOaD are closely aligned to the 2013 EU Communication on Local Authorities. It recognizes the central role LAs can play as catalyst of local development provided the necessary local governance processes for a transparent and accountable management of public affairs. It acknowledges the key contribution civil society can make as partners for local decision-makers as well as advocacy agents for improved governance. Hence the stress in ReLOaD to ***simultaneously empower LAs and citizens***. This should allow the former to have the means and incentives to respond to citizen demands and the latter to demand better services, transparent and accountable governance.

The core aim of ReLOaD is to develop partnerships between LAs and CSOs to jointly address very specific local challenges. The underlying assumption is that this requires building ***trust*** between the two sets of actors as well as ***financial incentives*** to engage in mutually beneficial relations. Both elements are often missing at local level considering the weaknesses of the democratic processes, poor governance practices and limited progress in (fiscal) decentralization.

In order to promote a virtuous cycle of LA-CSO collaboration around concrete development challenges, ReLOaD injects funds into municipal budgets that can be used to fund local civil society organisations according to a specific methodology[25] guaranteeing transparent allocation of resources. The planned 'win-win' situation is that LAs can call upon (capacitated) CSOs to help implementing their local development plans (thus enhancing the LAs overall delivery capacity and legitimacy) while CSOs get opportunities to compete for local public funding according to clear and transparent procedures (thus diversifying access to financial resources and strengthening their overall capacity[26]). In this context, it is important to note that the ***ReLOaD project team itself is not involved in the actual selection of strategic development priorities at local level.*** It stimulates the local stakeholders to conduct that analysis collectively and make collective choices amongst themselves.

Other assumptions of ReLOaD are that these concrete opportunities for joint action will create space for more structured forms of dialogue and cooperation between LAs and CSOs as well as a gradual change of local governance practices (i.e. institutionalized forms of transparency in the use of the overall

[25] The so-called 'LOD methodology' refers to the transparent and project-based funding mechanism of CSOs by LGs as developed by the former Reinforcement of Local Democracy (LOD) project implemented in Bosnia and Herzegovina and is now used in the ReLOaD project.

[26] By enhancing the capacity of local CSOs to draft project proposals and implement these projects in accordance with the recommendations of the EU in Project Cycle Management (PCM), the ReLOaD project complements, in its design, other EU supported activities in the six IPA beneficiaries that focus on strengthening civil society, in particular its grant or sub-grant mechanisms.

municipal budget). The project also expects that by experimenting innovative models to public funding of CSOs, valuable insights may be gained that could inspire national policymakers to adapt regulations.

2 Answers to relevant Evaluation Questions

2.1 Coordination and complementarity (EQ3)

The ReLOaD programme is the extension at regional level of a successful EU-supported programme is Bosnia-Herzegovina. The concept of promoting improved local democracy through working on a very specific dimension -enhanced transparency in LA funding to CSOs involved in service delivery- seemed highly relevant for all other countries in the Western Balkans. The ReLOaD programme has natural affinities and linkages with EU local democracy programmes in North Macedonia (e.g. the projects respectively dealing with Civil Society for Democracy and with Improving Municipal governance), also executed by UNDP, in Albania (the STAR-2 programme) and in Serbia (the projects funded under the Civil Society Facility).

In 2019, an independent evaluation was carried out on ReLOaD. It looked in detail to project design and implementation as well as to results achieved. However, it did not consider the question of synergies and complementarities with other local democracy programmes. In a similar vein, the project documents of the above-mentioned projects in North Macedonia, Albania and Serbia do not make explicit references to ReLOaD from a complementarity point of view.

2.1.1 3Cs of EU support with other donors (JC3.1)

The consultations with local stakeholders, EU officials and other donors involved in democracy assistance in North Macedonia and Serbia reveals a ***high appreciation for the work of ReLOaD***. As mentioned by an informed interviewee: '*ReLOaD is one of those needed, logical and focused projects*'. It is recognised that ReLOaD is essentially a pilot project targeting a highly specific and serious local democracy and governance challenges in the region (i.e. the transparent use of LA funding for local CSOs). While it functions largely as a self-standing initiative, it is seen by EU officials and other donors as an intervention adding real value to the overall efforts deployed by the international community in the region. This explains the ***support*** that could be noted f***or continuing this regional programme in some form in the near future.***

In Macedonia, the EU relies on the UNDP for implementing its various local democracy and governance projects. This *de facto* facilitates linkages with ReLOaD as it is integrated in the overall governance cluster of UNDP. In Serbia, ReLOaD is the only EU funded project implemented by UNDP. The coordination with other EU projects initiated through the Civil Society Facility is largely limited to exchanging information. UNDP Serbia seeks to foster complementarities between ReLOaD and projects funded by EU Member states and its own regional programmes (such as the 'Dialogue for the future' geared at supporting local CSOs). The Serbian Association of Local Authorities (SCTM) also tries to foster linkages and cross-fertilisation between the various local democracy projects funded by the EU and other external players.

2.1.2 Strategic partnerships have improved 3Cs (JC3.2)

The 2019 evaluation furthermore notes that the '*regional*' potential of ReLOaD remains largely untapped as the project has *'not been very active in establishing and maintaining contact with existing CSO or LG networks in the Region like the Regional Youth Compact for Europe, European Association for Local Democracy (ALDA), Balkan Civil Society Development Network (BCSDN), or the Network of Associations for Local Authorities in South-East Europe (NALAS)'.* According to the CoR, the ReLOaD team did not liaise with existing EU institutional fora specifically set up to engage with LAs in the region -such as the JCC or the Working Group for the Western Balkans- despite opportunities for mutually beneficial exchanges. All this led the independent evaluation to conclude that **ReLOaD is *'still more a project than a network of practitioners or a community of practice***' It provides visibility within the participating municipalities but cannot be considered a global partnership at this stage.

2.2 LAs' empowerment and capacities (EQ 5)

The concepts underpinning ReLOaD are fully aligned with the EU's approach to promoting local governance. The 2013 Communication on local authorities[27] states that the '*quality of local governance is primarily linked to the political willingness of central governments to create a conducive environment at local level, through legal and regulatory instruments'.* However, it adds a second condition for

[27] European Commission (2013): Empowering Local Authorities in partner countries for enhanced governance and development outcomes. Brussels, COM (2013), 280 final.

success: '*the quality of local governance is also related to the way Local Authorities manage and implement public policies and services on the basis of* ***local policy-making processes and interactions with other public institutions, citizens and private sector and through the allocation of available resources'.***

The ReLOaD approach chose the latter '*entry point'* to work on local governance. It focused on reinforcing *simultaneously* the capacity of both LAs and CSOs to jointly address local challenges while improving the transparent allocation and use of available resources. Underpinning this approach is the assumption that civil society can create demand for enhanced transparency, accountability and effectiveness from public institutions and facilitate a greater focus on the needs of citizens in policymaking.[28]

2.2.1 EU support to national framework conditions for LAs (JC5.1)

The project also had the ***ambition to scale-up positive experiences***, possibly gained in this pilot project, amongst others by informing the elaboration of ***more conducive national policy and regulatory frameworks***. Available evidence suggests that the project's overall approach, methodology and positive outcomes aroused the interest of national actors and is impacting (to varying degrees) on the development and/or revision of relevant legislation regarding the transparent funding of CSOs by public institutions.[29] It was mentioned during interviews that, in Serbia, a decree on financing CSOs was adopted in 2019 which is largely inspired and compatible with the methodologies used in ReLOaD. In North Macedonia, the Ministry of Local Self-Government was represented in the governance structures of ReLOaD and the positive experiences gained found their way into a generic 'rulebook' for financing CSOs at local level. According to interviewed development partners, this reflects some scaling up of the project's achievement, yet the consistent application of the rules is not at all ensured at this stage.

According to the 2019 independent evaluation, the project managed to demonstrate in the participating municipalities that transparent funding of CSOs by LAs is possible in practice. It also allowed to shed light on the bottlenecks to be overcome and the support required to make it work on the ground in the various contexts. In other words, it served as a laboratory for innovative local governance approaches that could gradually find their way into more effective regulations applying across the board.[30]

2.2.2 LAs' strengthened institutional capacities (JC5.2)

Available project documentation and the final evaluation report confirm that the ***capacity development efforts*** of the ReLOaD project -though focused on a limited set of LA functions (i.e. the funding of CSOs for service delivery) - were ***inspired by a LA empowerment perspective***.

The ReLOaD project team acknowledged that '***trust'*** between power holders and citizens is still a fragile if not a missing link in the fragile or hybrid democracies of the Western Balkans (see the above regional context analysis). Hence, rather than embracing too wide a capacity development agenda, it concentrated on the transparency and quality of decision-making processes in the use of public funds by the LAs, particularly those directed at CSOs. This is a highly sensitive and contested area, in which there is no shortage of (founded or unfounded) allegations of corruption, nepotism, clientelism. Hence, this dimension of local governance, if better handled, could generate major gains in terms of credibility and legitimacy of LAs. Informants in Serbia confirmed the value of this focus on trust and transparency in LA funding. It sees it as a promising way to tackle structural local democracy challenges, with far greater relevance than the more traditional, primarily technical approaches to LA and CSO capacity development which have had limited impact. Sida has replicated the concept in five other LAs in the country. In the view of UNDP Serbia, the ReLOaD experiences with transparent LA funding could prove highly relevant in the post COVID context.

2.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

From the outset, there was an ***explicit link between governance and development outcomes***. The task at hand was not merely to ensure formal technical improvements in LA decision-making processes but also an enhanced capacity to effectively address pressing local challenges or deliver services to citizens (JC5.3).

A particularly challenging issue concerned the question of '***who decides on the allocation of funding***'. The ReLOaD project came up with an innovative approach, which avoided both the trap of externalizing decision-making related to project selection to the donor or the equally perilous road of giving full powers to the LAs that are not equipped to the task. The first choice (i.e. externalization) would have strongly

[28] European Commission (2012): The roots of democracy and sustainable development: Europe's engagement with civil society in external relations. Brussels, COM (2012), 492 final.
[29] Van Hoof (2019): Final Evaluation Report of the ReLOaD project.
[30] Ibid.

reduced the capacity of LAs to show leadership, assume ownership and effectively change governance practices. The second choice may have created major tensions with CSOs, who tend have little trust in current decision-making processes in municipalities. Hence, the ReLOaD project experimented with the challenging approach to make this a joint LA-CSO decision. The final evaluation report recognizes that this choice implied a range of difficulties (e.g. initial resistance of LAs, possible conflicts of interests among CSOs involved, etc.).[31] Yet ***the project created space for the actors to openly debate these problems and find solutions***. This, in itself, is a highly valuable process, as it acknowledges the conflictual nature of governance reforms and the need for adequate 'process approaches' to find solutions that fit the local context -primarily by the actors themselves.

The idea of ***co-producing quality public services*** (between LAs and civil society) was also tested by ReLOaD. Particularly in the context of the Western Balkans, characterized by many small, ill-equipped and underfunded LAs, this seems a relevant option.

The evaluation report notes that more than six times the number of LAs and CSOs initially planned have been introduced to the project and its methodology. According to the final evaluation report, both parties expressed high satisfaction with the methodological guidance provided regarding transparent mechanisms for local public funding.[32] The positive experiences gained may pave the way for a gradual institutionalization of this innovative practice, including changes at behavioural level. Accountability, participation and local democracy (EQ6)

The ReLOaD project essentially seeks to promote transparency in the use of local public funds by creating space for civil society to participate in the identification of priorities and in the actual delivery of public services. The theory of change of the project is that investing in balanced dialogue and collaborative arrangements between LAs and local actors (JC 6.1) will equally allow for gradual improvements in terms of accountability at vertical, horizontal and downward levels (JC 6.2). An interesting feature of the project is the provision of financial incentives for effective LA-CSO partnerships. Municipalities can dispose of grants (complementing their limited own budgets) to be used for pressing local challenges or service delivery needs while CSOs can diversify their funding sources by '*knocking on the door*' of LAs while having guarantees that their project proposals will be scrutinized through a transparent and participatory process.

The Final Evaluation Report is positive about this design from an accountability and participation perspective. The ReLOaD project is seen to bring together *'stakeholders at both the demand and supply side of democratic governance to resolve practical development problems and provides both the LAs as well as the civil society players with the minimum capacities to play their role in the process of collective action'.* In theory, it also introduces '*the principle of mutual accountability to the local players involved in the project*'.[33]

How did this design work out in practice? The following evidence can be extracted from the Final Evaluation Report and surveys carried out:

- Both the LA Coordinators[34] and the CSOs noticed an improvement in partnership relations on various aspects such as levels of trust, quality of dialogue, appreciation for the contribution CSOs can make, etc.
- Both CSOs and LA Coordinators concur that the project was very successful in generating unified and transparent mechanisms for the disbursement of municipal funds for CSO project-based activities in accordance with local service needs and identified priorities.
- The project's methodology for making LA funding to CSOs more transparent has been well integrated into the practice of most LAs: 32 out of the 53 participating LAs have fully endorsed the methodology in their rulebooks at the time of the evaluation. This includes the five participating LAs in Kosovo that do not have to approve the methodology individually since the approach has been integrated into the overall LA financial management regulations. Similarly, in Montenegro the methodology for transparency in LA funding is already largely embodied in national legislation.
- The methodology also ensures a stronger link between the LAs development priorities and the CSO projects that are implemented. They also believe that the presence of the CSO

[31] Despite a six-months delay in the approval of CSO project proposals and the subsequent release of funds for CSO project implementation, which was caused by the DG NEAR temporarily not authorizing the project to release those funds until there was an improved arrangement regarding the CSO representation on the evaluation committees.

[32] LAs indicated they could integrate the LOD methodology in their future funding for CSO projects, while CSOs better understood the need for clear (though cumbersome) procedures and felt they were now better equipped to apply for bigger projects.

[33] Van Hoof (2019): Final Evaluation Report ReLOaD project.

[34] In each participating municipality a focal point was established in the form of an LA 'Coordinator'.

representative on the selection committee, combined with the use of objective selection criteria, enhances the transparency and fairness of the process. The monitoring of CSO project implementation has improved as well.

- The CSOs also acknowledge these advantages. They particularly appreciate the project-based funding mechanism -a major change compared to the small scattered contributions they may have received from LAs in the past. This mechanism enhances their capacity to make a real difference and become more visible in the community.
- The discussion about how to deal with the potential conflict of interest of CSO representatives on the project evaluation committee in each LA had a positive side effect as well at local level. These discussions helped both parties to realise the importance of adherence to the rule of law and to underlying core governance values like ethics, trust and respect.

In many ways, ReLOaD had a clear focus on transforming the rules of the game regarding the nature of LA-CSO relations and current funding practices. This type of transformative projects requires a systematic accompaniment of the actors involved over time. In a similar vein, *'bringing 378 small CSOs that often have no previous experience in managing externally financed projects and 53 under-capacitated LAs to a level where they can manage projects in accordance with EU principles'*[35] is also not evident. ReLOaD invested heavily in process facilitation work and according to the final evaluation this was done in a politically savvy and efficient manner.

2.3 Service delivery and response to local challenges (EQ7)

The ReLOaD project coupled improvements of local governance practices with the delivery of concrete development outcomes. At this level, the existence of a recent exhaustive quality evaluation, again helps to provide evidence on successes achieved, particularly in terms of effective delivery of priority services (from a local perspective) through CSOs (JC7.1).

The ***achievements*** of the project -compared to initial targets- ***are quite impressive***. The project is on track and will be able to complete all major planned activities before the end of August 2020 if a requested budget neutral extension of seven-months is approved.

At the time of the evaluation, the second Call for Proposals is completed and a total of 419 CSO projects have been approved[36],implemented by 378 different CSOs (twice as much as originally planned for). So far approximately 60.000 people benefited from the CSO projects (far more than the planned 38.000), while the 2nd round projects have not been completed yet. A high percentage of women are benefitting from the CSO projects funded through the LA systems (48 % actual against 30% planned) while access to youth has been less prominent.

