

EUROPEAN UNION



**Committee of the Regions**

**LOCAL AND REGIONAL  
AUTHORITIES FOR A SUCCESSFUL  
EASTERN PARTNERSHIP**

**This report note was written by Aston Centre for Europe  
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# ABBREVIATIONS

AA	Association Agreement
CBC	Cross-Border Cooperation
CoE	Council of Europe
CoM	Covenant of Mayors
CoMO-East	Covenant of Mayors Office East
COMUS	Community-Led Urban Strategies
CoR	Committee of the Regions
CORLEAP	Conference of Regional and Local Authorities for the Eastern Partnership
CSO-LA	Civil Society Organisations and Local Authorities
DCFTA	Deep and Comprehensive Free Trade Area
E5P Partnership	Eastern Europe Energy Efficiency and Environment Partnership
EaP	Eastern Partnership
EaPIC	Eastern Partnership Integration and Cooperation
EaPTC	Eastern Partnership Territorial Cooperation Programme
EBRD	European Bank for Reconstruction and Development
EEAS	European External Action Service
EGTC	European Grouping of Territorial Cooperation
EIB	European Investment Bank
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
ENI	European Neighbourhood Instrument
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
JOP	Joint Operational Programme
LRA <sub>s</sub>	Local and Regional Authorities
MFF	Multiannual Financial Framework
NSA-LA	Non-State Actors-Local Authorities
PRDP	Pilot Regional Development Programme
SUDeP	Sustainable Urban Demonstration Projects

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# INTRODUCTION

The European Neighbourhood Policy<sup>1</sup> has provided an extensive framework for the deepening of collaboration between the EU, Eastern Europe and the Southern Caucasus. Cooperation between the Union and its six Eastern European partners – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine – has over the years been significantly strengthened. The Eastern Partnership<sup>2</sup> (EaP) was launched in 2009 in order to encourage eastern partners to move economically, socially and politically towards the EU. The Partnership is an ambitious policy with a broad sweep of mutually supportive aims and objectives, including:

- Promoting democracy and good governance;
- Strengthening energy security;
- Promoting sectoral reform and environment protection;
- Encouraging people-to-people contacts;
- Supporting economic and social development;
- And, providing additional funding for projects to reduce social inequality and increase stability.

As outlined by the CoR's priorities, Local and Regional Authorities (LRAs) can make a serious difference to each dimension of the Partnership. For the EaP to achieve its overarching objectives, a wide set of stakeholders needs to be engaged in the EaP framework. All relevant levels – European, national, regional and local – need to cooperate to deliver concrete, lasting results (CoR, 2009a). This collective effort is underpinned by the well-established principle that multilevel governance based on coordination between levels, the subsidiarity principle and the concept of partnership contribute to the effectiveness of EU policies. Relations with the Eastern neighbours are no exception here.

In order to encourage dialogue between the different levels of governance in the EU and the EaP countries, in September 2011 the CoR established the Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP, September 2011). It is composed of regional and local politicians, 18 from the six eastern partners and 18 from the European Union.

To contribute to the success of the Eastern Partnership, and adopting a needs-based approach, CORLEAP identified clear political objectives, which focus on

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<sup>1</sup> For more on the European Neighbourhood Policy, see: [http://eeas.europa.eu/enp/index\\_en.htm](http://eeas.europa.eu/enp/index_en.htm).

<sup>2</sup> On the Eastern Partnership, see [http://eeas.europa.eu/eastern/index\\_en.htm](http://eeas.europa.eu/eastern/index_en.htm).

three priority areas, as follows: (1) reform of public administration; (2) fiscal decentralisation; and (3) territorial cooperation.

In the roadmap to the Vilnius Summit of 2013, the Commission and the European External Action Service (EEAS) defined three core objectives for the EU to make concrete progress in the Eastern Partnership:

1. Forging deeper contractual relations between the EU and partner countries in the form of Association Agreements (AAs), including, where appropriate, Deep and Comprehensive Free Trade Areas (DCFTAs) where regulatory approximation can serve to strengthen the positive effects of trade in services as well as goods and investment liberalisation, leading to convergence with EU laws and standards;
2. Supporting the mobility of citizens and visa liberalisation in a well-managed and secure environment. The mobility of citizens of the partner countries will be promoted through visa facilitation and readmission agreements as a first step, with a visa-free regime as a final goal;
3. Enhancing sectoral cooperation (i.e. energy, transport, the environment etc) and facilitating the participation of partner countries in EU programmes and agencies.

Taken together, these priorities and objectives articulate CORLEAP's contribution to the EaP. The aims of this report are therefore threefold:

- First, to keep track of developments in the CORLEAP's priority areas in the partner countries, to identify and promote success stories and to draw conclusions from the lessons learnt to-date.
- Second, the report provides background information on the funding available for local and regional authorities in the programming period 2014–20 and the lessons learnt from the existing EU programmes in the area of local and regional development.
- Third, the report proposes, from an external perspective, the ways in which CORLEAP could reinforce its role in the EaP and its political message.

The report is structured in two parts as follows. Part I offers an insight into developments in the partner countries with regard to CORLEAP's key priorities areas of reform of public administration, fiscal decentralisation and territorial cooperation. It identifies and analyses successes and failures across these areas, with an emphasis placed on *why* projects in each of the EaP countries have worked or otherwise. This section also takes in particular into account the



existence of new instruments or means of territorial cooperation. Lastly, it also discusses the potential role of LRAs in the effective implementation of the Association Agreements and how LRAs can act as a motor for economic development in the regions of the EaP using the opportunities provided by the DCFTAs. Part II of the report provides an inventory of the EU funds available for LRAs in the EaP countries for the new programming period and evaluates their prospects in accessing these.