2.3.1 Sustainability are is addressed in programming and implementation of EU interventions (JC7.3)

While cooperation between CSOs and LAs has in general improved, ***only a few municipalities sought to establish a more regular and institutionalised dialogue platform*** with CSOs. In most municipalities, an ad hoc approach to consultations still prevails around specific events (e.g. the annual budget). This indicates more time and process support is required to build effective local coalitions for territorial development.

As mentioned above (see section **Error! Reference source not found.**), ***ReLOaD has impacted positively on national processes*** of reviewing regulations regarding the transparent (local level) funding to CSOs. These are complex change processes, considering the high levels of corruption, nepotism and clientelism (see section 1.2 related to 'local state capture'). Yet, the innovative approach followed by ReLOaD suggests that over time, trust can be created leading to a change from informal or not transparent rules of the game to more formalized norms.

83% of the LA Coordinators felt their municipality would have enough capacity to continue with the implementation of the LOD methodology -though not necessarily with the intensive support to the (often small) CSOs participating in the scheme (a task largely carried out by the TA of UNDP as implementing partner).

Regional networking has been limited so far, despite its potential for sharing, peer-to-peer exchanges and related pressures *'not to stay behind*'. It also confirms the longstanding difficulty to ensure a genuine regional focus to regional programmes.

The ***Achilles heel is the financial sustainability*** of the project (i.e. the level of financial support to CSOs from LG funds). This holds particularly true for the many small municipalities in the region. This

[35] Van Hoof (2019): Final Evaluation Report ReLOaD project.
[36] For a total amount of EUR 5,92 million or an average of EUR 14.124,00 per project.

shows again the necessary link between 'project approaches' such as ReLOaD (with a huge capacity to test out innovative approaches to local governance and service delivery) and investments in national framework conditions for LAs to become autonomous and accountable development actors (particularly through effective decentralization reforms).

The final evaluation report pleads for a second phase to the ReLOaD project to deepen the change processes that were initiated. The main change advocated is to move to country specific frameworks (so as to allowed for more customized support) and to include exit strategies.

Consultations in the field largely confirm the observations from the independent evaluation. Stakeholders interviewed in both North Macedonia and Serbia argued that ***in order to optimise the impact and sustainability of targeted projects like ReLOaD, it is critical to have additional 'pushes' geared at enhancing over time local governance systems***. It requires a comprehensive approach to civil society development -beyond ensuring access to project funding- including building awareness among communities and LAs on the added value CSOs can bring to local development and the management of local public affairs. It equally means investing in the improvement of local public finance management, as the Serbian national association of LAs (SCTM) is pushing for or in making the elaboration of local development plans a truly inclusive process.

Annex 1 - List of persons consulted

Name	Organisation	Position
Zeljka Topalovic	UNDP Serbia	Programme Analyst, Good Governance
Ana Radojevic	UNDP Serbia	Project Assistant
Natasa Protic	UNDP Serbia	Programme Associate
Andrew William	European Commission	Policy Officer
Biljana Cvetanovska Gugoska	UNDP North Macedonia	Project Manager
Emil Angelov	UNDP North Macedonia	Programme Analyst
Biljana Georgievska	UNDP North Macedonia	Project Manager
Irena Ivanova	EUD North Macedonia	Project Manager, in charge of the Civil Society Facility

Annex 2 - List of documents

1 EU Documentation

- European Commission (2012): The roots of democracy and sustainable development: Europe's engagement with civil society in external relations. Brussels, COM (2012), 492 final.
- European Commission (2013): Empowering Local Authorities in partner countries for enhanced governance and development outcomes. Brussels, COM (2013), 280 final.
- European Commission (2018): A credible enlargement perspective for and enhanced EU engagement with the Western Balkans. Brussels, COM (2018), 065 final.
- European Committee of the Regions (2020). Opinion on the Enlargement Package 2019. CIVEX-01/042
- European Committee of the Regions (2020). Opinion on Local Democracy Challenges in the Western Balkans. CIVEX-VII-003.

2 Project documentation

The team reviewed the available project documentation and relied heavily on the comprehensive independent 2019 evaluation of ReLOaD, which was considered to be of high quality.

3 Decentralisation and LA relevant studies

- Bassuener (2019): Pushing on an Open Door: Foreign Authoritarian Influence in the Western Balkans. National Endowment for Democracy, 2019.
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- Spasovska (2019): A star is born but a region is not shining: Enabling environment for civil society. Development and Enlargement Package. Background analysis.

4 Other

- Speech by Srđan Cvijić, senior policy analyst on EU external relations for the Open Society European Policy Institute and member of the Balkans in Europe Policy Advisory Group (BiEPAG), at the conference 'The Western Balkans in the European Union: Enlargement to what, accession to what?'

Evaluation of EU support to local authorities in Enlargement and Neighbourhood regions (2010-2018)

Case study note - Local climate and energy actions in the Neighbourhood Region

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List of acronyms and abbreviations

ALA	Associations of Local Authorities
BEI	Baseline emission inventories
CES-MED	Cleaner energy-saving in Mediterranean cities'
CoR	European Committee of the Regions
CORLEAP	Conference of Regional and Local Authorities for the Eastern Partnership
CSO	Civil Society Organization
DANIDA	Danish International Development Agency
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EEF	Energy Efficiency Fund
DG NEAR	Multiannual Financial Framework
EQ	Evaluation Question
EU	European Union
EUD	European Union Delegation
GIZ	Gesellschaft für Internationale Zusammenarbeit/ German Corporation for International Cooperation
HQ	Headquarter
IFI	International financial institution
JC	Judgment Criteria
JCC	Joint Consultative Committee (of the European Committee of the Regions
LA	Local Authority
MENA	Middle East & North Africa
MFF	Multiannual Financial Framework
MS	Member States
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organization
NIP	Neighbourhood Investment Platform
PPP	Public private partnerships
SDG	Sustainable Development Goals
SEAP	Sustainable Energy Action Plans
SECAP	Sustainable Energy and Climate Action Plan
TA	Technical Assistance
UCLG	United Cities and Local Governments
UNDPs	United Nations Development Programme
USAID	United States Agency for International Development

1 Introduction

More and more governments are realising the need to both mitigate and adapt to accelerating climate change and LAs are also increasingly joining the quest to reduce carbon emission, as well as increase their capacities to adapt to a changing climate. However, the DG NEAR partner countries face severe challenges as they often have dilapidated infrastructure, limited funding and weak capacities to engage in climate change actions. The infrastructural challenges are often also resulting in low energy efficiency, being both a driver of high emission and poor economics. Moreover, in many countries, LAs have only limited authority to pursue climate change mitigation and adaptation.

This case study examines the degree to which LAs have been used (and possibly empowered) to address the energy efficiency and climate challenges using the Covenant of Mayors (CoM) initiative as the 'hook' into the thematic area.[1] The CoM was launched by the EU in 2008 to support the efforts of local authorities to implement sustainable energy policies in their territories. The initiative started in EU and covenant signatories voluntarily committed to a target of reducing CO2 emissions by at least 20% by 2020. They also committed to drafting and implementing a Sustainable Energy and Climate Action Plan (SECAP), which was a core component of the initiative, that should deliver both mitigation and adaptation measures as well as increased energy efficiency. Technical and scientific back-up was provided through the EC's Joint Research Centre. In 2012, the CoM was been extended to 6 countries covered by the Eastern partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), whereas the imitative expanded to Southern Neighbourhood countries the year after, implemented with the assistance of the EU-financed project 'cleaner energy-saving in Mediterranean cities' (CES-MED, in 2018 replaced by the 'Clima-Med, Acting for Climate in South Mediterranean').

In October 2015, a strengthened Covenant of Mayors was launched by the EU, built around three pillars:

- Mitigation (setting a 30% emission reduction target by 2030 for signatories in EU neighbour countries);
- Adaptation to climate change; and
- Secure, sustainable and affordable energy.

Support has been focused on providing technical assistance for especially SECAP formulation, grants for demonstration projects and facilitating large scale funding from IFI.

The EU's joint research council is providing support in terms of monitoring, evaluation and technical backstopping.

The enlargement region was not part of the CoM initiative during the evaluation period, but climate, energy and environmental topics, such as waste and wastewater management, sustainable spatial planning and energy efficiency have often been at the agenda of the European Committee of the Regions (CoR)'s bodies : joint consultative committees (JCCs), political bodies with Montenegro, North Macedonia, and Serbia and the Working Groups for Turkey and the Western Balkans. Another CoR's political body, Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP), gathering the CoR members and members of local and regional authorities from the six Eastern Partnership (EaP) countries, has also dealt with such topics, which were topics of its reports.

[1] As outlined in the inception report, December 2019.

2 Strategy and implementation

2.1 Quality of EU engagement strategies with LAs in different regional/country contexts (EQ 1)

2.1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

The CoM has been a translation of the global and EU wide policies on the ambition to accelerate climate change mitigation and adaptation. The CoM is thus by design the internalisation of global policy framework on climate change and energy efficiency vis-à-vis LAs and is rather unique in being that. The core focus and direct engagement is thus on the LAs and limited systemic engagement has consequently been established with central authorities. In terms of how well the CoM is integrated into and support the policy framework for the individual countries, most informants stated that the energy efficiency and climate ambition of the CoM aligned well with EU policy frameworks. (I-1.1.3).

2.1.2 Involvement of LA/ALAs (JC1.2)

The CoM has had limited ambitions on influencing relevant EU strategy preparations and the results are correspondingly limited, with the CoM being both a global programme and at the same time very focused on the individual LAs thus having limited engagement with national authorities. As the national authorities are usually the natural entry point for policy and political dialogue between EU and its partners, the CoM initiative is often not particularly active in this space (I-1.2.1). However, the initiative does display divergent performance vis-à-vis the degree to which LAs were involved in benchmarking and priority setting with the Neighbourhood East having stronger LA ownerships than in Neighbourhood South, arguably a reflection of longer participation in the initiative and stronger ambitions for aligning to EU norms and standards. Nevertheless, the supporting initiatives (SUDEP, CES-MED and Clima-MED) have been actively trying to improve (I-1.2.2). The EU's engagement in wider sectoral work on the environment and energy policies at national level has allowed the initiative and participating LAs to benefit from these policy mechanisms, but there are limited synergies between decentralised regional/global initiatives and the sector work. (I-1.2.3)

2.1.3 Adjustments to context change (JC1.3)

The CoM initiative's objectives and modalities are centrally determined but have been adjusted over time to e.g. allow for first eastern and then southern neighbour states to participate and also added the very relevant objective of improving adaptation. At the country level, there seems to be divergent performance of how the initiative navigate the local context and changes herein and how encourage political commitment, with indications that in the Neighbourhood East the initiative has been able to use its knowledge of the political incentives and technocratic realities to delivery relevant engagements, with the south being late-comers and with a more step learning curve (I-1.3.1). While the CoM is thus a centrally formulated initiative, it provides robust incentives and credible pathways for the EU to engage directly with the LAs (I-1.3.2). The EU seems to have seized the opportunities to engage with LAs in ways that are adaptive and relevant, with probably better performance in the Neighbourhood East, likely reflecting a longer CoM presence here. However, there is still an unfinished agenda of optimising the engagement entry points that an initiative such as CoM offer for the mainstream EU support, most of which is channelled through EUDs (I-1.3.3).

2.2 Adequacy of EU implementation processes and approaches (EQ 2)

2.2.1 Appropriate EU engagement with LAs (JC2.1)

The CoM is clearly one specific financing modality in the EU's portfolio and it is widely praised as one of the best means by which EU can access LAs directly without relations being mediated by central authorities. The funding provided is often not adequate for financing substantial energy infrastructure needs but there are many non-financial benefits as well (I-2.1.1). The CoM is having strong focus on assisting signatory LAs to identify appropriate sources for finance both from domestic and foreign source the latter often involving IFIs, thus provided a mix of advice, TA and (limited) finance that especially in Neighbourhood East seems to have been effective and appropriate to allow for substantive engagements. However, access to finance is still very restricted due to both legal and capacity constraints, but more and more work is being done to alleviate this and the CoM itself is helpful in leveraging additional support (I-2.1.2 & I-2.1.3).

2.2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

The initiative is having both management and technical expertise available both in Brussels where DG NEAR and JRC provide backstopping and support and at local level, where hubs in Kiev, Rabat and Beirut are closer to the signatory LAs. In general, there is thus human resources available which, based on current information, may be more adequate in Neighbourhood East than in Neighbourhood South, partly reflecting later entry into the initiative, but also a more challenging context, with often high degree of centralisation and low levels of capacity at LA level (I-2.2.1). In both regions, training is a main support measure but there are calls for providing more of such training, especially for weaker LAs that don't have the technical expertise, as well as for adapting the format, guidelines and requirements to make it easier for weaker LAs to comprehend and comply with CoM standards (I-2.2.2). The LAs are generally able to draw on a variety of sources for knowledge and data, including JRC and the core CoM Europe. The regional hubs and national coordinators help disseminate such knowledge but with varying effectiveness vis-à-vis signatories with those in east better able to absorb the knowledge than those in south (I-2.2.3).

2.2.3 Measured performance informing planning (JC2.3)

There are obligatory monitoring measures as part of the initiative that also measure impact (I-3.2.1) but there is clearly a problem with few signatories having submitted monitoring reports, with east again outperforming south. There are also concerns about the M&E system in place and the chosen performance measures, as they could arguably become more relevant for less developed LAs in south. However, among those LAs who have made measured performance, indications are that there is significant impact. The degree to which monitoring influenced decision making in e.g. catalysing new approaches is mixed (I-2.3.2).

2.3 Coordination and complementarity (EQ 3)

2.3.1 3Cs of EU support with other donors (JC3.1)

The CoM is essentially a localised initiative and LAs are key in ensuring that there is appropriate coordination, complementarity and coherence. The choice of well-connected organisations and national coordinators has facilitated the translation of this ambition into reality. Coordination with IFIs is especially important but other donors supporting the CoM initiative are at times not conducive to promote coordination, e.g. in the form of separate PIU for separate energy projects within the same municipality, thus spreading management resources. Also, the level of engagement between CoM and EUDs varies considerably depending on capacity of EUDs and the interest in engaging with LAs (I-3.1.1). There is strong complementarity inherent in the CoM where the division of labour is put to good use, but seldom is the issue of division of labour an explicit discussion. Through the initiative itself and the EU grants, LAs are often able to leverage substantial resources from especially IFIs (I-3.1.3). Finally, synergies with other development partners is also mostly taking place a local level, by e.g. using NGOs and institutions that have a good relevant network within energy and climate, LAs are also displaying a good overview of how to exploit such synergies in the localities. However, there is arguably a need to accelerate progress in better utilisation of both traditional and innovative finance partners, although there is also considerable heterogeneity between regions and countries (I-3.1.4).

2.3.2 Strategic partnerships have improved 3Cs (JC3.2)

The CoM can be perceived as an increasingly global partnership and it has promoted visibility of energy efficiency and climate change. However, the effectiveness of projecting EU through the CoM has been mixed with some projects better to increased EU visibility than others. In some places the CoM is only loosely associated with the initiative in the public perception.

3 Effects of EU support to LAs

3.1 LAs' enhanced engagement in development processes and in EU external action (EQ 4)

3.1.1 Roles and mandates of LAs (JC4.1)

The CoM is perhaps one of the strongest manifestations of EU attempting to nurture the roles and mandates of the participating LAs. The initiative is mainly decentralised and have limited ambitions vis-à-vis engaging LAs in the nation-wide public policy discourse, but it is a concrete translation of the ambition to tackle climate change into action. It is hence also localising SDG 13 on taking urgent action to combat climate change and its impacts. Eventually, where framework conditions allow, the CoM can

also play a role in informing and shaping national policies relating to energy, climate and environment, but in most countries, this is more an aspiration than a reality (I-4.1.1). The CoM is also mainstreamed into implementation as LAs are the key stakeholders in the overall process, but the mainstreaming into the overall EU portfolio at country level varies considerably between regions and countries (I-4.1.2).

3.1.2 LAs improving their political, institutional and financial sustainability (JC4.2)

The CoM (and related projects project in south) is obviously only addressing a small part of LAs challenges in being sustainable. There are clearly significant challenges in mobilising finance, not least for smaller LAs and that seem to undermine some of the CoM efforts. Nevertheless, becoming a signatory can be a gateway to leverage both grants and loans from other development partners and once investment financing challenges has been overcome, many LAs were in a financially improved situation as energy efficiency and renewable energy cut long-term costs. In addition, support has also assisted in formulating and implementing energy policies at local level. (I-4.2.1). The CoM also offers an entry point into developing direct relations with the LAs, but the degree to which these are lasting and also develop into direct relations between EU as an institution and the signatory LAs is mixed and partly depends on EUDs seizing the opportunity and the LAs viewing the CoM as more than a time-bound project (I-4.2.2).

3.1.3 LA's knowledge about EU (JC4.3)

The CoM has significant outreach and is being promoted by the EU, although to varying degree. LAs have some knowledge of EU as a consequence, but its significance is also mixed. Moreover, given the decentralised and networking characteristics, the EU as an institution is not consistently as prominent in the awareness of the signatory LAs, partly also because much of the networking and peer-to-peer activities are focussing on national and regional levels, less so on EU to east/south. (I-4.3.1). Some EUDs are using the CoM as a way to promote awareness of EU using old media and Facebook, with effectiveness generally higher where EUDs take a proactive supportive approach. LAs themselves proactively seek info on the initiative but primarily through local and regional coordinators and hubs as well as peers in the country or region, less so inside EU (I-4.3.2 & I-4.3.3).

3.2 LAs' empowerment and capacities (EQ 5)

3.2.1 EU support to national framework conditions for LAs (JC5.1)

The CoM has limited focus on and ambitions in changing the national frameworks, instead emphasising the LAs themselves, which is also a key strength of the initiative. Nevertheless, efforts are accelerating in terms of ensuring that national policy frameworks better underpin the CoM, by establishing better coordination and engagement with central authorities. Moreover, other EU interventions, most notably in the environmental and energy sectors, do aim at making the framework conditions more conducive for initiatives such as CoM (I-5.1.1), but in some countries there is limited direct relations between these. A more immediate and related need is for financing, including accessing national resources (from e.g. central government and the national banking sector), where efforts have hit hereto been vastly insufficient, but with new initiative being designed to address this, but this will require fundamental changes in the financing models and also (I-5.1.2).

3.2.2 LAs' strengthened institutional capacities (JC5.2)

The LAs are supported to improve planning for increased energy efficiency and measures to counter climate change. The initiative has supported such efforts but with varying success, arguably most effective in the Neighbourhood East, but also with good individual cases from south. It is a steep learning curve for LAs and most seek assistance from a diversity of sources including signatory peers in the CoM. However, a more systemic issues with the capacity development provided (and also demanded by signatories) is the narrow focus on a few types of activities, notably renovation and better energy efficiency in buildings, which provides only incremental improvements and non-transformative innovations, whereas much more comprehensive planning and disruptive approaches are needed and also available in e.g. EU.

3.2.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

The CoM has increased the capacity of LAs to act as catalyst of energy efficiency improvement and general climate change action, although with variations between countries and regions, with more experimentation in Neighbourhood East, not least in Georgia and Ukraine (I-5.3.1). Sustainability is built into the programme, but again the degree to which LAs have been able to form partnerships with other actors varies with the southern region seemingly having higher degree of partnerships with e.g. CSOs and private sector. However, there is again a pattern that suggests that especially in Ukraine and

Georgia, more efforts are invested in forming such partnerships (I-5.3.2). Finally, climatic resilience has been increased, but the wider concept of resilience (and inequality) has not featured in the initiative (I-5.3.3).

3.3 Accountability, participation and local democracy (EQ 6)

3.3.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

There have been numerous engagements between LAs, citizen, CSOs and the private sector in the context of the CoM. However, these seldom aimed at changing the collaborative mechanisms for local governance and unsurprisingly also had correspondingly limited overall impact. There are thus mainly examples one-way communication from LAs toward local actors (e.g. an 'energy day/week') that clearly provided information to local actors but was rather limited in institutionalising collaborative arrangements. Nevertheless, there are also some examples, especially in the Neighbourhood South and in Georgia, where private sector has been more consistently engaged, but mainly related to specific projects (I-6.1.1). The public private partnerships (PPPs) have thus at times been more instrumental than genuine partnerships and there are other examples of the CoM being able to convene partners around specific tasks such as urban transport or renewable energy, where information is still flowing from LA to local stakeholders, but with the potential to drive more systemic partnerships (I-6.1.2). While there in considerable fragility and irregular migration in the Neighbourhood South that is impacting on energy demand and supply, this has generally not been addressed by CoM as it was outside its mandate (I-6.1.4).

3.3.2 Accountability of LAs (JC6.2)

There is limited explicit focus on accountability in the CoM, it being a voluntary and decentralised initiative. Thus, central authorities play a minor role, but EUDs, CoM regional hubs and the JRC do play a role in upward accountability links but mainly in a project specific fashion that is timebound and not systemic (I-6.2.1). There is also limited evidence of horizontal accountability improvement, as most LAs only made minor adjustments to their set-ups. An exception was the energy management systems where a few LAs made significant improvements to potentially improved horizontal accountability, however there could be an argument that CoM could pool its project management units with those also engaged in the sector (I-6.2.2). While the CoM has supported signatories in providing information to its citizens on especially energy related issues, there has been limited focus on downward accountability nor partnerships that could have improved this (I-6.2.3).

3.4 Service delivery and response to local challenges (EQ 7)

3.4.1 LAs delivering quality public services (JC7.1)

The initiative has provided both capacity development support and resources that has enabled to deliver better services with energy efficiency and emission reductions, often leveraging resources from other partners, be it donors and financers, but these resources were generally not adequate for the required changes (I-7.1.1). A key part of this capacity development has often been to ensure that the LAs (or its contractors) can operate and maintain the infrastructure / equipment once the investment is completed and there is mixed evidence, with examples of activities being too consultancy driven. Especially smaller rural LAs struggle with low capacity and limited resources, undermining attempts to initiative more transformative, yet needed, investments. (I-7.1.2). Nevertheless, where information is available (most in the east), CoM has delivered on emission reductions, improved energy efficiency and more reliable energy supply (I-7.1.3).

3.4.2 LAs better respond to local challenges (JC7.2)

The CoM has clearly increased the resources and management capacities to respond to climate change, but, by the nature of the initiative, this was often in somewhat narrow project-specific ways. Nevertheless, this clearly holds the potential for more systemic actions as awareness of both problems and possible solutions has increased, but unfolding this potential has proven challenging as lack of finance, capacity and authority often undermines attempts to catalyse systemic change (I-7.2.1). Nevertheless, CoM has allowed signatory LAs to respond more adequately to the challenges imposed by climate change and indications are that the project themselves are having desired impacts although many are still only in implementation phase. Again, while the individual projects may be relevant and effective, there are still very substantial challenges in the field of climate change and emission reductions that are still left unaddressed and will require massive investment in energy systems and climate change adaptation (I-7.2.2).

3.4.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

The nature of the initiative encourages robust political commitment to the SECAPs and subsequent projects, as also evidenced by co-financing commitments by the signatory LAs, but arguably stronger in east than in south (I-7.3.1). Support for SECAP formulation and for the large-scale infrastructure projects, has been provided and the financers typically also provide capacity development that bolsters implementation capacity (I-7.3.2). Nevertheless, LAs struggle with systemic issues of inadequate budgets, low capacity and constrained access to finance. Moreover, there may also be an unfinished agenda of reforming the governance structures that promote the sustainability of the CoM initiatives, but long-term sustainability requires more systemic approaches than most CoM initiatives address (I-7.3.3). There are efforts made both at design and implementation stages to address the core institutional sustainability issues that affect long-term impact of the CoM. But obviously, the CoM have limited power to ensure LAs budgets, capacities and integrity of its human resources, key ingredients in institutional sustainability (I-7.3.4).

Annex 1 - Evidence at indicator level

1 (EQ 1) Quality of EU engagement strategies with LAs in different regional/country contexts

1.1 Internalisation of EU policy frameworks addressing LAs/ALAs (JC1.1)

EU leverage towards central government to encourage dialogue and cooperation with LAs and ALAs (I-1.1.3)

The focus of the CoM is on LAs, with often limited involvement of central authorities, but there are clearly also elements that encourage engagement, dialogue and cooperation between central and local governments. However, most of this has been in the form of bottom up evidence informing national level policies and practices.[2] The EU's nationwide environmental and energy programmes do align well with the objectives of the CoM and in that sense create an overall conducive framework for implementing the mitigation and adaptation objectives. In Georgia, central authorities still need to provide a no objection to signatories (apart from the two metropolitan areas of Tbilisi and Batumi) and their engagement has been characterised as 'reluctant acceptance' during interviews. In the south, the later commencement may have resulted in less engagement beyond the LAs themselves.[3] Nevertheless, the CoM remains a largely decentralised scheme focussing on LAs, focussing on their ability to deliver on the mitigation and adaptation ambitions *within* the nationally defined frameworks, rather than trying to directly *change* these frameworks. At policy level, most informants stated that CoM is well integrated into and support the policy framework for the individual countries, and that the energy efficiency and climate ambition of the CoM aligned well with EU policy frameworks. However, implementation-wise, it emerges from interviews that issues of coordination between e.g. EUD and CoM could arguably be improved in some instances (see also EQ3).

1.2 Involvement of LA/ALAs (JC1.2)

EC adoption of an LA inclusive and participatory approach in identifying the needs and priorities of its external action (I-1.2.1)

The CoM is a global initiative and the overall goals and priorities are centrally set. However, especially in the East there seems to be considerable attention to the specific needs and priorities of the individual local authorities when designing the concrete actions. An example of this is the Georgia biomass project in Telavi, which clearly designed the strategy to reduce emissions by using renewable energy and reduction of fossil fuels through the use of locally available vineyard pruning resides (i.e. biomass). However, getting it right proved difficult and especially regarding insulation for better energy efficiency, leading to higher investment cost. According to the interviewed municipality, there could arguably have been more focus on the local context -in this particular case- and perhaps illustrate the challenge of adapting a concept so it is easily understandable by both small and big municipalities. Similarly, in Ukraine where public buildings were found to be highly energy inefficiency due to a legacy of cheap heating and maintenance negligence. As both the SECAPs and the application have been drafted by the LAs themselves, these appear to have been highly participatory and reflecting the needs of the LAs.

According to various interviewed stakeholders, the situation in the Neighbourhood South is different, arguably reflecting later admission to the initiative. Here there is an issue of ownership of both the baseline emission inventories (BEI) and the SECAPs, both of which have been drafted by contractors, which in turn has led to a high degree of uniformity (e.g. proposing very similar action plans across countries). This in turn has undermined ownership causing the JRC (2018) evaluation of SEAPs the MENA Region to recommend that 'funding support to local authorities for capacity-building and technical assistance should be targeted at allowing local authorities to develop their own BEI *for and by* themselves, as opposed to having the BEI conducted by contractors for local authorities'[4]. In addition, the reaction, especially at the start of the support, was mixed with EUDs arguing that CoM and related support programmes (SUDEP, CES-MED and Clima-MED) were not that visible and projects were small and spread to too many disparate communes, with LAs having difficulties in navigating the various

[2] As in e.g. Ukraine where the automated energy systems project in Ukraina city served as a model for the rest of the country, mediated by the association of small cities of Ukraine (an ALA). This is also a general trend across CoM projects (interview with DG NEAR).
[3] E.g. two signatory LAs studies in Lebanon (Moukhtara and Haut Chouf Union) have been supported by CES-MED, but the initial studies are the main outcomes.
[4] JRC (2018): The Com - Evaluation of the SEAPs in the MENA Region.

programmes and options.[5] Nevertheless the SUDEP programme (and the Clima-Med) have made a difference in some countries, such as Morocco, where it was the only programme to focus exclusively on communes.[6]

In sum, there is mixed, but gradually improved performance in terms of adopting an inclusive approach with the east generally having started earlier and perhaps also closer to the EU's norms and ambitions, whereas the south has started later and with LAs being less accustomed to the concept.

Relevant fora allow LAs' involvement in political dialogue or policy dialogue processes (I-1.2.2)

Again, the CoM is a decentralised initiative focussing on implementation at local level. However, there are some CoM projects that also aim to influence the policy conversation using ALAs as a vehicle, e.g. the energy efficiency in public buildings in Ukraine, where policy (and perhaps even more so practices) upscaling and dissemination was built into project design. Moreover, the CoM also encourage extensive international networking across signatories, some that could eventually also lead to bottom-up pressures nationally. This networking aspect was repeatedly mentioned by both supporting institutions as well as signatories, which emboldened LAs to increase their voice and promoted their experiences in political and policy dialogues. However, the effectiveness of these fora has been decreased as a result of the corona crisis. Clearly, the bringing together of LAs along a somewhat non-confrontational issues such as climate change has the potential to increase the agency of LAs and strengthen their European identify (in east) or their knowledge of EU norms and standards (in south). During the evaluation period, this has been most prominent in east.

Existing political/policy dialogue mechanisms adequately engage LAs (I-1.2.3)

At the national level, most EU bilateral strategies include a chapter on environment, sustainable energy, or local democracy, allowing CoM to link back to these strategic documents. It is however not in all countries that EU support energy or environment as a special focus but CoM is not only concerned with those issues; there are also other issues of public administration (decentralisation, public finance planning, local administration capacity building), and local democracy into which CoM activities are also being impacted.[7] However there is limited evidence that the CoM initiatives (or related activities in the form of SUPED, CES-MED) feed into EU programming in any substantial way (Ukraine being a partial expectation), arguably again a reflection that this is a global, yet still decentralised, initiative. Indeed, there is arguably still an agenda of making full use of the synergistic potentials of such a global initiative with the bilateral engagements in the climate and energy space. In such a context, enhanced engagements in dialogue mechanisms via the CoR's external-action bodies in the south and east is also being contemplated by CoR.[8]

1.3 Adjustments to context change (JC1.3)

EC's knowledge on country specific power dynamics between central and local levels (I-1.3.1)

To a certain extent the CoM initiative does not fundamentally challenge the power dynamics and inter-governmental relations between central and local levels, as the focus is on concrete emission reductions and better adaptation for the signatories. However, the level of political commitment to the goals is something that needs monitoring; especially during volatile times around elections and CoM can during such periods become distant priorities. In this context, the Evaluation of the CoM-East (2016) found that municipal politicians general tried to leverage the CoM for electoral gains, brandishing their 'green' and 'sustainable' credentials. In Georgia, activity has been weaker since the regime change in 2013, but cities are still active since the resulting change of mayors and they still need authorisation from Ministry of finance. However, in Moldova, there are more suspended cities than active cities. This may be partly as a result of an overenthusiastic CoM supporter being unable to find funding to help implement SECAPs, and also that smaller cities have access to grants for projects such as street lighting and building insulation without the need for SECAPs.

In general CoM and the related support programme do have the ability to operate within the power dynamics of a given country, as the LA's themselves are the key drivers and they have a good understanding of the political challenges and opportunities. However, there have been examples of TA support (e.g. under CES-MED) providing rather generic support to SECAP formulation that clearly did not consider the local dynamics. This is more the fault of the contractors rather than EU as such, but

[5] EUD Lebanon (2012, 2013): External Assistance Management Report.
[6] E.g. the energy sustainability project in the commune of Chefchaouen succeeded in improving energy management and whose mayor later joined the board of CoM. However, another commune, that of Kenitra, had limited success according to the EUD.
[7] This is especially the case for east. See EU (2016): Evaluation of the Covenant of Mayors – East.
[8] Comment from the CoR.

clearly better supervision could have been in place. The more recent support programmes, including Clima-MED seems more context-aware in its engagement with LAs.[9]

Incentives are in place within the EU to move beyond centralised partnerships and engage with LAs (I-1.3.2)

The whole CoM is based on the premise that EU provides support directly to LAs individually, having very limited engagement with central authorities. Hence the initiative can be seen as one of the strongest incentives to move beyond centralised partnerships and engage directly with LAs. However, the degree to which the LAs *de facto* engage with core EU institutions (e.g. EUDs) vis-à-vis the networking partners and the coordinators of the CoM is mixed with some countries have relatively strong connections to the initiative (Ukraine) where in other contexts, CoM and the associated programmes is perceived as a rather separate and only loosely EU-associated initiative (several countries in south). Thus, the CoM and the associated programmes clearly move beyond centralised partnerships and engage directly with LAs. They also have the potential to give EU institutions (including EUDs) better entry points for directly engaging with LAs, but this potential is unevenly unfolded. In all interviews relating to CoM and the associated programmes, the ability to engage directly and un-intermediated with LAs was consistently mentioned as a core quality of initiative.