# **1 PART I – PRIORITY AREAS, A PROGRESS REVIEW**

This first part of the report discusses developments in the partner countries with regard to CORLEAP's key priority areas: (1) public administration reform; (2) fiscal decentralisation; and (3) territorial cooperation. In particular, on territorial cooperation, the descriptive analysis takes into account the existence of new instruments, such as the European Grouping of Territorial Cooperation (EGTC), as well as the various means of cooperation, such as the establishment of macro-regions. This section will also look forward to the implementation of the Association Agreements and the DCFTAs and explore the potential role for LRAs in their effective implementation and how LRAs can act as a motor for economic development in the regions of the EaP using the opportunities provided by the DCFTA.

## **1.1 Developments in Partner Countries**

The Eastern Partnership has the potential to make a decisive difference to the quality of the European Union's integration plans for its eastern neighbours and the daily lives of their citizens. Its primary goal is to help the EaP countries to reform politically, administratively, legally, economically and socially, and to bring them closer to the European Union. In order to achieve this overall objective, CORLEAP has identified the three priority areas – public administration reform, fiscal decentralisation and territorial cooperation – in which local and regional authorities have a contribution to make to support the Eastern Partnership (CoR, 2013a). These priorities provide the structure for the following country-by-country analysis of progress in reforms to-date.

The following overall observations could be drawn nonetheless:

1. With regards to decentralisation: the report notes the progress made against a tradition of centralisation in the partner countries. Steps have been taken in all countries except Belarus to develop national strategies and to strengthen the legal framework for decentralisation. Implementation remains a challenge, however. Fiscal decentralisation is the second necessary step that is required to bring about fully the transfer of competences. Progress here has been less obvious: the framework for fiscal decentralisation needs to be further specified (see for instance Armenia) and implemented (Moldova), while Azerbaijan needs to put fiscal decentralisation on the agenda in the first place.

2. With regard to administrative capacity building, the lack of sufficient capacities at local and regional level is generally acknowledged as a central obstacle to decentralisation. Building on an international collaborative approach, progress in this area is conditional on the identification of the needs of the partner countries, effective implementation of the capacity building programmes and coordination between the different stakeholders.
3. On territorial cooperation: cross-border cooperation provides EaP countries with the opportunity to manage programmes of common interest effectively. The sustainability of these instruments will require the further strengthening of their own institutional and financial resources, as well as the respective legal and procedural framework of LRAs participation in the partner countries.

### **1.1.1. Armenia<sup>3</sup>**

#### ***Decentralisation and local self-government***

##### *Progress To-Date on Decentralisation*

Armenia remains a centralised country, however, some progress towards decentralisation has been made since 2005 (Council of Europe, 2014b). In 2010, the Ministry for Territorial Administration, jointly with the Union of Communities of Armenia, and with the support of the Council of Europe experts, developed an Action Plan between the Council of Europe and the Government of Armenia for reform of the local self-government sector between 2011 and 2014 (USAID/Counterpart International, 2012). Although certain actions of the Action Plan remain to be implemented, some progress with respect to decentralisation has been made. In 2012, Armenia amended its Law on Local Self-Government according to the provisions of the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (Utrecht Protocol, CETS No. 207). The amended Law<sup>4</sup> strengthened citizen participation in local self-government with the help of a new provision for citizen participation in local affairs, which allows members of the local community to initiate the inclusion of issues in the agenda of the Avagani (assembly) of the local community, as of the age of sixteen. Also, the amended Law enhanced the transparency of the work of local self-government bodies by defining the obligations of members of the Avagani

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<sup>3</sup> For additional references on the developments in Armenia, see: Open Society Foundations – Armenia, 2013; UNDP, 2014; EU Neighbourhood Library, 2014.

<sup>4</sup> See the website of the Armenian parliament for more information here: <http://www.parliament.am/legislation.php?sel=show&ID=1305&lang=rus>.

with respect to interaction, public meetings and discussions with the population. The respective amendments entered into force on 1 September 2013.

### *Plans for Decentralisation*

The consolidation of communities (a unit of local government) is still being planned. This issue was included into the Government Programme 2008–12 (Republic of Armenia, 2008). In 2009, the Ministry of Territorial Administration announced its plans to increase the financial and managerial potential of communities (through merging communities). In 2011, the government adopted a Concept for the enlargement of communities. According to the Concept, the number of communities was to be reduced to about 200 (from the 915 municipalities existing then; Council of Europe, 2014b). In 2014, the Concept is still being discussed at the National Assembly of the Republic of Armenia (Wn.com, 2014).

Further reforms of local self-government are planned by the Government of Armenia. The Government's programme for 2012–15 contains the following steps (FAO/Republic of Armenia, 2012):

- To implement the international tools in the area of local self-government, including the Council of Europe's European Charter of Local Self-Government and the international best practices in the field of decentralisation of power by analysing, adapting, and introducing them;
- To secure the effective and coordinated work of the bodies responsible for the implementation of the policy on development of the local self-government system and decentralisation of power by means of delineating their functions and ensuring effective cooperation between such bodies;
- To address evenly the policy priorities of local self-government system development and decentralisation of power, including administrative and fiscal decentralisation, strengthening of local government units, and development of local democracy by means of legislative improvements, institutional reforms, and consistent application of the legal rules (USAID/Counterpart International, 2012).