Evidence that the EU adapted its engagement strategies with LAs (over a longer period of time) and seized windows of opportunities (I-1.3.3)

At global level the CoM has seen adjustments to the targets (e.g. increasing emission reductions in 2015 and adding adaptation objectives in 2014). Clearly, the extension of the initiative to both Neighbourhood East and later Neighbourhood South can also be seen as seizing an opportunity to launch a somewhat 'apolitical' initiative that allowed for better access to engage with LAs, using the increasing awareness of, and demand for, actions relating to climate change. At the local level, the CoM has especially in the Neighbourhood East adapted to the options for designing appropriate engagements that allow for seizing win-win opportunities, such as the use of biomass from agricultural waste in Telavi, Georgia. However, in Neighbourhood South the initial engagement process seemed more consultancy driven with more limited efforts invested in adaptation to local circumstance and the opportunities offered.[10]

All in all, the CoM and its associated programmes have been adapting its strategies towards LAs and provided valuable direct engagement points that are still to be fully utilised. There thus seems to be an unfinished agenda relating to how EU can leverage the CoM potential more systemically in its more mainstreamed programmes.

2 (EQ 2) Adequacy of EU implementation processes and approaches

2.1 Appropriate EU engagement with LAs (JC2.1)

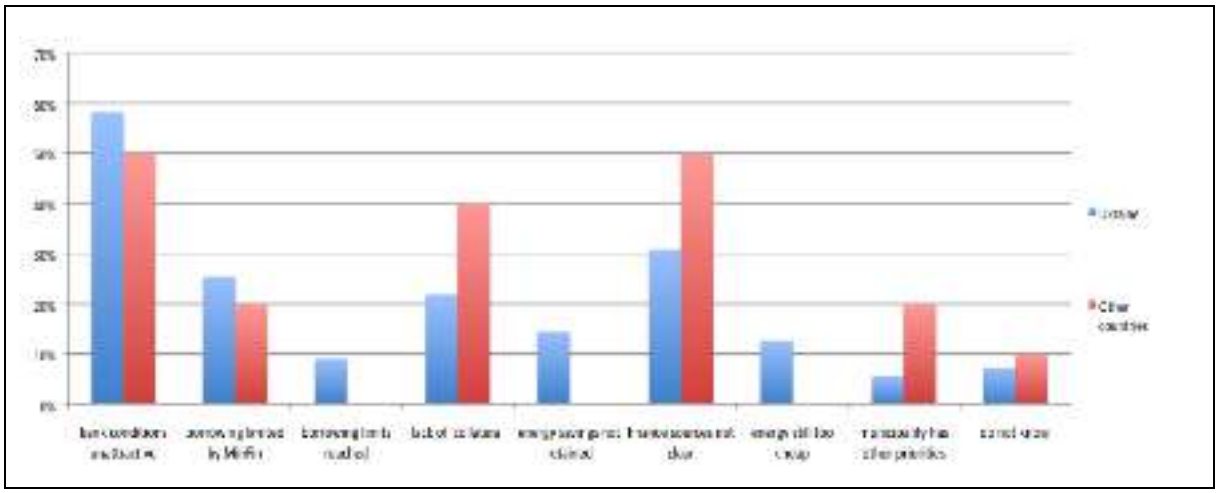
Financing instruments conducive to facilitate (direct) access by LAs and ALAs (I-2.1.1)

The CoM does provide finance to do BEI and SECAPs and this obviously provides direct access to the LAs, which is a major attraction of the initiative as it gives LAs a degree of agency and networking opportunities relatively independent of the central authorities. This benefits both Neighbourhood East and Neighbourhood South.

However, implementation of the actual mitigation / adaptation strategies often requires significantly more finance than the CoM can provide. In the **Neighbourhood East**, many of the officials interviewed in the Evaluation of the CoM-East (2016) reported difficulties with finance as a major problem (see Figure 1), though in practice they often managed to identify some source. These difficulties were also repeated in the interviews done in the context of this evaluation and reduce the ambitions as regards the scale of investments in e.g. energy efficiency and adaptation with lower rates of return/longer repayment periods.[11] The difficulties are compared in Figure 2 (taken from SQ19 in Annex 3).

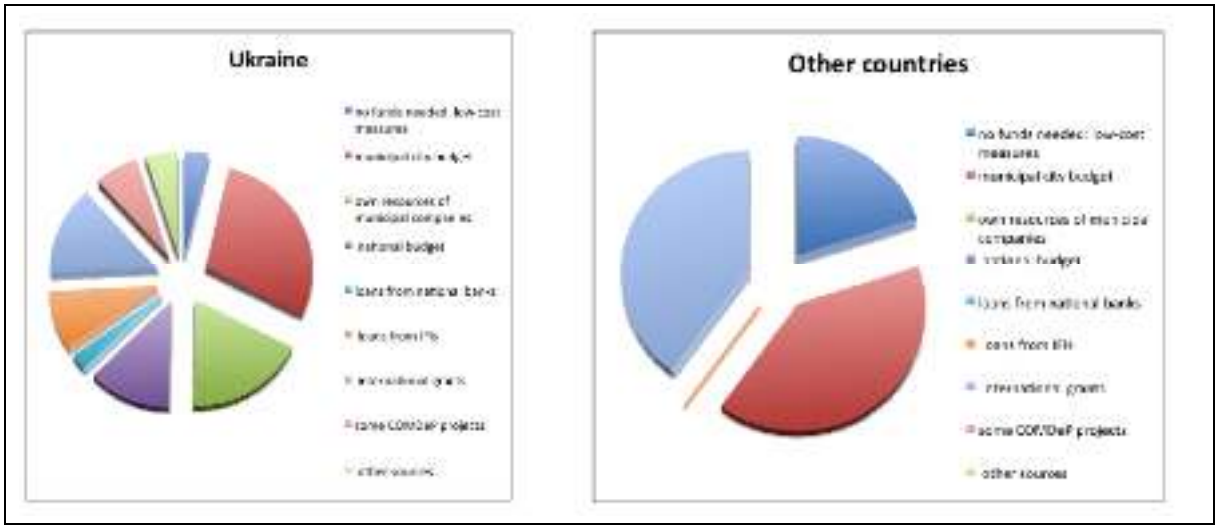
[9] Interview with DG NEAR and CoR staff.
[10] JRC (2018): The Com - Evaluation of the SEAPs in the MENA Region.
[11] Interviews with signatories and CoM managers.

Figure 1 LAs difficulties with finance



Source: EU (2016): Evaluation of CoM East.

Figure 2 LAs sources of finance



Source: EU (2016): Evaluation of CoM East.

In focusing CoM resources on the most advanced countries (Ukraine and Georgia), the others were neglected, particularly Belarus and Moldova. However, the relevance of CoM is demonstrated by the fact that even without much support, all the EaP countries (except Azerbaijan, which is also an outlier in respect of M4EG) have made significant achievements.

A somewhat similar picture emerges in the **Neighbourhood South**, where LAs also complain about the lack of finance, due to their limited annual budgets. The JRC (2018) evaluation of SEAPs the MENA Region reported that the financing topic was not developed to a satisfactory detail in any of evaluated SECAPs. The SECAPs also failed to explore synergies with other initiatives which could have leveraged more financing. Again, a key reasoning for these shortcomings were due to the fact that the '*sections of the financing part of the various SECAPs were identical to each other, especially on the call for innovative financing mechanisms where the justification for their need was always the same. The conclusion is that due to the external support in the preparation of the plans, certain sections were repeated without further contextual analysis and/or reflection*'. However, also in this context of the later commencement of the initiative has meant that there is a steeper learning curve, but the relevance of the instrument in getting direct access to LAs remain valid, in context where this is feasible.[12] Unfortunately, the centralisation of authority in several countries in the region limits the usability.

Evidence that the EU has used the 'right mix' of aid modalities and delivery channels (I-2.1.2)

Again, the CoM is the only one modality and delivery channel, but it has clearly been able to link up to some other engagements in the both environmental and energy sectors where EU's more nation-wide support has provided a conducive framework for the CoM engagements. However, as stated above there are also examples of the initiative not being able to utilise synergies in the Neighbourhood South.

[12] Interviews with several stakeholders, incl. CoR.

All in all, core stakeholders argued that more could be done to create stronger synergies between the CoM and more mainstream bilateral engagements, but that care should be taken not to compromise CoM's independence and its peer-to-peer qualities.

EU TA and investment grants are orienting the activities of IFIs with LAs (I-2.1.3)

The CoM has a clear ambition to assist in leveraging finance where needed for meeting the objectives of the initiative. In *Ukraine,* six EBRD loans in the district-heating sector have been facilitated to signatory cities and ninety per cent of NEFCO loans and grants in Ukraine's municipal sector take place in Covenant signatories.[13] The GIZ 'Municipal Energy Efficiency' project made CoM signature a criteria for cities to become eligible to participate in the project. The USAID project on municipal energy has the development of a SEAP for twenty Ukrainian cities as a core activity. In *Georgia and Armenia*, nearly all cities above a certain size are signatories, so comparisons are not possible. In Moldova, there are several non-signatory cities and suspended signatories but the existence of a SECAP is still strong evidence of commitment and clear strategy by a city, and this help them to gain additional resources from IFIs for projects, e.g. in Calarasi and Balti, as well as to attract funding. There has also been good support by IFIs investing in a promising new activity, as well as for environmental NGOs (especially in Belarus) who found new opportunities to propose their services to LAs. CoM has thus been an important building block, enabling cities to start building the capacities (technical and institutional) to develop and implement strategies for sustainable energy at municipal level.

In the Neighbourhood South there seems to have been more challenges in mobilising IFIs for finance, with the JRC (2018) evaluation of SEAPs the MENA Region calling for earlier engagements of IFIs (Morocco) and generally for leveraging their assistance in accessing innovative finance.

A general problem for both Neighbourhood South and Neighbourhood East is the lack of finance without sovereign guarantees and/or for smaller projects. Sovereign guarantees are automatically reserved by national governments for projects of national priority and are in any case strictly limited. Thus, most LAs have few legal options to borrow from DFIs and many are also too small to make this viable.[14] However, where possible, CoM has made LAs aware of funding opportunities that has leveraged finance.[15] And in places where the context allows, CoM can provide the catalyst for accessing both grant and loan finance. For instance, in Ukraine, the EUD staff covering energy mentioned that the Nordic Environment Finance Corporation, (which is mixing grants and loan) is now prioritising LA with CoM experience in the portfolio.

2.2 Adequate resources and strategic engagement with LAs/ALAs (JC2.2)

Adequate human resources engaged in and knowledgeable on LA issues (I-2.2.1)

The initiative has supported LAs both from Brussels where the European Commission's Joint Research Centre (JRC) provide scientific, methodological and technical support to the Covenant of Mayors initiative and from the regional hubs. In earlier phases, the JRC developed methodologies chiefly targeting the EU countries, collaborating with city networks and practitioners from local and regional authorities, energy agencies and academia. Subsequently, the JRC has adapted the Covenant's methodology to the specific situation of the EU's Eastern and Southern neighbours.[16] DG NEAR also provides support to the initiative in both regions and EUDs also follow up at national level.

The a regional hub in East was established in Kyiv where a helpdesk is also operated providing a hotline, daily management of the website, tailored support and advice to SECAP developers and the development of guidelines.[17] This includes capacity building to strengthen the expertise of covenant national coordinators, covenant territorial coordinators, covenant supporters and signatories in the field of energy and climate policies. On-site visits are also done, which can lead to changes in the specific CoM-supported projects.[18]

[13] EU (2016): Evaluation of the Covenant of Mayors – East.
[14] See e.g. DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries.
[15] E.g. in Lebanon, LA staff became aware of the available incentives for RE/EE projects that the local community could make use of (NEEREA subsidised loans, Baladi, CEDRO-UNDP Programs, etc.) and which banks provide such incentives. They were then able to identify two banks that provided environmental and green Loans, and information on these green loans were distributed to the local community. See: SUDEP: Best practices report, 2018.
[16] JRC (2017): The CoM - Evaluation of SEAPs from Eastern Partnership and Central Asian countries
[17] This has also included a helpdesk. However, the helpdesk implementer did not adopt suitable helpdesk software which would have made it more efficient in ensuring timely and appropriate answers to questions as well as increasing resources in peak periods. See above evaluation.
[18] E.g. the Telavi biomass project in Georgia was substantially revised (and budgets raised) after a technical team from Ukraine visited.

The CoM hubs (including support programmes such as Clima-MED) generally provide relevant services. In the Neighbourhood South there are two regional hubs in Rabat and Beirut, established under the CES-MED project and continued under the successor programme Clima-Med. In general, the indications are that the support in Neighbourhood East has been more adapted to the local contexts than in the Neighbourhood South, as they have longer experience with the initiative and arguably also operative in a political context where approximation to EU standards is seen as a higher priority than in the south.

Availability and effective use of training facilities and technical/thematic support provided (I-2.2.2)

In the Neighbourhood East, a main strategy deployed has been the linkage of technical assistance for motivating cities to sign up to the CoM with grants for the drafting of SECAPs and the mobilisation of the 'Demonstration Projects of the Covenant of Mayors in the Eastern Partnership' facility (CoMDeP) for implementation of pilot projects within the measures of the SEAPs. In both cases, the take-up has been full, which confirms the relevance of this strategy.

However, the differential strategy employed by the CoM-East TA project in the region has been a success in maximising the figures, as Ukraine got a significant boost, but was less effective in delivering equal results in other countries. Most resources have been deployed in Ukraine. Georgia and Armenia have benefited from half-time in-country coordinators, whereas cities in Belarus and Moldova have had little support in-country. In all cases however, cities have been invited to shared training sessions and events, and some events have been held in Georgia as well as Ukraine, improving accessibility for cities. In the specific CoM cases in Neighbourhood East (e.g. Georgia and Ukraine), there is significant training included which has been provided both by the regional hub in Ukraine but also by national support organisations, such as the Energy Efficiency Centre of Georgia, which is training both national and regional authorities in and outside Georgia. EECG also acts as the financial manager and 'key partner' in specific CoM projects. Generally, the training and financial management expertise provided has been appreciated by the interviewed signatories and contributes to the attractiveness of the initiative.

The 2018 MENA evaluation points out the need to accelerate the use of training of municipal staff as a means to increase technical expertise and capacity for SECAP development and implementation. Clearly the continuation of support efforts under Clima-MED is a testimony to EU's ambitions to continue to assist LAs in the region, despite a mixed context that pose significant challenges.

Use of external knowledge and data (e.g. from ALAs). (I-2.2.3)

Cleary the LAs themselves are supposed to draw on significant local expertise to draft the BEI and the SECAPs although there seems to be significant variations of the degree to which this is happening between Neighbourhood East and Neighbourhood South. In the small cities of Ukraine, the LAs there have used the Association of Small Cities of Ukraine, to do a number of activities such as sociological research, organizing the final conference, seminars, the selection of trainers and the external evaluation of the results of the project. It is here found that the ALA has a significant positive experience and implemented a significant number of educational programs on various thematic areas of community life.[19]

In general, the core knowledge thus comes from the JRC and the CoM Europe which is setting standards and leading in research. This in turn is based on both practical experiences from the constituent signatories as well as research from academia and think thanks. The regional hubs and national coordinators help translate this knowledge into concrete guidelines and practices relevant, although there is arguably still an unfinished agenda of making these guidelines and processes more accessible to especially smaller LAs with low levels of capacity.