### *The Political and Legal Context of Reform & Barriers to Progress*

The central government uses financial and administrative tools to control local governments. Local self-government bodies are heavily dependent both politically and financially on regional governors, who are in turn appointed by the central government (Communities Finance Officers Association/Open

Society Foundations Armenia, 2012). As for the legal context, it is necessary to note that amending Armenia's legislation with respect to decentralisation is a long-lasting process. For example, the Concept for the enlargement of communities is still being discussed. Implementing decentralisation reforms via reducing the number of communities (merging communities) is politically very sensitive. The government is encouraging the creation of the intercommunity unions as a first important step towards merging communities.

Despite the political barriers to the reform, the USAID report recognizes the high-level political will for local governance reform (USAID, 2013). Political will on the part of the central government can help overcoming the barriers mentioned above. Finally, decentralisation reforms are being supported by international agencies, like USAID, UNDP, World Bank etc. The role of such external donors is important in overcoming barriers to reform.

### *Fiscal Decentralisation*

Currently local budget revenues include local taxes, state duties, local charges (duties and fees), intergovernmental transfers and other revenues (land and property rent etc.) (Tumanyan, 2013). There has been some progress with respect to fiscal decentralisation since 2009: between 1997 and 2009, the share of local budgets in public expenditures increased from 4.7% to 7.9%; in 2010, it reached 8.5% and 8.8% in 2011. Over the same period of time, the share of local budgets in GDP increased from 1.2% to 1.7% and it reached 2.4% in 2010–11 (Tumanyan, 2013). The Government of Armenia has affirmed its willingness to strengthen the capacity of local government financial management. However, it does not specify how much.

### *Challenges LRAs Face in Exercising their Powers*

LRAs serve as agents for the central government. Local self-government bodies are dependent on the centre, too. The centralised control of local self-governance bodies was underscored in 2010 when the regional governor of Ararat resigned, allegedly following instructions from the presidential administration. Local self-government bodies are weak and poorly funded. Community budgets are funded by local taxes with modest subsidies from the central government, local taxes are too small to enable small communities to implement meaningful projects. So far there are 196 communities with less than 300 inhabitants (Communities Finance Officers Association/Open Society Foundations Armenia, 2012). Moreover, further progress towards decentralisation has also been hindered by the poor delineation of powers between the central government and LRAs, as well as by the fact that LRAs do not have full and exclusive powers and that there is no formal mechanism for

consultation with the central government (Council of Europe, 2014b).

### *Examples of Good Practice*

In 2009, municipal elections were held in the capital city, Yerevan, for the first time (Yerevan Press Club/Open Society Institute Human Rights and Governance Grants Program, 2011). The new opportunities for the capital city resulted from the 2008 Law on Local Self-Government in Yerevan, as prepared by the 2005 constitutional revisions and the efforts made towards the implementation of the provisions of the European Charter on Local Self-Government (Council of Europe, 2013c). The Law established the legislative body of Yerevan and the Council of Aldermen (composed of 65 members elected by proportional ballot and led by the mayor). The Council of Aldermen has the power to hold a no-confidence vote, dismiss the mayor, and elect a new mayor by a majority vote.<sup>5</sup> In 2009 the Council of Aldermen was elected in Yerevan for the first time; Yerevan's mayor was also elected (the previous Yerevan's mayor had been appointed by the president).

#### ***Lessons Learnt***

- ***Decentralisation & political will***
- ***International assistance***

The success of decentralisation reform heavily depends on the political will of the central government and is strongly supported by the international assistance.

#### ***Recommendations***

- ***Capacity building & institutional consolidation***
- ***Fiscal decentralisation***

The next step for further institutional and financial decentralisation in Armenia is the consolidation of municipalities. This will help to better implement the principle of subsidiarity. Local authorities should be able to participate in agenda-setting and decision-making with respect to decentralisation, for example via a formal consultation mechanism in domestic law.

Also, LRAs should be able to define all local tax rates within the limits of the law.

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<sup>5</sup> See the website of the Armenian parliament for more information:  
<http://www.parliament.am/legislation.php?sel=show&ID=3484&lang=rus>.

## **Administrative capacity building**

### *Progress and Challenges*

Armenia's need for administrative capacity building has been addressed by the Armenian government and international agencies, i.e. USAID (as evident from the documents they adopt and implement<sup>6</sup>). The Armenian government and international agencies recognise that the following problems still exist in the country: low administrative capacity generating corruption, ineffective and over-centralised governance, as well as low public engagement in governance.

### *The Methodological and Technical Approach to Reform*

There two main approaches towards administrative capacity building that are exercised in Armenia: a 'learning by doing' approach by the national government and a collaborative approach of international agencies.

### *Capacity Building Strategy, Results and Lessons Learnt*

In 2012, the Armenian government with USAID assistance developed a new national development strategy called the Armenian Development Strategy for 2012–25 (Government of the Republic of Armenia, 2012). One of the priorities of the Armenian Development Strategy for 2012–25 was institutional modernisation of public administration and governance. In order to implement the Armenian Development Strategy for 2012–25, the Armenian government requested USAID technical assistance to promote administration reform and local governance. In particular, the Prime Minister (PM) Tigran Sargsyan stressed the need for enhanced synergies with other donors for the Strategy's implementation.