2.3 Measured performance informing planning (JC2.3)

M&E systems capture results (outputs, outcomes and impacts) of EU support (I-2.3.1)

The CoM has an integrated monitoring and reporting framework with guidance detailing the Sustainable Energy and Climate Action Plan (SECAP) template and comprehensive reporting formats that were developed together with practitioners from local and regional authorities and other key stakeholders. The framework aims to support new signatories in their energy and climate planning and to help them track progress on the implementation of their commitments. It enables signatories to report on their 2030 mitigation targets and actions and on climate adaptation. Monitoring emission inventories much also be provided every second year. The emission cuts are clearly a key impact and hence also subject to close monitoring. However not all signatories have yet managed to submit monitoring reports. In the south, none have done so whereas in the east the figure was 15% (also reflecting that some signatories had

[19] City of Ukraina: Description of the action.

not reached the stage where they were required to submit monitoring reports).[20] Again there is a significant discrepancy between the performance of east and south, with signatories in south also having weaker capacities. Moreover, there may also be a need to make the M&E system more tailored to the specific needs and capacities of the individual LAs as some in south have very limited capacity and very limited information available upon which to build their monitoring and reporting systems. The JRC evaluation of SECAP reports from MENA has thus recommended that particularly national counterparts, supported by JRC should develop and distribute technical reference materials to LAs in areas for which local energy data may be limited or non-existent. In these cases, suggested 'best methods' for estimating local values from national references would be very helpful to local authorities.[21] Interviews with both regional programme managers and EUDs confirmed the need for a more flexible approach.

M&E insights feed into the decision-making and facilitate adaptation of approaches (I-2.3.2)

The interviewed signatories did do monitoring at project level, helped by CoM support mechanisms, and this clearly also facilitated the adjustment of approaches at the local level. Thus in Telavi, Georgia monitoring helped in improving the technical quality of the energy efficiency measures (albeit with higher costs as a corollary). However, there seems to be a need to adapt the M&E system to also fit with smaller weaker capacitated LAs (as also stated in I-2.3.1).

3 (EQ 3) Coordination and complementarity

3.1 3Cs of EU support with other donors (JC3.1)

EU engage in LA-related coordination & donor fora (I-3.1.1)

In the individual project documents (description of action), there is usually a section devoted to how the project will coordinate with other donors, financers and energy-related projects. Here the coordination seems to be good with e.g. the City of Telavi (biomass energy) cooperating with e.g. UNDPs renewable energy action plan and Danida's energy efficiency in building programmes. Also, in Georgia, the EECG is engaged in numerous other energy- and climate-related projects and has a network with the core development partners in this space. Clearly this also facilitates improved coordination and is also a key attraction of using EECG as the key applicant. The JRC (2018) evaluation of SEAPs in the MENA Region also highlights the need for coordination 'in an optimal manner during the pre-investment phase between IFIs, national authorities and donors to facilitate optimal preparation of projects.'[22] A sentiment echoed in most interviews conducted, not least in respect of having more unified PIUs in municipalities (e.g. each donor supporting energy efficiency requite one PIU, thus spreading management and fiscal resources too thinly).

However, other donors and IFIs may not coordinate, undermining CoM and EU's efforts. In some countries other donors provide TA for CoM on a bilateral basis, such as in Ukraine with USAID's Municipal Energy Support project. This is undermining the principle of achieving results through cities' own efforts which underpins CoM. In Georgia, support for SEAPs was provided by USAID, whose subcontractor decided which cities got the support, when only 10 cities could be catered for. In Moldova, national energy efficiency funds (EEF and the Social Investment Fund of Moldova a.k.a. FISM) have been able to support many municipal demonstration projects.[23]

The Evaluation of the CoM-East (2016) of also argued that the initiative had adopted a too narrow approach in terms of donor coordination, focusing only on larger cities able to take on loans, rather than looking at the wider availability of funding sources. Donor/IFI coordination is also a task normally undertaken by a Ministry at national level to ensure that national priority projects get funding, thus coming into direct conflict with CoM objectives of direct engagement with LAs.

Some interviewees stated that EU coordination could be improved, as some EUDs had limited capacity (or in a few cases, limited interest in) coordinating with CoM, thus missing potential synergies with other initiatives.[24] Again the experiences vary considerably from country to country and is also related to the interest of the staff and the general project portfolio composition (e.g. EUD with decentralisation programmes tend to have more interest in CoM than those where there is no other engagement with LAs).

[20] JRC (2018): The CoM - Evaluation of the SEAPs in the MENA Region and EU (2016): Evaluation of the Covenant of Mayors – East. Updated information (August 2020) at https://www.eumayors.eu/plans-and-actions/progress.html indicate that there are still no monitoring from south whereas east has produced 53, of which 45 are from Ukraine.
[21] JRC (2018): The CoM - Evaluation of the SEAPs in the MENA Region.
[22] Ibid., p52.
[23] EU (2016): Evaluation of the Covenant of Mayors – East, Annex 4, and described in Case Study 6.
[24] E.g. CoR is also active in this space and would welcome more systemic coordination.

Joint programming with EU MS for effectiveness and efficiency (I-3.1.2)

No effort seems to be made in this space as the programming of CoM is bottom-up, demand-driven and voluntarily driven. Hence, this issue is of limited relevance.

Division of labour promoted (I-3.1.3)

It is clear that the CoM and EU grants often are complementary to and support investment finance from IFIs, with the latter doing due diligence before investing / extending loans. Thus, there is a robust division of responsibility especially in the larger infrastructure-centred engagements, where the CoM and EU can provide funding and support for soft aspects (e.g. training, surveys, TA and networking) whereas the IFIs provide funding for infrastructure and also often undertake very technical due diligence. Other than that, there is limited explicit division of labour at aggregate level, but at local level, LAs seems to be aware of other initiatives and how to ensure proper division of labour.[25]

Evidence that synergies between development partners have been exploited (I-3.1.4)

The CoM has increased its cooperation with IFIs including EBRD and NIP, exploiting synergies between grants, technical assistance and investment finance. More is being done in this space with an upcoming study, commissioned by DG NEAR, on municipal financing and options for better finance and more innovative finance.[26] Otherwise most synergies seem located at the concrete engagement level, where municipalities are identifying ways of synergizing with other development partners. Thus in Telavi, Georgia, the description of the action of the biomass and energy efficiency project states '*synergy is built with current project "The Training and Certification of Private Sector Energy Auditors and Awareness Campaign for Energy Efficiency in Buildings", financed by the Danish Ministry for Foreign Affairs and DANIDA, and administered by the Nordic Environment Finance Corporation (NEFCO) promoting awareness campaigns dedicated to the six (6) CoM committed to energy efficiency in public buildings'*.[27] In south, the 2018 evaluation, referring to SECAPs, stated that '*little reference was made to existing or planned initiatives where synergies could be sought*' but noting that there were exceptions such as Morocco where specific links were planned with Jiha Tinou, the territorial strategy of the Moroccan Agency for Development of Renewable Energy and Energy Efficiency (Agence nationale pour le développement des énergies renouvelables et de l'efficacité énergétique).[28] Again, the picture emerging is one of uneven level of synergies, being somewhat ad-hoc but arguably also flexible and non-dogmatic in the sense that synergies and coordination efforts are not imposed in context where it may not be warranted.

3.2 Strategic partnerships have improved 3Cs (JC3.2)

Strategic partnerships with ALAs exploited and provide added value (I-3.2.1)

Not relevant, as ALAs have not been engaged strategically, but more pragmatically at the country and project level, e.g. in Ukraine to disseminate findings from specific projects.

Visibility, relevance and impact of EU support is enhanced through global partnerships (I-3.2.2)

As far as CoM can be characterised as a global partnership (in this evaluation context, that term is mostly used for engaging with e.g. UCLG), the initiative provides quite significant visibility both locally and nationally. In Neighbourhood East, the development of SECAPs has raised visibility and not least in cases where the documents have been made in (or also translated to) English or Russian. In the Neighbourhood South, media (including social media) has been used extensively raising the visibility of the *initiative*. However, there are reports indicating that visibility challenges remain as projects are not clearly attributed to EU funding or even the Covenant.[29] Moreover, there are also concerns about the lasting effect of international partnerships established through CoM grants as it is at times not fully visible, and cities working on the same grant team do not appear to have retained strong links.

On the other hand, most projects have a visibility plan as part of contract, including the list of actions for results dissemination. The media used for dissemination varies as some use ALAs, Facebook or physical meetings. In Ukraine, the CoM coordinator at EUD level added that the organisation of a 'sustainable energy week' has also proved to increase visibility.

In Morocco, the municipality of Chefchaouen commune presented the CoM project during a workshop on sustainable cities and territories at Medcop21 in Marseille and at COP21 in Paris and was

[25] However, some stakeholders (e.g. CoR) argued that CoM was too siloed and there was a need to include the initiative more robustly in a 'coalition of climate willing actors', but also recognized the challenges of doing so, especially outside EU.
[26] Interview with DG NEAR.
[27] City of Telavi: Description of the action, p12.
[28] P39.
[29] EU (2016): Evaluation of the Covenant of Mayors – East.

subsequently called a 'star performer' in CoM. [30] The President of the Chefchaouen commune presented the project during a workshop on sustainable cities and territories at Medcop21 in Marseille and at COP21 in Paris, providing high visibility to both the CoM and EU. This helped intensify interest for the CoM with also growing institutional interest in the SUDEP programme. Key events such as the Medcop Climat in Tanger or the Climate Chance summit of non-state actors in Nantes, followed by the Franco-Moroccan decentralized cooperation conference in Marrakech, led to up to a strong participation in COP22 (which of course was held in Morocco). In general, SUPED has been rather active in Morocco on the visibility front, assisted by (and also assisting) the COP22.[31] An NGO active in Chefchaouen confirmed its involvement in increasing visibility including in Chefchaouen, but also in the Tanger-Teetouan-Al-Hoceima region, where it is starting its engagement.

In Lebanon, the EUD also highlighted the good visibility that regional cooperation entails, especially south-south cooperation, but also that from the perspective of LAs, it was difficult to distinguish what was bilateral EU cooperation and what was the CoM.

4 (EQ 4) LAs' enhanced engagement in development processes and in EU external action

4.1 Roles and mandates of LAs (JC4.1)

Involvement of LAs in public policy (I-4.1.1)

The CoM is fundamentally about *implementing* mitigation and adaptation policies and commitments, less about changing public policy. However, there are clearly elements that can shape the public policy discourse around how to implement the needed measures.

Starting with the SECAP process: while it is a rather complex technical tool for specialists to assess CO2 emissions, it has also been praised as a platform to launch policy debates within municipalities about energy efficient solutions for delivering better municipal public services.[32] The process can be seen as a localisation of global policies including the SDG 13 on taking urgent action to combat climate change and its impacts. In south, there has been many bottlenecks in the national policy frameworks that shape the context for SECAP and realising this, Clima-MED is now piloting so-call SECAP Support Teams, that are typically hosted in a relevant national ministry (e.g. Ministry of environment) but composed of other relevant public authorities. Based on interviews with DG NEAR, not all countries have welcomed this concept, but there are good examples of this influencing the national policy as well as disseminating valuable information from the centre down to LAs. Similarly, in east, the government of Georgia has also recognised the valuable experiences of the CoM signatories and included them in the national council on climate change, which will assist in shaping the policy framework around mitigation and adaptation. In Morocco, the SUDEP helped in translating national energy policies into local ones as well as translating these policies into concrete actions. With the commune gradually increasing ownership.

The upward policy influence is thus seen in some countries in Neighbourhood South, where CoM has the ambition to 'contribute to making national authorities more aware of and responsive to the need for and advantages of a strong involvement of cities in policy issues which has a direct impact on them - such as local waste and water management, urban mobility and transport and local energy use'.[33]

However, smaller cities are generally not sufficiently capacitated to address the wider policy issues of local waste and water management, transport planning and local energy generation and consumption, which nevertheless concern them and their residents. Here there is a still unfinished agenda.

CoM has accelerated the growth of a large community of local officials and servants better informed and motivated about energy efficiency and renewable energy are promoting the acceptance of new sustainable energy policies, but the transformation of local trends into a national policy is not happening overnight. The bulk of national energy policies remain up to now designed by national energy suppliers and administrations, often also focused on rent extraction through increased supply than on development of new sustainable policies.[34] Here there is arguably still a need to intensify support at national level to promote more sustainable energy and environmental policy, typically through bilateral programmes, with CoM complementing and providing knowledge from the local level .

[30] EU (2018): Final evaluation of SUDEP Chefchaouen, p7.
[31] See country case study on Morocco.
[32] EU (2016): Evaluation of the Covenant of Mayors – East as well as JRC (2018): The CoM - Evaluation of the SEAPs in the MENA Region.
[33] EU (2015): ToR for the Cleaner Energy saving Mediterranean Cities.
[34] EU (2016): Evaluation of the Covenant of Mayors – East.

Mainstreaming LA participation in the implementation of EU interventions (I-4.1.2)

The CoM is perhaps the most prominent case of LAs being mainstreamed into EU interventions as LAs are the core partner in the initiative. In general, the CoM is sufficiently apolitical that the central authorities have allowed the initiative in virtual all countries. However, the outcomes are still somewhat mixed with those with the most centralised systems (mostly in Neighbourhood South) struggling and with high uniformity in SECAPs.

From the specific case studies in Georgia and Ukraine, there seems to be strong local support and engagement in the CoM, with substantial agency and empowerment potential.

However, the degree to which CoM is mainstreamed *into the overall EU strategic programming* varies with some EUDs reporting low levels of mainstreaming (e.g. Lebanon) whereas other have much stronger mainstreaming and integration into the overall EU portfolio related to energy, climate and local authorities (e.g. Ukraine and increasingly also Georgia).

4.2 LAs improving their political, institutional and financial sustainability (JC4.2)

Long-term funding issues of LAs (I-4.2.1)

LAs are required to identify the key financing resources that will be used to finance the actions of the SECAPs. They usually use local or national financial resources and private and external resources (e.g. from national budgets, EU or other donors) to implement the actions. Typically, SECAP relies heavily on external resources, such as international organizations, donors and banks. The reason for this is the limited financial resources in the local budget. Although the SECAP should identify the key resources for funding the implementation of the plan, only a list of potential donors is usually presented in the SECAP without providing further information or linking to exiting or planned initiatives.[35] In several eastern cases, financial resources for implementing measures have not been sufficiently described in the SECAP suggesting that no arrangements or commitments have been made for securing the funds at the time of SECAP development. In the south, finance is arguably even more a binding constraint as LAs are even less able to attract investments and loans. Here, the DG NEAR has established an informal working group with IFIs that is seeking to identify options for providing finance to cities in e.g. Tunisia, Egypt and Jordan.

Thus, finance is an important issue and increasingly integrated into DG NEAR planning and practices. Ongoing efforts in east aim to better introduce more innovative finance, based on the outcomes of a study on municipal finance.[36] Especially smaller cities which are also facing higher interest rates suffer. In this context, more significant use of guarantee funding, bundling of smaller municipalities, blended finance and de-risking tools is considered.[37]

However, the funding from both EU (grants) and IFIs (loans or loans with concessional elements) is timebound and there are concerns that permanent funding streams to the new infrastructure may not be enough to ensure continue operation, maintenance and eventual replacement.[38] On the other hand, some of the energy efficiency investments will bring cost savings to LAs budgets in the long term, thus improving the long-term funding position of the LAs in question. Combined with fiscal decentralisation (as in e.g. Ukraine), this could improve the ability to take on larger projects. On the balance, most energy efficiency interventions, including those in the Georgia and Ukraine case studies, have net long-term positive impact on LAs balance sheets, thus underpinning improved long-term funding.

Direct political relations with LAs /ALAs (I-4.2.2)

The CoM is clearly allowing EU to have direct relations with LAs, but within relatively narrow confines of energy efficiency and climate change. Many cities that are already implementing their SECAPs have expressed an interest in developing cooperation with CoM signatories from within the EU.[39]

In some countries (e.g. Armenia and Moldova), associations of LAs have been developed with support (now ended) by USAID. Although these have been focused on decentralisation or local political issues, they have also played a role in CoM. But these organisations do not have the capacity or the political clout to intercede in political issues between municipalities and the government on energy policy issues.

[35] See e.g. JRC (2018): The CoM - Evaluation of the SEAPs in the MENA Region, p39; and EU (2016): Evaluation of CoM – East.
[36] DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries.
[37] Ibid. as well as interview with DG NEAR.
[38] JRC (2018): The Com - Evaluation of the SEAPs in the MENA Region.
[39] Especially in Ukraine, see: EU (2016): Evaluation of CoM – East. This aspect has also been recommended by the municipal finance study mentioned above.

While many signatories reported that they appreciated the network effects of the CoM and its exposure to new ways of promoting energy efficiency, there was also a strong project level focus, that may have limited the degree to which any (energy) political relation will outlast the specific projects. As also argued in the municipal finance study, municipalities have generally shied away from engaging in more comprehensive urban planning instead mainly doing renovation, again limiting the systemic changes. EUDs on their side have also displayed decidedly mixed uptake of the CoM in terms of leveraging the initiative for fostering direct political relations with LAs, again with those EUD already have in LA engagement in their bilateral portfolio (e.g. a decentralisation programme) most often taking advantage of CoM.

EU integration of subnational actors in future policy frameworks and the MFF (I-4.2.3)

No information available.

4.3 LA's knowledge about EU (JC4.3)

Increased ALAs' and LAs' knowledge of EU (I-4.3.1)

As stated above, there have been issues with the EU not being particularly associated with the initiative, the latter being associated with the CoM or just general energy efficiency and networking across Europe and beyond. However, this seems to be more prominent in EUDs where the bilateral portfolio does not encourage direct engagements with LAs and thus where there is more limited cooperation between the CoM and the EUDs. Otherwise, the CoM has been generally good at projecting EU's norms an values in relation to energy efficiency and climate change and also forged strong networks at national and regional level, but perhaps insufficiently so between EU and the south and east.[40] The limited networking with EU LAs and knowledge institutions may also have made more transformative investments less apparent to partner LAs, as they have not been sufficiently exposed to the more cutting edge invocation occurring in EU.[41]

In addition, LAs have also been exposed to EU standards on transparency in terms of project financing and due diligence which has also improved accountability (see also I-6.1.2).

EUDs targeting LAs in awareness / information campaigns (I-4.3.2)

There is some evidence that the EU is using the CoM as a mean to raise awareness. In Georgia, the CoM is used on social media to promote energy efficiency[42] while Ukraine is also using the CoM activities as examples of successful engagement, raising the profile of the EUD and its efforts in relation to wider decentralisation.[43] In Morocco the EUD has similarly used the CoM as a way to leverage wider EU visibility.

LAs and ALAs seek, receive and communicate information on the EU (I-4.3.3)

The CoM has made LAs more aware of EU standards and norms, but most communication and information appear to be either done in national and regional networks or by the CoM teams providing information. LAs could possibly have better access to core EU knowledge and research on more holistic and innovative local planning approaches using CoM as a starting point.

5 (EQ 5) LAs' empowerment and capacities

5.1 EU support to national framework conditions for LAs (JC5.1)

EU support worked with central governments to improve conditions for LAs (I-5.1.1)

The CoM is working directly with LAs and have limited ambitions in engaging with central authorities to change the framework conditions. However, the CoM East did try to build shared capacity at national level but that was unsuccessful and eventually abandoned.[44]

Indirectly, the EU is working bilaterally with many ministries of environment and energy to improve overall framework conditions, typically by supporting the mitigation and adaptation goals that obviously also improve the framework conditions for the CoM. Energy reforms are also supported by EU and these tend to improve the context by e.g. reducing subsidies on fossil fuels and policies on energy efficiency and renewable energy.

[40] See e.g. DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries; as well as interviews with signatories.
[41] Thus, most focus has been on renovations with limited investment in more innovative solutions.
[42] EUD Georgia (2016): External Assistance Management Report.
[43] EUD Ukraine (2017): External Assistance Management Report.
[44] EU (2016): Evaluation of the Covenant of Mayors – East.

Also, some CoM projects aimed to influence national policy by setting out good examples of energy efficiency such as automated energy systems project in Ukraine where the association of small cities of Ukraine helped push the issue on the national agenda. Thus, interviews with DG NEAR reveal that the CoM projects also work as evidencing approaches at the local level that feeds into national level policy making.

In several southern countries, CoM also report their legal and procedural challenges imposed by central authorities when drafting SECAPs. At central level, the SECAP support team then liaise with relevant ministries, seeking to find appropriate solutions to the day-to-day challenges LAs face in drafting and implementing SECAPs. However, it was highlighted during interviews that not all countries are willing to adopt this approach. Similarly, in Georgia, the national level climate change council is in part inspired by the CoM initiatives and includes representatives from CoM signatories. The climate change council under the prime minister's office, is expected to improve coordination of all responsible ministries and agencies in the field of climate protection.

Nevertheless, there are calls in all three evaluation of the CoM that more support should be forthcoming to national governments to promote the Covenant in the regions and this should help the municipalities develop and implement their action plans. Also, in terms of providing better budgetary framework conditions. This is also echoed in the municipal finance study which argued that support *'is needed at national level for administrative-territorial and fiscal decentralisation reform that push for consolidation, decentralisation, multi-annual budgets, and financial planning, allowing for municipal borrowing limits that reflect the ability to repay the loan'*.[45]

EU assisted LAs in accessing domestic resources (I-5.1.2)

The access to domestic recourses is singled out in all three evaluations of the CoM as a main problem, a fact that was corroborated in all interviews of LAs, CoM teams and EU staff. However, interviewed Clima-Med staff have put forward that the SECAP process can be a useful way to create an overview of financing streams and can also lead to the rationalisation of existing expenditures leading to better efficiency and the free up of resources.

In most countries, especially where there is not full political and fiscal decentralisation of LAs, the central authorities will have to both approve and often provide finance for the CoM to become effective.[46] However, SECAP can help in the process of accessing such domestic finance by making a SECAP that is costed and also approved by the EU's JRC, increasing its legitimacy. Thus the CoM initiative assisted the Chefchaouen municipality in Morocco to access domestic resources by supporting the municipality in formulating a clear and evidence-based strategy of qualitative and environmental upgrading of street lighting. A consultancy firm was selected and contracted to carry out a diagnosis. And with the results combined with technical assistance, the municipality submitted a request for funding of 8 mMAD to the Ministry of the Interior and the *Direction des Collectivités Locales* in addition to the SUDEP budget.[47] In larger cities, the SECAP can also be useful in getting domestic private finance mobilised.

Nevertheless, with the partial expectations of Ukraine and Tunisia, political systems are highly centralised, with LAs needing more support from national governments and the financial sector, especially the many smaller LAs that have limited budgets, creditworthiness and capacities. The CoM has so far not exploited all options in that context. As stated in the evaluation: *'LAs seek complementary funding at national level. Unfortunately, the financing topic was not developed to a satisfactory level of detail in any of the mentioned plans [SECAPs]'*.[48] Similar sentiments have been expressed in East where the recent report on municipal finance for energy efficiency states that *'local government borrowing is limited not only by centrally imposed restrictions but also by the lack of creditworthiness since municipal creditworthiness varies by country'*. The report estimates that there is still an investment gap at LA level of 7 to 90 times (see table below) the current capital expenditure levels clearly signifying that despite the CoM, there is an unfinished agenda that DG NEAR is also aware of.[49]

[45] DEM: Municipal Finance Study, June 2020, p69.
[46] EU (2016): Evaluation of the Covenant of Mayors – East. Most extreme is the case in Azerbaijan where central authorities are responsible for most municipal services and infrastructure and control most financial resources.
[47] See country case study on Lebanon.
[48] JRC (2018): The Com - Evaluation of the SEAPs in the MENA Region, p39.
[49] Corroborated through interview with DG NEAR.

Table 1 Investment needs by size of city

	Size of the municipality, # of inhabitants		
	15,000	**50,000**	**150,000**
Investment needs in EE, RE and urban public transport, M.EUR	> 10	50 – 90	> 200
Typical budget revenues. M.EUR	1-3	10-25	30-80
Typical annual capital expenditures M.EUR	0.5-1.5	1-5	3-15

Source: DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries.

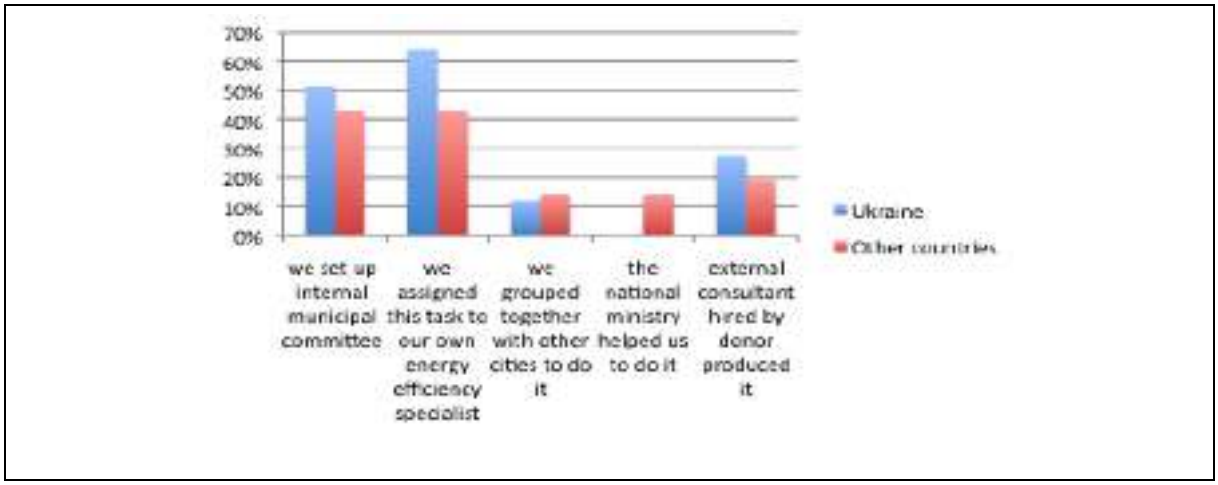
5.2 LAs' strengthened institutional capacities (JC5.2)

EU supported internal capacity of LAs (I-5.2.1)

At the core of the CoM is the assistance to LAs to improve their capacity to plan and implement energy efficiency and broader climate actions that can mitigate and adapt to climate change. A starting point has been the baseline emission inventories (BEIs) followed by the SECAPs.

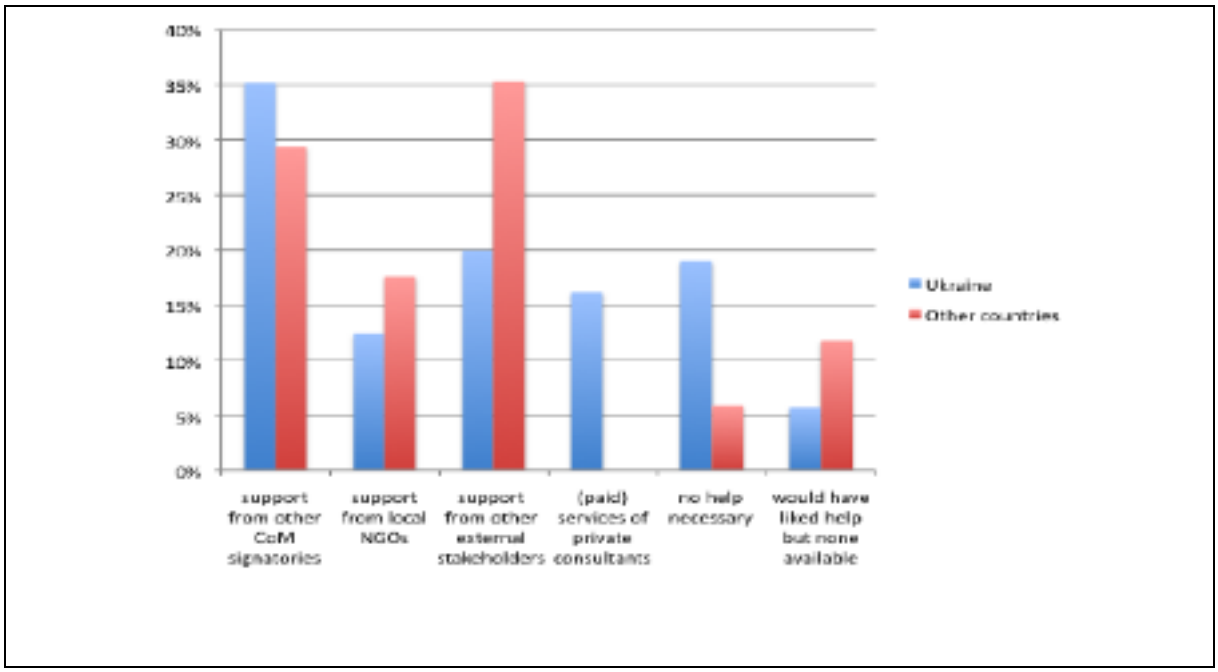
In the **Neighbourhood East**, almost all LAs had to call on external help to prepare the BEI and the SECAP, though perhaps this was less difficult in Ukraine as the cities generally had energy engineers among their staff. There was little help from national ministries, but no hindrance either. As can be seen from the figures below, most signatories did own the SECAP development process, but relied heavily on support from the CoM helped out.

Figure 3 Cities' approaches to developing SECAPs



Source: EU (2016): Evaluation of the Covenant of Mayors – East.

Figure 4 Assistance used to prepare SECAPs at municipal level



Source: EU (2016): Evaluation of the Covenant of Mayors – East.

Still in the **Neighbourhood East**, the Evaluation of the CoM-East (2016) concluded that capacity building and training at city level was generally well acknowledged and appreciated, but that there were difficulties combining training programmes for both beginner and advanced training at the same time, also reflection the more fundamental problem of many smaller LAs having weak capacities and even weaker financial positions. Moreover, the capacities built have at times been reduced by political changes leading to high staff turnover and poaching by donors or the private sector. However, capacity development support was less used by non-Ukrainians, who either were not aware of it, or pursued solutions through their country representative (Georgia and Armenia).

Despite the aforementioned efforts, LAs capacity to develop good projects was still evaluated to be weak, lacking a vision of sustainable urban development and planning. This has also been echoed more recently in the study of municipal finance in EaP that argued that *'while the CoM's narrow focus on energy efficiency and renewable energy helps to make the process manageable, this does not produce a vision for the future, since projects are always conceived as renovation of existing facilities, whether or not they are suitably designed or located for current and future needs. An urban planning vision of the future is crucial to deal with climate change adaption and solid waste disposal, as well as to deal with depopulation of rural areas, and the concentration of population in larger cities. Planning needs to be carried out both from the bottom up, with concrete projects at municipal level and from top down, incorporating policy level plans, which when disaggregated, incorporate municipal plans'.* Clearly this was also a feature in the conversation with CoM managers both in south and east, which confirmed the relatively narrow focus on mostly renovation, but argued that this at least was a start, with ambitions being scalable.

In Ukraine, USAID has been using CoM membership as a way of selecting cities with which to partner its Municipal Energy Reform Programme which also aimed to increase capacities. In Georgia, USAID offered support to 10 signatories to create SEAPs and this prompted a movement to sign the Covenant. An overwhelming majority of municipal stakeholders interviewed by the Evaluation of the CoM-East (2016) understood and valued the project. Even when there were comments about the depth of some technical training, the overall opinion was that the activities were designed and delivered for them.