USAID addressed the need for administrative capacity building in USAID/Armenia Framework for 2010–13 and the Country Development Cooperation Strategy 2013–17. In the latter document, USAID calls for "more participatory, effective, and accountable governance" in Armenia (USAID, 2013). USAID's implementation strategy of administrative capacity building in Armenia includes the following steps:

- Engage to strengthen key institutions, such as the National Assembly and local governments, to counterbalance the power of the Executive branch;

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<sup>6</sup> Armenian Development Strategy for 2012-2025; USAID/Armenia Framework for 2010-2013 and the Country Development Cooperation Strategy 2013-2017; the European Commission's Country Strategy Plan for Armenia over the 2007-2010 period.



- Engage civil society at the front end and back end of reform as advocates and watchdogs. At the same time, the Mission will build civil society's capacity to more productively engage policy-making and reform implementation (Economic and Development Research Centre, 2014).

It is expected that the collaboration of the Armenian government and international agencies will help to improve the public efficiency, increase resources, improve service quality and accessibility, increase transparency in decision-making, and increase civil society participation in processes. These results are separately measured by the central government of Armenia and international agencies according to the respective indicators. USAID supports the Armenian government in the development of mechanisms for internal monitoring of progress on targeted reforms, in particular administrative capacity building. Thus, the lesson is that mutual efforts can help.

### *Responsibilities shared between different stakeholders*

There are different stakeholders engaged in administrative capacity building in Armenia: the Armenian government and various international bodies like USAID, IMF, WB, and the EU. The Armenian government is in charge of decision-making via introducing and amending legislature, adopting governmental programmes and so on. International agencies provide consultancy for the Armenian government, as well as various technical assistance and training programmes for local staff, supported by UNDP, USAID, DFID, World Bank, EU, GTZ etc. There are mainly oriented towards capacity building in the budget planning, community and regional development programming, monitoring and evaluation of the programmes, improving the governance mechanisms at the regional and community level and providing services to the population. USAID coordinates assistance of international donors, like the World Bank and the EU. Also, USAID provides direct technical assistance regarding administrative capacity building in Armenia, including support for the development of local government in Armenia (i.e. training and technical assistance). USAID helps building the capacity of state institutions to plan and carry out the steps needed to develop and implement key reforms, such as strategic and budget planning, data collection and technical analysis, drafting realistic action plans, improving information and financial systems, and expansion of the knowledge and skills of staff, in an open, responsive and accountable manner. This technical assistance includes providing updated techniques and tools like modernised communication systems (internet connection), computers, software systems etc.

The EU supports administrative capacity building in Armenia via:

- Country Strategy Plans for Armenia. For example, in the 2007–10 period the European Commission provided €29.5 million to support national regulatory reform and strengthen administrative capacity building activities as part of its Country Strategy Plan for Armenia;
- Annual Action Programmes under the European Neighbourhood and Partnership Instrument (ENPI);
- The Neighbourhood Investment Facility (NIF) and the thematic assistance programmes;
- Bilateral cooperation within the strategic framework for European Union's cooperation with Armenia, established in the Country Strategy Paper 2007–2013;
- The National Indicative Programmes (NIPs) for 2007–10 and 2011–13 that set out the level of funding for Armenia, and cooperation priorities (including good governance that concerns reforms of public administration, public finance, justice);
- Twinning and Comprehensive Institution Building programmes, which accelerate administrative reforms.<sup>7</sup>

These programmes are signed with the central government but LRAs are included in their negotiations. These programmes also detail operational measures to be implemented at the local and regional level to enhance LRAs' capacities.

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<sup>7</sup> See the ENP information website available at: <http://www.enpi-info.eu/library/country/Armenia>.

## ***Lessons Learnt***

### **➤ *Insufficient capacities***

There remains a lack of sufficient administrative capacity at the regional and community level to absorb the transfer of responsibilities from the central level and to govern more efficiently at the local level.

## ***Recommendations***

### **➤ *Capacity building***

### **➤ *Local ownership of regional development programmes***

Capacity building is the crucial precondition for the success of further decentralisation reforms. The main recommendation is to prioritise administrative capacity building at the regional and local level, for example, to ensure the capacity building of the regional authorities in designing and implementing their regional development programmes.

## **Territorial cooperation**

### *Types of Territorial Cooperation*

Trans-border cooperation is being promoted, in particular via the initiative of the Black Sea Euroregion. It was established in 2008 (Council of Europe, 2008) and is still being implemented (Council of Europe, 2014a). There was no progress in the resolution of the territorial dispute over Nagorno-Karabakh. Territorial cooperation with Nagorno-Karabakh is limited due to this.

### *Different Instruments and their Evolution*

The main instruments are suggested in the framework of its Eastern Partnership Territorial Cooperation Programme (EaPTC), ENPI, Black Sea Synergy, Interreg IVC. In 2012–15 Armenia, Azerbaijan, Belarus, Georgia, Ukraine are engaged into territorial cross-border cooperation programmes, which were financially supported by the EU (with a budget of €5.5 million).

In particular, cross-border cooperation between Armenia and Georgia includes the Shirak, Lori and Tavush regions (marzes) from the Armenian side and the Samtskhe-Javakheti and Kvemo Kartli regions from the Georgian side. Concerning the Armenian experience of cross-border cooperation the following examples can be mentioned:<sup>8</sup>

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<sup>8</sup> See <<http://www.eaptc.eu/en/program/view-armenia-georgia.html>> for more information.

1. Armenia and Georgia, fostering regional development in Armenia and Georgia through cross-border cooperation, funded by the Ministry of Foreign Affairs of the Netherlands (07.10.09 – 08.12.09).

The wider objective of the project was to strengthen regional development in Georgia and Armenia through cross-border cooperation. The pilot border municipalities are located in the peripheral regions of Armenia and Georgia that benefit less from the centrifugal force around the capitals. The specific objective was to strengthen the capacity of local governments, their associations and civil society in Georgia and Armenia to provide better services and improving living conditions.

2. Establishment of Lake Arpi National Park: ‘Ecoregional Conservation Programme in the Southern Caucasus Region: Establishment of Protected Areas in Armenia’s Javakhq (Ashotsk) Region’, funded by the German Government (KfW German Development Bank), 2007–11.
3. The overall project objective is to conserve the unique biodiversity of the Javakheti-Shirak plateau in Armenia on the border to Georgia and Turkey at the same time as enhancing sustainable rural development in the northern Shirak region through establishment of the Lake Arpi National Park and implementation of a support zone programme, targeting around 20 villages.

Euro-region ‘EuroCaucasus’ – established in 2009 by Armenian and Georgian municipalities with support from the National Association of Local Authorities of Georgia (NALAG) and the Communities Association of Armenia (CAA). It unites four municipalities from Georgia (Dmanisi, Bolnisi, Marneuli and Ninotsminda) and municipalities from three Marzes from Armenia (Tavush, Lori and Shirak).

- a. Alaverdi: ‘Formation of cross-border cooperation on environmental issues on the example of city Alaverdi and River Debet’.

The aim of this project is to establish networks with Georgian municipalities to foster cooperation on environmental issues. The environmental situation on cross-border territory is nearly the same with the same problems that require urgent solutions. Cooperation of both sides on these issues will promote to finding efficient solutions to common problems.

- b. Tashir and Vanadzor: ‘Fostering cooperation and development of small & medium business of the trans- border communities’.

The aim of this project is to create a database of Armenian and Georgian business people that will later on collaborate on issues of common interest, on initiating joint projects and fostering development of small and medium business in Georgia and Armenia. The uniqueness of the project lies in the fact that no such database existed before and its creation will give an opportunity to keep a regular contact with partners and come up with joint projects.

- c. Vanadzor, Dilijan and Ijevan: ‘Tourism Development Project’.

The aim of the project is to promote tourism development between Armenia and Georgia by establishing tourism offices in three cities. It is worth mentioning that Civil Society organisations have experience of cross border cooperation, not only with Georgian partners, but also with partners from other regions.<sup>9</sup>

### *Working Methods*

As in the case of other EaP countries, the list of working methods consists of engaging regional and local authorities into cross-border programmes and projects, raising awareness<sup>10</sup> of various stakeholders (authorities, NGOs, businesses, citizens) about the opportunities of cross-border cooperation to effectively manage future cross-border programmes in the region, etc.

### *Achievements*

In 2013, territorial cross-border cooperation between public and civil society organisations in Azerbaijan and Georgia was carried out successfully (in the framework of EaPTC). They exchanged information between each other, benefited from the opportunities of networking and training, provided by the EU. According to the project report, the results of territorial cooperation include:

1. Improved planning capacities for local governments to provide better services, regional development and improvement of living conditions at both sides of the Armenian border.

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<sup>9</sup> For more information, see <http://www.eaptc.eu/en/program/view-armenia-georgia.html>.

<sup>10</sup> For more information, see <http://www.enpi-info.eu/eastportal/news/latest/34725/Conference-in-Stepanavan-to-discuss-benefits-of-territorial-cooperation>.

2. Increased ability of local governments and civil society in the border region between Georgia and Armenia to participate actively in and contribute towards sustainable development.
3. Strengthened capacity of EuroCaucas, CAA and NALAG to represent the interests of local governments and foster cross border cooperation and inter-municipal cooperation in the border region between Armenia and Georgia.”<sup>11</sup>

There are some achievements regarding territorial cooperation in Armenia. The first forum of village communities was held on 10 October 2013 in Jermuk, bringing together over 300 representatives of local governments and regional administrations to discuss environmental concerns, water and energy consumption, construction and new technologies (Arka News Agency, 2010).

### ***Lessons learnt***

#### ***➤ Insufficient administrative capacities***

The capacity of national and regional authorities to develop such instruments has been low.

### ***Recommendations***

- Promote cross-border cooperation to support capacity building***
- Strengthen the fiscal and legislative framework to promote inter-community cooperation***

LRA engagement in cross-border cooperation should be promoted, at least in its administrative dimension. Promoting inter-community cooperation in Armenia is equally important. It is recommended to encourage intercommunity unions while strengthening the legislative framework that specifies the powers of these groupings and of their constituent communities, the relationships among them, their property rights, the budget revenue sources and budget expenditure priorities. Budget transfer from the central government will support the formation and development of such unions.

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<sup>11</sup> See <http://www.eaptc.eu/en/program/view-armenia-georgia.html>.