Similar findings emerge from the Evaluation of the CoM in Eastern Partnership and Central Asian countries (2017) where signatories boosted their capacity for energy management systems in their cities.

In the **Neighbourhood south**, the initial capacity development support to do the BEI and SECAP has been criticised as being generic and not adapted to the local context, with too much copy-paste across LAs and nations. However, it also argued that support was needed as local expertise was scarce, but that the quality of capacity development and technical assistance needed improvements. Clima-MED has, unconvincingly, argued that it has been JRC imposing uniform templates, combined with less

qualified sub-contractors that resulted in the copy-pasting.[50] However, the SUPED has tried to move towards more tailored approaches to capacity development as in Chefchaouen, Morocco, where it applied participatory approaches in most dimensions of the process (including in tendering, investment, external communication, etc.). This resulted in a strong ownership at different levels of the municipality, steep learning and competence enhancement of municipal staff as well as a better role division among the various actors involved. [51] Similarly, the EUD in Morocco also highted the CoM as a way forward to build capacity though exchanges between local, regional and international municipalities.

EU support has enhanced the capacities of the local authorities in the enlargement region to adopt the relevant EU acquis (I-5.2.2)

Not relevant as the CoM is not active in the region.

5.3 LAs' enhanced role as catalysts for territorial approaches to local development (JC5.3)

EU supported LAs as catalysts of urban/territorial development (I 5.3.1)

The initiative has per se no ambition to directly empower LAs to become catalyst of territorial development, nevertheless, the planning and implementation clearly has nascent elements that contribute to it. Moreover, the cooperation with CSOs/NGOs is in some context formalised into a concept which also has the potential to leverage other actors that can promote wider development outcomes. The CoM also clearly recognises LAs are key catalysts for addressing climate change and encourage them collaborate with all relevant actors both locally, nationally and internationally.

However, reality on the ground is still some way from the ambitions. In the **Neighbourhood East**, the process of policy formulation for social cohesion and territorial economic development is still highly centralised and vertically organised in most EaP countries (with Ukraine changing).And, overall capacities of LAs to participate in policy dialogue, to define their own economic and social policies and to deliver municipal services are still weak. Nevertheless, the Evaluation of the CoM-East (2016) argues that LAs are increasingly taking initiatives to define their future development and to influence central governments on those issues that are particularly important at local level. This is also corroborated by the insights from the two country case studies in Georgia (biomass, which engaged farmers) and Ukraine (energy efficiency in buildings, which engaged the wider public sector).

However, there are arguably still a long way to go, before the full potential of an initiative such as the CoM is fully unfolded. While there are promising examples of more disruptive and innovative practices in e.g. Georgia with its PPP, the main activity has been renovating existing facilities, especially in smaller LAs. It is quite clear that CoM has the potential to catalyse a more holistic process of integrating energy efficiency and climate adaptation measures into a broader vision of how to develop the territory, but given the constraints facing especially smaller LAs and the limited autonomy in several country contexts (esp. Azerbaijan and Belarus) this has remained a potential.

In the **Neighbourhood South**, this is arguably even more evident. Here the centralism has prevented significant use of LAs for wider territorial development, but there are examples that have the potential to reshape practices and reclaim locally anchored authority. Thus, in Sahab (close to Amman in Jordan), a transport sector emission reduction project clearly has ambition of wider urban development, by encouraging public transportation and active modes of mobility for the transportation of people and goods. The vision is clearly one of less private car use and more collective transport or zero-emission transport (e.g. cycling) modelled around urban mobility plans pioneer in the Netherlands and Denmark.[52] Similarly in Chefchaouen, Morocco, where a strong civil society and an mayor with strong connection to Spain, used the SUPED and the CoM to overcome political economy constraints to build more sustainable strategies in partnerships with local and central allies. It helped to set up the '*Centre Info Energie*' anchored in the territory. This structure has developed collaborations with many organizations and resource persons on various axes, such as the *Office National de Electricité et de l'Eau Potable* (ONEE), the provincial Council of Tourism, the *Entraide Nationale*, the INDH, -municipal, national and international- CSOs, as well as educational institutions.[53] However, there has limited interest from central authorities to learn from the experiences as *'relations with the DGCL and Ministries (of Energy in particular) have been rather limited due to a lack of willingness and capacity to monitor and integrate this type of 'innovative' action for dissemination and support. The inertia of public administrations represents an obstacle to the multiplication of this type of initiative'.*[54]

[50] Interview with Clima-MED staff.
[51] EU (2018): Final evaluation of SUDEP Chefchaouen.
[52] JRC (2018): The CoM - Evaluation of the SEAPs in the MENA Region, p.45
[53] Interviews with various stakeholders involved in the SUDEP Chefchaouen project.
[54] EU (2018): Final evaluation of SUDEP Chefchaouen.

LAs' have sustainable development strategies in partnership with local and central allies (I-5.3.2)

The CoM is fundamentally about having sustainable energy and climate strategies at local level; hence the name of the core planning instrument: Sustainable Energy and Climate Action Plan (SECAP). The process of drafting is supposed to be inclusive with especially civil society being an obligatory section in the SECAPs. However, the degree to which civil society has actually been involved varies significantly, not only between regions, but also within countries.

In the **Neighbourhood East**, the Evaluation of the CoM-East (2016) argues that there was limited involvement and that the CoM projects *'as a rule remained within the walls of the city hall'*.[55] Nevertheless there has been expectations to this 'rule' especially in Georgia, Ukraine and, to a lesser extend in Moldova.[56] For instance, in Ukraine, energy efficiency projects had significant outreach to and involvement of home owners associations in the context of insulating buildings. In Georgia, the private sector was also involved in the biomass project in Telavi where farmers were engaged right from the SECAP planning stage as well as during implementation.[57] In addition, there has been strong participation of energy service companies where needed.[58] But overall, the level of Involvement of the private sector and residents is rarely included.[59] In terms of national level allies, the eastern evaluations point out that the expansion of the Covenant throughout the region has happened without any specific support or hindrance from national authorities. The increase in the number of signatories has partially been attributed to the absence of interference (positive and negative) over municipalities from national government level.

However, the absence of strong national engagement also entails a lack of assistance in the incorporating of national policy level plans within energy and climate, which when disaggregated, incorporate municipal plans. Thus the CoM initiatives tend to become project islands and with limited connectedness to both the citizen, the private sector and the national authorities.[60] As argued by the municipal finance study planning needs to be carried out both from the bottom up, with concrete projects at municipal level and from top down, with the unfolding of national policies into LA practices.[61]

In the **Neighbourhood South** there seems to be stronger engagement by external allies including civil society, private sector, mosques, youth and academia in especially Morocco, but with otherwise mixed engagement. Thus, in Sale, Morocco, the city council set up an Internal Energy Committee made up of the Heads of the departments of the city. As to the External Energy Committee, it hosted institutional stakeholders and civil society associations. The Mayor or a person representing him sat in this committee together with institutional stakeholders from the national government, academia, transport operators, the Chamber of Trade and Commerce and the private sector, thus having rather broad engagement (but limited national level).[62] However, the JRC (2018) evaluation of SEAPs the MENA Region found that more and stronger partnerships with their peers (e.g. city-to-city partnerships) and regions were needed for stronger support. Nevertheless, even in the 'star performer' country of Morocco, the national level remained only partially engaged, as exemplified in Chefchaouen (see I-5.3.2).

LAs' increasing resilience and reducing inequalities (I-5.3.3)

The objective of the CoM is to support action to combat climate change and to more to a low emission, resilient society.[63] Clearly, the degree to which this happens depends on the effectiveness and sustainability of the actions, and overall, the indications are that the CoM makes an important if somewhat narrow contributions in that regard. However, the CoM is confined to climatic resilience and there is no evidence that the initiative has had any ambitions in reducing inequalities. However, as the climate resilience agenda becomes ever more pressing, climate adaptation, green energy and sustainable cities will also feature more prominently and offer CoM to become even more relevant.

[55] Ibid, p48.
[56] JRC (2017): The CoM - Evaluation of SEAPs from Eastern Partnership and Central Asian countries.
[57] City of Telavi (2018, 2019): Biomass progress reports.
[58] [58] JRC (2017): The CoM - Evaluation of SEAPs from Eastern Partnership and Central Asian countries.
[59] DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries.
[60] Clearly with notable expectations such as in Telavi, Georgia. Also, the decentralization in Ukraine has also offered better integration of CoM initiatives in wider planning process in AHs.
[61] DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries, p.25.
[62] JRC (2018): The Com - Evaluation of the SEAPs in the MENA Region, p38.
[63] See: www.globalcovenantofmayors.org/about/.

6 (EQ 6) Accountability, participation and local democracy

6.1 Balanced and collaborative governance arrangements between LAs and local actors (JC6.1)

Citizens, CSOs and the private sector involved in management of local public affairs (I-6.1.1)

As stated in I-5.3.2, CSO engagement is mainstreamed into the design but implemented to varying degrees. Similar findings emerge regarding other stakeholders, with various extent across regions and countries.

As for other stakeholders, the Evaluation of the CoM-East (2016) highlights that the relatively non-inclusive process 'ensured that the tasks of the CoM were achieved in terms of developing SECAPs and later beginning to develop projects, but without much involvement of citizens or the private sector. 'Energy Days' activities were the main exception to this'.[64] However, on the positive side, there has been good support by IFIs investing in a promising new activity for them, as well as for environmental NGOs (especially in Belarus) finding new opportunities to propose their services to LAs.[65] Also, as stated in I-5.3.2, home owners associations as well as local business (e.g. farmers in Telavi, Georgia) have been engaged. A key shortcoming seems to be that SECAP-related processes are often described in general terms, without presenting tailor-made strategies to ensure citizens' and stakeholders' participation or assigning clear roles and responsibilities. Often the SECAP development task is assigned to external consultants and/or financed by international donors: this may somehow reduce the sense of ownership of the SECAP by the local authority itself.[66]

In the **Neighbourhood South**, there was arguably broader engagement of CSOs, private sector, faith based organisations and academia. However, the degree to which they were given actual voice is still a moot point as the information often seems to run one way; from the LAs to the external actors through awareness raising, energy days, fairs and social media campaigns. Thus, in Kab Elias, Lebanon, the LA worked with mosques/churches and local NGOs to identify short term actions, including 'public awareness campaign on how citizen can save money in houses and with reward'. The city did public consultations on the SECAP with the different civic society associations. For the implementation of the SECAP, a workshop with the participation of all the local community members was foreseen.[67] Nevertheless for many LAs in south (as was the case in east), consultants have been contracted to SECAP, which in effect also reduced direct engagement between the LA and local actors besides also undermining ownership of both the process and the subsequent product.[68]

Mechanisms for transparency, scrutiny, dialogue, collaboration and public-private partnerships in LAs (I-6.1.2)

The PPP aspect is probably the most evident outcome under this indicator, but often the private sector has been used instrumentally in the sense of e.g. being part of the supply chain, rather than as an actor in the planning and implementation process (e.g. input suppliers to biomass plant). Nevertheless, there are potentials for such PPPs to turn into a more systemic mechanism for increasing private sectors engagement in LAs work. More broadly there have been numerous cases of democratic consultations: not only at the city council level, but also through meetings with the population and forums after the SECAP was displayed on the city website. This can be important in some cases, for example, when city transport changes are planned, establishing parking restrictions to reduce congestion so that public transport can run more efficiently as well as reduce emissions.[69] However, this is merely a one-way information stream from the LA to citizen, rather than dialogue and collaboration. In Ukraine, there are examples of more two-way engagements where the CoM has made municipalities commit to engagement with and report to local citizens the status and the way financing is be spent. Based on interviews at EUD level, this has the potential to improve both transparency and ultimately also accountability, with EU monitoring the process.

In the Neighbourhood South, the CoM has also managed to corral the private sector especially in transport sectors and energy generation and supply.[70] Moreover, the focus on renewables has started to attract investors regarding wind energy, particularly in several countries where 'green tariffs' are rather

[64] EU (2016): Evaluation of the Covenant of Mayors – East, p27.
[65] Ibid., p46.
[66] JRC (2017): The CoM - Evaluation of SEAPs from Eastern Partnership and Central Asian countries.
[67] EU (2016): Evaluation of the Covenant of Mayors – East, p38.
[68] The evaluation of CoM south in 2018 states that *'the challenge remains for the elected officials and staff of the local authorities to leverage the drafting of the SEAP/SECAP document to ensure the adoptions of a municipal energy policy. This relates back to the issue of ownership of the SEAP/SECAP documents'* p55.
[69] See EU (2016): Evaluation of the Covenant of Mayors – East.
[70] In e.g. Sahab Jordan.

attractive, and CoM has helped these investments to be considered as necessary by local officials and populations leading to more transparent practices.[71]

An example is the SUDEP project in Chefchaouen, where the municipality, with SUPED support, invested in better and transparent information to citizens, using modern technologies (i.e. a screen at the entry of the municipality), on the functioning and cost-efficiency of the energy infrastructure put in place.[72] This has been a successful exercise that also generated local public debates on the issue of energy and the role of the municipality. It is now planned to set up a multi-actor *'Conseil participatif de l'énergie, du climat et du développement durable'* with three core missions (follow-up of implementation, provision of expertise to the municipality and communication to the public).

Enhanced voice and collaborative arrangements on local governance. (I-6.1.3)

Again, there is some progress on giving CSOs, citizens and private sector some insights into the LAs plans and strategies for climate change action. However, this has most often not been systemic in the sense of fundamentally altering the mechanisms for giving voice and collaboration with external stakeholders (e.g. instituting new ways of complaints and voice in LAs budget processes). Clearly the initiative has no ambitions of fundamentally altering local governance modalities. However, there is arguably still an argument for using the CoM as leverage to make wider climate and energy strategies at LA level that also support the wider territorial / urban planning aspects (discussed in I-5.3.2). Again the issue of small LAs with limited capacity and autonomy are considerable obstacles for the realisation of this ambition.

LAs contribute to reconciliation and stability (I-6.1.4)

Not relevant, this is not within the mandate nor activities of CoM. However, the JRC (2018) evaluation of SEAPs the MENA Region, many countries of which are characterised by fragility and irregular migration notes that *'in the context of migration, it is common that countries and communities lack the capacity and the means to recover and/or meet the energy needs of the population. At the local level, due to the political context in areas of conflict, data collection, monitoring and reporting as well as SECAP implementation might be difficult. It was noted that the impact of the existing laws and regulations was limited due to inconsistent enforcement in the region'*.[73] According to Clima-MED staff, the corona crisis and the associated economic crisis has only worsened the situation since then. Again, there is no evidence that the CoM has aimed to change this challenging context which would also have been difficult given its limited resources and mandate.

6.2 Accountability of LAs (JC6.2)

Improved upwards accountability (I-6.2.1)

Central authorities generally play a very limited role in the decentralised and voluntary initiative and hence there has been few efforts in this space. However, there is monitoring ongoing from the joint research centre of the EU (which is also making evaluations) and the regional coordinators as well as EUDs also provide both support and monitoring. However, these are not lines of accountability in the typical sense of the concept but rather project-specific monitoring and support. Central authorities do have a role in most countries, as they often must approve the CoM projects as wall as loan financing if that is involved. In south, the CES-MED and Clima-MED have establish SECAP support mechanisms by which a support team, host in a central ministry, tries to assist and guide signatories to navigate and comply with legal and procedural challenges. However, while this ensures that signatories respect the rule of law, the primary purpose is to assist the LAs.[74]

Strengthening horizontal accountability (I-6.2.2)

The CoM first principle is that LAs must adapt their administrative structure to ensure appropriate governance of the initiative. In some cases (especially in the Neighbourhood South) this mainly translated into ensuring that appropriate bodies approved the initiative (typically the municipal council), but in Neighbourhood East, this in some cases (e.g. Ukraine) also resulted in reform of the energy management systems that potentially catalysed better horizontal accountability in e.g. instituting checks and balances.[75] However there were also many reports of no real changes in the municipal set-ups or as stated by the Evaluation of the CoM in Eastern Partnership and Central Asian countries (2017):

[71] EU (2016): Evaluation of the Covenant of Mayors – East.
[72] The screen displayed the live the status of the production of the PV power plants and measured the consumption with the associated meters, catalyzing debate and interest among citizen.
[73] Ibid., p6.
[74] Interviews with DG NEAR and Clima-MED staff.
[75] Lviv, Ukraine use the CoM for that purpose, which also was relevant in Armenia where similar changes in LAs' energy management practices were made.