## 1.1.2. Azerbaijan<sup>12</sup>

### Decentralisation and local self-government

#### *Progress To-Date on Decentralisation*

Since 2009, progress on decentralisation has been limited and a high degree of centralisation can still be observed. Constitutional amendments in 2009 (Republic of Azerbaijan, 2014) actually decreased the independence of local self-governments, firstly by granting the state powers to oversee the activities of municipalities, without clearly defining the exact scope of such supervision; and, secondly, by calling for municipalities to submit regular reports to the national parliament (the Milli Majlis; Freedom House, 2010a). The Venice Commission concluded that the 2009 constitutional provisions on local self-government did not explicitly guarantee a number of principles foreseen by the European Charter of Local Self-Government, ratified by Azerbaijan in 2001 (Council of Europe, 2009c). The Council of Europe was particularly concerned with the amendment by which “the State oversees activities of municipalities” because the exact scope of this supervision has not been further specified in the constitution (European Commission for Democracy through Law, 2009). Another amendment suggested that municipalities should submit reports to the national parliament, an unusual form of supervision that may further erode the independence of these bodies (Freedom House, 2010a). In 2009, the parliament reduced the number of municipalities in Azerbaijan from 2,757 to 1,766. Authorities argued that the reform increased the efficiency of local self-government, especially in territories with a small population. Critics, however, said this could result in fewer posts for local representatives.<sup>13</sup> The parliament did not make a simultaneous reduction in the number of local authorities working for the state administration (Freedom House, 2013a). In 2012, a presidential decree significantly broadened the local responsibilities of state authorities and extended their control over the local structures of national ministries. The decree ran contrary to the values of the European Charter for Local Self Government, which Azerbaijan has ratified. In particular, the 2012 presidential decree granted local executive authorities virtually all the functions of municipal or regional governments, including the right to appoint and dismiss the representatives of local branches of central ministries and to maintain schools and other public buildings (Government of the Republic of Azerbaijan, 2014).

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<sup>12</sup> For additional references on developments in Azerbaijan, see: Council of Europe, 2012a; UNDP, 2014; EU Neighbourhood Library, 2014

<sup>13</sup> See <http://en.trend.az/news/politics/1487364.html>.

### *Plans Existing for Decentralisation*

No plans appear to exist at the present time (NGO Alliance for Municipality Development, 2013).

### *Political and Legal Context of Reform and Barriers to Progress*

Freedom House argues that the main feature of political and legal context is patronage for the sake of electoral victory of the ruling party at all levels. Municipal authorities align themselves with local branches of state administration, which argued are extensions of the ruling party and its structure (Freedom House, 2012a). This barrier is difficult to overcome without changes to the present system of authority.

### *Fiscal Centralisation*

A low level of state transfers to local coffers and ineffective tax structures make all branches of local government financially dependent on central authorities in Baku (Freedom House, 2013a). In 2011, the share of local budgets in GDP was 0.1% (Tumanyan, 2013). Fiscal decentralisation is not currently planned.

### *Challenges Facing LRAs in Exercising their Powers*

The constitution of Azerbaijan provides for local self-governance, which is carried out through elected municipal authorities and local bodies of the state administration. However, municipalities seem to function as arms of the executive branch. Municipalities are sometimes rather underfunded and appear to lack meaningful responsibilities or decision-making authority. Local branches of state government carry out most functions assigned to municipalities (community service projects, renovations, citizen registration, social services, etc.), while municipal authorities handle issues such as road construction or social assistance for households not benefiting from state social programmes.

The mayor of Baku continues to be appointed by the President of Azerbaijan (Commission/High Representative, 2014a). There is little transparency in the work conducted by self-governance structures, and public trust in local self-government structures is relatively low, especially in larger urban areas.

### *Examples of Good Practice*

In contrast to other municipalities, the exclave of Nakhchevan enjoys a strong degree of autonomous governance (Freedom House, 2011a).



## ***Lessons Learnt***

### **➤ *Insufficient follow-up of actions***

The international commitments of Azerbaijan are not always translated into actions. Despite Azerbaijan's commitments under the Charter of Local Self-Government and strong calls by the Council of Europe to elect the mayor of Baku, the mayor is still appointed by the President.

## ***Recommendations***

### **➤ *Emphasise international commitments***

It is recommended that policy-makers should be reminded of the need to fulfil the commitments they have made under the Charter of Local Self-Government.

## **Administrative capacity building**

### ***Progress with Reform and Challenges***

Some issues related to administrative capacity are recognised and are beginning to be partially addressed, including corruption, access to and the quality of public services, opportunities of NGOs to cooperate with public offices and so on.

### ***Administrative Capacity Building***

The issue of corruption, which is one of the main obstacles to administrative capacity, is addressed nationally (National Anti-Corruption Action Plan for 2012–2015, NACAP) and internationally (Commission/High Representative, 2013). NACAP aims at preparing the draft Civil Service Code that should provide clear and precise rules for staff performance and ethics of public service. According to the USAID's Anti-Corruption Assessment (2011), corruption is still an issue of concern.<sup>14</sup> As for the measurement: Transparency International's Corruption Perception Index 2012 rank Azerbaijan 139th of 174 countries (Transparency International, 2012).

Administrative capacity building at the regional level has been addressed by the State Programme on Socio-Economic Development of Regions of the Republic of Azerbaijan (2009-13; Republic of Azerbaijan, 2009). However, its implementation did not help to solve the problem. In July 2013 a State Agency

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<sup>14</sup> See [http://pdf.usaid.gov/pdf\\_docs/PDACU274.pdf%E2%80%8E](http://pdf.usaid.gov/pdf_docs/PDACU274.pdf%E2%80%8E).

for Public Services and Social Innovations was established. Its aim is to provide public services to citizens under the ‘one-stop-shop’ principle and to improve e-government services. Its implementation at national and regional levels has just started.<sup>15</sup>

In 2012, Azerbaijan joined the Open Government Partnership.<sup>16</sup> In September 2012, it adopted an Open Government National Action Plan 2012-15, endorsed by the Presidential Decree of 5 September 2012. Its implementation continues according to the schedule. There are numerous international efforts aimed at addressing these issues. For example, the 2011-16 USAID Country Development Cooperation Strategy aims to increase the effective participation of diverse actors and institutions in the democratic development of the country, including fighting corruption and improving administrative capacity. USAID works to strengthen the legal and regulatory framework to address corruption and promote opportunities for the private business sector. This goal is considered to be largely measurable. The implementation is regularly monitored (USAID, 2014a). Still the lesson is that this is not enough to solve the problem in short run.