'Signatories present some information related to adaptation of administrative city structures, which in most cases is rather general and brief. It usually echoes the recommendations provided in the guidelines and is not fully tailored to the needs of a particular city'.[76] Moreover most CoM project have their own (often small) PIUs that are spreading management capacity thinly, with limited coordination with other energy projects.[77] This is also echoed in the municipal finance study where the CoM is characterised as being primarily project focus within the narrow confines especially renovation and biomass use, that does not alter the accountability dynamics of the signatory LAs.

Strengthening downward accountability (I-6.2.3)

There is no evidence of this materialising. Even the star performer in Morocco is only provided carefully managed information to its citizen as it could lead to increased demands from local stakeholders for more accountability.[78] In the east, the municipal finance study also noted a missed opportunity for improving downward accountability as there were no examples of municipalities addressing energy poverty issues in residential housing together with local NGOs, (as is done in many EU CoM cities).[79]

Evidence of qualitative improvements in the local democratic culture. (I-6.2.4)

There is no evidence that the CoM aimed at this, nor that this was an unintended by-product.

7 (EQ 7) Service delivery and response to local challenges

7.1 LAs delivering quality public services (JC7.1)

Evidence of increased LAs capacity and resources to deliver services. (I-7.1.1)

The CoM provides guidance, networking, assistance and some funding for addressing climate change and there is clearly increased capacities and resources allocated to most of the specific projects that the CoM has support. Often funding from the CoM and EU has leveraged additional funding and resources from other donors (e.g. USAID in Ukraine and Georgia, but also NEFCO and other IFIs) and capacities have been developed through training, peer-to-peer learning and technical assistance. While there have been criticism that it has at times been overly consultancy and supply driven, there is no doubt that capacities have increased in many places, as evidenced by e.g. higher energy efficiency and lower emissions.[80] Again, the capacities and resources have increased in the relative narrow field of energy efficiency / emission reductions and there the overall impact on LAs has been correspondingly limited. Moreover, while many stakeholders stress that the CoM should also been seen as a first step towards better and more holistic municipal planning, with energy, mitigation and adaptation being the starting points, most LAs struggle to get past that starting point, which is of course linked to wider challenges of limited autonomy and capacities, a problem for especially smaller often rural LAs. With continued depopulation of rural areas, this problem is likely to become worse over time unless actions are taken (as being the case in Ukraine, where the impetuous for amalgamation was to improve capacity and achieve more sustainable LAs).

Also in Ukraine, LAs have embraced CoM to become better at energy management, which can empower them to provide better services to citizen (politically attractive) as well as to save energy costs (financially attractive). In addition, based on interviews at EUD level, the CoM is also seen as a way to leverage additional finance, further financially empowering the signatories. It is noteworthy that the Ukrainian context of amalgamation and decentralisation is of course highly conducive to an initiative such as the CoM and may partly explain the success here. However, even in Ukraine the CoM has often also been seen as a 'project' around renovating buildings, patching up old systems in a piecemeal fashion without a systems approach and with only limited climate change implications factored in.[81]

Capacity to operate and maintain facilities for service delivery improved. (I-7.1.2)

Especially for heavy infrastructure in the framework of the CoM project, there has been substantial focus on ensuring operating and maintenance of the facilities, often in cooperation with the supplier of the equipment.[82] Moreover, the energy efficiency renovations are comparatively simple and LAs tend to have the capacity to operate these, which is a key advantage, if somewhat short-term, of the relatively narrow focus on the CoM.

[76] JRC (2017): The CoM - Evaluation of SEAPs from Eastern Partnership and Central Asian countries, p15.
[77] DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries.
[78] EU (2018): Final evaluation of SUDEP Chefchaouen, p26.
[79] P26.
[80] See the three evaluations.
[81] DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries, p65.
[82] See e.g. the Biomass project in Telavi, Georgia.

However, in case of new buildings there are examples LAs having limited O&M capacity, such as in Chefchaouen, Morocco, where the final evaluation stated that the limited involvement of the commune in the design and construction (the commune was a 'simple bénéficiaire') meant that it lacks documents relating to the buildings constructed (plans, electrical diagrams, equipment operating guide, etc.) as well as knowledge and technical understanding of the buildings, particularly when new techniques, equipment or materials were used. Clearly here, there are problems of ensuring full involvement and hand over from constructors. On the other hand, the CoM and the SUDEP project had nevertheless ensured that the commune had the skills to ensure the operation and maintenance of the electricity and plumbing. Thanks to the SUDEP programme and other national and international support schemes, the commune has benefited from strengthening skills in the maintenance of photovoltaic and thermal installations.[83]

Citizens and businesses benefit from higher quality of LA services/products (I-7.1.3)

Clearly, the overall impact should also benefits citizen and business receiving modernised and sustainable energy provision and sustainable urban mobility. However, there is limited documentation on the actual achievements so far, partly because most of the commitments are made for 2030. While there have been no monitoring reports submitted in the south, those from east suggest that the CoM is making progress on emission targets with on average 30% reductions between the baseline the most recent monitoring report submitted.[84] However, there is not aggregated assessment of how businesses and citizens perceive the benefits from the CoM, but anecdotal and somewhat primary evidence points to energy supplies become more regular and with more transparent and fair pricing.[85]

7.2 LAs better respond to local challenges (JC7.2)

Increased resources and management capacities to respond to specific local challenges (I-7.2.1)

While the CoM provides some resources and capacities to LAs, these are typically vastly inadequate in terms of the energy efficiency and climate challenges that LAs are facing. Especially smaller LAs without sovereign guarantees have difficulties in attracting financing and the investment gap for them is typically more than 10 times their total annual capital expenditure budget (see Table 1 in section 5.2.1). Thus, while there is some progress made by the CoM, much more is needed including more innovative financing models.[86] However, financing models alone will arguably be insufficient and more efforts are need to make smaller LAs financially viable (e.g. through merger like in Ukraine or through bundling) and there is thus a tremendous unfinished agenda.[87] A similar assessment emerges concerning the capacities which have been increased in respect to the specific projects implemented. Again, the need is much wider spanning other sector beyond energy efficiency and emission reductions. Thus, while the project management capacities gain may be useful, they are not systemically integrated into LAs main line of work. Indeed there is few examples of institutionalising such capacities by e.g. having joint PIUs for similar work by e.g. EBRD, EIB, other donors and IFIs.

However, the CoM has also clearly catalysed greater awareness of emissions in relation to municipal services such as transport, energy, water and waste management, where these are municipally managed. In addition, LAs now have better understanding of energy consumption in urban transport (whether public or private) as well as consumption for heating, power and lighting in buildings.

The recognition of the significance of energy costs in the municipal budget in a period of volatile energy prices, has also resulted in raising the need for more active management of energy resources within the LAs and catalysed practical implementation of what can become a more systematic approach to planning and monitoring of municipal energy.[88]

LAs have responded adequately to (emerging) local challenges (I-7.2.2)

Climate change is an emerging challenge (Covid-19 is outside the temporal scope of this evaluation) and the initiative is clearly perceived by LAs as one of the first building blocks towards a long-term solution to the problems in terms of sustainable energy provision. The 2016 east evaluation interviewed numerous stakeholders who stated that the programme *'had helped to open [their] eyes to energy efficiency', 'it has allowed them to learn about energy planning at municipal level'*.[89] Similarly, the

[83] EU (2018): Final evaluation of SUDEP Chefchaouen.
[84] JRC (2017): The Covenant of Mayors: Evaluation of Sustainable Energy Action Plans from Eastern Partnership and Central Asian countries.
[85] Interview with CoM East and Clima MED teams.
[86] EU (2016): Evaluation of the Covenant of Mayors – East
[87] For more on the financial challenges, see also: DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries.
[88] Ibid., p31.
[89] Ibid., p34.

biomass project in Georgia and the energy efficiency in buildings in Ukraine addressed local challenges. In the Neighbourhood South, there have also been many cases of good responses, such as in Sfax, Tunisia, where the CoM project *'has the ambition to create a real eco-city that responds to climate change adaptation objectives, efficiency and mitigation of greenhouse gas emissions and finally, to achieve a reduction in local pollution'*.[90] Also in south, the eco-centre building in Morocco and the street lighting in Kab Elias in Lebanon also responded to emerging challenges. Again, many of these projects are still under implementation so the exact outcome is still to be determined.

However, there are still many CoM partnership opportunities that not are yet fully grasped: climate-friendly available solutions to energy wastage are not yet always seized. Old infrastructures and buildings are often simply renovated, without considering what might be needed in the future. SECAP preparation should, according to the 2016 east evaluation lead to a prospective review of public needs and the related energy impact. Similar sentiments were raised in 2020 municipal finance study, which called for using the CoM for more transformative and long-term planning. In the Neighbourhood South, there is still a need to make the SECAP much more tailored to local needs and owned by the LAs in question.

7.3 Sustainability are addressed in programming and implementation of EU interventions (JC7.3)

Political will is adequately assessed at design stage (I-7.3.1)

The initiative is on voluntarily basis and those signing up are supposedly committed to the objectives (and garnering political commitment is also the first step In the SECAP process), although the lure of study tours, (limited) grant finance and opening of shiny infrastructure could of course make politicians sign up without real political commitment. The east evaluation of 2018 partly dispelled such cynical analysis concluding that 'the signatories demonstrated their commitment to participate in the initiative and its utility for the share of know-how between municipalities of the same and different countries.'[91] In the east, the Evaluation of the CoM-East (2016) also concludes that there is genuine commitment as evidenced by substantial co-finance from the LAs own budgets.[92] Similar sentiments were expressed in the case studies in Georgia, Ukraine, Lebanon and Morocco.

There is continued monitoring of the speed by which the signatories implement their mitigation and adaptation commitments, both from the JRC, the CoM hub coordinators and from EUDs. However, it should also be noted that the lack of monitoring reports from south could be an indication of waning political commitment in some context, although other factors, including instability and capacity constraints, clearly also play a role.

Evidence of adequate capacity and resources of the beneficiary to implement EU interventions. (I-7.3.2)

As argued in I-7.2.1 and I-7.2.2, CoM has provided significant support for the SECAP formulation for the large-scale infrastructure projects, the financers typically also provided capacity development and resources for the implementation. However, many LAs struggle to move beyond planning stage due to the absence of financing. If and when financing is solved, the signatory generally seems to follow through with implementation as the progress report from both the energy efficiency project in Ukraine and the biomass one in Georgia testify. However, most LAs report financing challenges both related to the direct projects under the CoM but even more in connection with the longer-term needs for fundamentally reshaping municipal planning, taking into consideration demographic and climatic changes. While the CoM is a first step to map such challenges, more comprehensive planning and financing approaches are also needed.

EU interventions integrate other sustainability factors (e.g. existence of exit strategies) (I-7.3.3)

Clearly the projects have detailed budgets and plans that include the overall level of tariffs (in the case of energy generation and sales), but as the south evaluation of 2018 states, *'the initiative in this region is to further be strengthened since its sustainability is at risk. Although the governance structure of all signatories has been adapted, it is uncertain whether it will last in the absence of technical assistance and without a dedicated financing. The coming years will also serve as a test on the progress on SECAP implementation and the monitoring and reporting'.* There is clearly an unfinished agenda of ensuring sustainability.

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[90] JRC (2018): The Com - Evaluation of the SEAPs in the MENA Region, p50.
[91] Ibid., p57.
[92] Moreover, the 2016 evaluation argued p56 that *'LAs will continue without any doubt to do their best to implement their sustainable energy plans and the determination of a large portion of those contacted during the present evaluation mission is striking'.*

At the individual project-level, most projects bring about cost-savings from energy efficiency measures, which, *ceteris paribus*, should make the investments more sustainable than the status quo. However, in the longer term the incremental improvements often on old core infrastructure may not be the most sustainable solution, but again finance, capacities and, especially in the east, demographics counter against making more long-term transformative changes that could improve systemic sustainability.

Evidence that sustainability issues of the institutional set-up of LAs is addressed in EU intervention design and implementation. (I-7.3.4)

The development of SECAP has in several instances unfortunately been driven by external consultants and contractors with limited involvement of the LAs themselves. This is the case in both in Neighbourhood South and Neighbourhood East and this potentially undermines relevance, ownership and sustainability of the initiative. However, based on CoM-East and Clima-MED interviews, efforts are reportedly underway to make the process more domestically owned but again weaker and smaller LAs face capacity issues, that necessitates outside assistance. Moreover, the initiative is building on a general drive to reduce emission (all countries except Libya are signatories to the Paris agreement), increase energy efficiency and promote renewable energy, all factors that increase sustainability. CoM is also seen as a way for LAs to brandish their green credentials and gain new networks and knowledge. Finally, citizens (who are often also voters for LA politicians) are demanding cleaner cities and more efficient services which is also a key driver of the initiative that improve sustainability.

On the other hand, the CoM cannot fundamentally improve the budgetary situation of LAs that undermine their ability to properly fund and expand energy efficiency and climate change actions.[93] Moreover, there are also widespread turnover of staff which could reduce the sustainability of the projects as core institutional memory may get lost.[94] Finally, there is a danger in focusing too much on the specific CoM (and Clima-MED) supported projects that only address a part of the vast energy transformation challenges that LAs are facing, thus distracting from undertaking more fundamental changes.

[93] As stated previously the EU/DG NEAR is studying how to improve municipal finance.
[94] EU (2016): Evaluation of the Covenant of Mayors – East

Annex 2 - List of persons consulted

Name	Organisation	Position
Anka Schuster	DG NEAR	International Aid/Cooperation Officer, Directorate C Neighbourhood East and Institution Building.
Cyril Delaweyne	DG NEAR	Energy and Climate Change Programme Manager
Mirala Petri	CoR	Policy officer
Tatiana Dimitrova	CoR	Policy officer
Davit Begiashvili	Telavi municipality, Georgia	Deputy Mayor, Co-applicant for Biomass Energy and Energy Efficient Technologies project
Giorgi Tavberidze	Telavi municipality, Georgia	Head of the Economic Development & Property Management Department, Co-applicant for Biomass Energy and Energy Efficient Technologies project
Mohamed Sefiani	Chefchaouen Commune, Morocco	Mayor
Virginie Guy	GERES, Morocco	Project Coordinator
Andriy Bandura	EUD Ukraine	Sector Manager, Energy
Gianandrea Villa	EUD Lebanon	Programme Officer
Jean-François Moret	EUD Morocco	Programme manager, Economic Competitiveness, Environment & Infrastructure
Naguib Amin	Clima-Med	Clima-Med, Team leader
Nadya Bovena	Clima-Med / Human Dynamics	Clima-Med coordinator (formerly involved in CES-MED)
Oussama Kaassamani	Clima-Med	Clima-Med, Local sustainable development specialist

Annex 3 - List of documents

The team reviewed the available project documentation (action fiches/TAPs, grant contracts, implementation and monitoring reports, evaluations, etc.) of the CoM and related, notably:

- City of Telavi (2018, 2019): Biomass progress reports.

  Committee of the Regions (2015): Towards a new EU climate change adaptation strategy – taking an integrated approach.
- DEM (2020): Municipal Finance Study on Energy, Climate and Environment Sectors in the EaP countries.
- EU (2016): Evaluation of the Covenant of Mayors – East.
- EU (2018): Final evaluation of SUDEP Chefchaouen.
- EU (2020): Municipal Finance in the EaP countries, DEM report.
- EUD Georgia (2016): External Assistance Management Report.
- EUD Ukraine (2017): External Assistance Management Report.
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