### *Methodological and Technical Approach to Reforms*

The approach could best be called ‘collaborative’. National and international agencies address the issues mentioned above. However, they do not always work in partnership or coordinate their Action Plans and their implementation. Technically, the national and international strategies mentioned above have similar features, i.e. commitments to principles, strategic planning, detailed schedules of implementation, measurable results, etc. However, international and national agencies prioritise different aspects of administrative capacity. For example, the national documents pay less attention to administrative capacity building at local and regional levels. International agencies prioritise the participation of diverse actors and institutions in the democratic development of Azerbaijan.

### *The Division of Responsibility between Stakeholders*

The 2011–16 USAID Country Development Cooperation Strategy aims at empowered civil society actors in order to strengthen governmental capacity to respond to citizen interests. Also, the USAID Strategy supports government units and agencies capable of institutionalising more participatory and transparent mechanisms and procedures; it supports the Parliament in becoming

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<sup>15</sup>See [http://www.asan.gov.az/en/content/index/329/state\\_agency\\_for\\_public\\_service\\_and\\_social\\_innovations\\_under\\_the\\_pr](http://www.asan.gov.az/en/content/index/329/state_agency_for_public_service_and_social_innovations_under_the_pr).

<sup>16</sup> See <http://www.opengovpartnership.org/country/azerbaijan>.

more representative, responsive and transparent (USAID, 2014a).

The Council of Europe pays special attention to administrative capacity building at the level of municipalities, for example, it regularly calls for elections to be held for the post of the mayor of Baku. The European Neighbourhood Policy Action Plans for Azerbaijan are usually developed in cooperation with national public offices. Issues contained in these Action Plans can become the elements of governmental programmes afterwards.<sup>17</sup>

### ***Lessons learnt***

- ***Insufficient capacities***
- ***Corruption challenge***

Administrative capacity issues can be long lasting, even when addressed by both national and international agencies. This problem is evident from the case of fighting corruption at national and regional levels. Further efforts are necessary to tackle such problems.

### ***Recommendations***

- ***Coordination of support to tackle corruption***

It would be sensible to coordinate better the efforts of national and international stakeholders, at least at the stages of agenda-setting and the evaluation of results.

## **Territorial cooperation**

### ***Types of Cooperation***

Since 2009, various examples of trans-border cooperation have been observed. The initiative of the Black Sea Euroregion (Bulgaria, Georgia, Moldova, Romania, Russia (as Observer), Turkey, Ukraine, Armenia, Azerbaijan and Greece), which was established in 2008 (Council of Europe, 2008), was being implemented (Council of Europe, 2014a).

### ***The Different Instruments and their Evolution***

Most instruments are suggested by the EU – via EU-funded Programmes, including the framework of its Eastern Partnership Territorial Cooperation Programme (EaPTC). In 2012-15 Armenia, Azerbaijan, Belarus, Georgia,

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<sup>17</sup> See <http://www.enpi-info.eu/library/country/Azerbaijan>.

Ukraine are engaged into territorial cross-border cooperation programme, which is financially supported by the EU (with the budget of €5.5 million). €1.35 million were allocated to Azerbaijani-Georgian cross-border cooperation (Azerbaijan State Telegraph Agency, 2014). In particular, this programme provides technical assistance to develop the capacity of State and non-State actors in the target regions of Azerbaijan-Georgia, allowing these actors to engage in future cross-border programmes, and thus preparing the ground for forthcoming activities. The program mainly covers the Ganja-Gazakh and Sheki-Zagatala regions of Azerbaijan and Georgian regions of Kvemo Kartli and Kakheti.<sup>18</sup> The technical assistance programme has two main project components targeting national decision makers, donor representatives as well as local and region state and non-state actors. The travel industry will get the best out of developments in this programme because both Azerbaijan and Georgia have very high ambitions in this area. Other instruments include the ENPI, Black Sea Synergy, Interreg IVC, SEE (Council of Europe, 2009b).

### *Working Methods*

The working methods used include engaging regional and local authorities into cross-border programmes and projects, raising awareness of various stakeholders (authorities, NGOs, businesses, citizens) about the opportunities of cross-border cooperation to effectively manage future cross-border programmes in the region, and so on.

### *Achievements*

In 2013, territorial cross-border cooperation between public and civil society organisations in Azerbaijan and Georgia was carried out successfully (in the framework of EaPTC). They exchanged information between each other and benefited from the opportunities of networking and training, provided by the EU.<sup>19</sup>

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<sup>18</sup> See for more information <http://www.eaptc.eu/en/program/view-azerbaijan-georgia.html>.

<sup>19</sup> See for more information <http://www.eaptc.eu/en/program/view-azerbaijan-georgia.html>.

### ***Lessons learnt***

#### **➤ *Insufficient capacities***

The lesson is that the capacity of national and regional authorities to develop such instruments has been low.

### ***Recommendations***

#### **➤ *Promote cross-border cooperation to support capacity building***

It is recommended LRA engagement in cross-border cooperation be promoted, at least in the administrative dimension.

## **1.1.3. Belarus<sup>20</sup>**

### **Decentralisation and local self-government**

#### *Progress on Decentralisation*

Little progress has been made so far. Belarus maintains a highly centralised system of local governance, shaped by the coexistence of soviets (councils) and executive committees on every governance level – regional, district and village council. The heads of Belarus' regional and district administrations are directly appointed by the President.<sup>21</sup> Local officials are in charge of carrying out government programmes related to health, administration, and infrastructure.<sup>22</sup>

#### *Plans for Decentralisation*

There are no plans for decentralisation at the present time.

#### *Political and Legal Context of Reform and Barriers*

There appears to be little or no political will for decentralisation reform in Belarus. It is unlikely that this will change in the immediate future. Opposition policy-makers, who might be in favour of reform, are mostly present in public offices mainly at the national level. After the 2010 local elections, local officials and directors of state enterprises dominate the councils<sup>23</sup> and there are ten

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<sup>20</sup> For additional references on developments in Belarus, see: UNDP, 2014; EU Neighbourhood Library, 2014

<sup>21</sup> See <http://www.belarus.by/ru/government/government>.

<sup>22</sup> See <http://pravo.by/main.aspx?guid=1531>.

<sup>23</sup> See <http://nmnby.eu/news/express/2728.html>.

opposition representatives out of 21,000 council deputies in Belarus.

### *Fiscal Centralisation*

Although the Constitution of Belarus asserts the independence of local budgets (Sokal, 2003), the level of actual fiscal decentralisation is low (Lobovich, 2014). Belarus lacks a system of local self-government and fiscal decentralisation. Government programmes at the local level tend to be underfunded due to the lack of local revenue sources. Local budgets “may be depleted by obligations to carry out unfunded mandates identified by the central administration” (Freedom House, 2013b).

Since 2009 there have been two main changes regarding fiscal decentralisation, i.e.:

1. In 2010 the Budget Code was amended<sup>24</sup>.
  - a. It clarifies and classifies ‘which taxes and fees are sent to the Central budget, oblast budgets, the Minsk city budgets and budgets of the cities with rayon status’ (translation from the budget code). It also classifies budget revenues and specifies shared taxes and tax revenues. Local budgets are strongly subordinated to the central budget and have a low level of taxing powers. The Centre defines the structure of taxes, establishes tax rates and regulates taxes. At the same time local authorities in cities, villages, and rayons can introduce their own taxes if oblast local authorities permit. They can introduce only one local tax, resort duty, without the permission of oblast local authorities. Local authorities at any level cannot adjust the tax base of their own (local) taxes. As a result, government programmes at the local level tend to be underfunded due to the lack of local revenue sources (Belarus in Focus, 2011).
  - b. The Budget Code identifies the following components of revenue assignment: the own revenues of local budgets, shared taxes, and equalisation grants. There are shortages of local government own revenues with respect to local expenditures. Shared taxes belong to oblast budget and do not go to the lower local budgets. As for grant transfers, there is no formula for financial equalization.

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<sup>24</sup> See <http://pravo.levonevsky.org/kodeksby/bydgkodecs/20110115/izmeneni.htm>.

2. In 2010–11 two important local taxes (retail sales tax and tax from services) were excluded from the (local) tax system. Now there are only three local taxes and fees in Belarus (Subgroup on Local Government and Public Administration Reform, 2012).

No measures for fiscal decentralisation is planned at the present time.

### *Challenges Facing LRAs*

LRAs are dominated by the representatives of the national ruling party whose interests they share. LRAs represent public interests to the extent that they are also run by the nationally ruling party. The mechanisms of public engagement into agenda-setting and decision-making of LRAs have been in place for several decades and could perhaps be renewed and updated. There is a lack of international cooperation on the part of LRAs.

### *Good Practice*

Within the councils, opposition members are permitted to freely express viewpoints diverging from those of the ruling party, which is in line with democratic standards (Freedom House, 2013b).

### *Addressing Challenges to Reform*

The issue of administrative capacity has been mostly addressed by international agencies. The respective domestic commitments are less numerous. Probably the best example of domestic concern is the 2010 Code of Administrative Offences of the Republic of Belarus (World Intellectual Property Organization, 2010).

### ***Lessons Learnt***

- ***Lack of political will and institutional commitments for decentralisation***

There is no reason to expect decentralisation in Belarus when there appears to be little or no political will and no institutional commitments in this direction.

### **Administrative capacity building**

The problematic issues that are most often mentioned include: public engagement, overwhelming bureaucracy and corruption.<sup>25</sup>

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<sup>25</sup>See [http://www.ej.by/news/sociaty/2012/07/25/samaya\\_krupnaya\\_vzyatka\\_etogo\\_goda\\_vyyavlena\\_v\\_minske.html](http://www.ej.by/news/sociaty/2012/07/25/samaya_krupnaya_vzyatka_etogo_goda_vyyavlena_v_minske.html).

### *Methodological and Technical Approach*

Domestic and international agencies appear to address the issues of administrative capacity building absolutely separately.

The Decree of the President of the Republic of Belarus of May, 7th, 2007, No 220 approves the State programme on the struggle against corruption for 2007–10. In pursuance of the law and within the frameworks of realisation of the programme, a permanent commission on corruption offences prevention has been put in place. With a view towards preventive measures, the subject exhibition “Struggle against corruption – the major direction of strengthening the State” runs at the National Library.

The exhibition presents numerous monographs, manuals, and materials of scientific and practitioner conferences dedicated to the basic aspects of the fight against corruption in various spheres of public life and specificity of legal regulation in this area. On the basis of the all-round analysis of national and foreign scientific literature, legislation, practical materials and results of special researches, the urgent issues of counteraction to this negative phenomenon have been considered and measures on elimination of its reasons have been offered. There are collections of acts of legislation, which regulate the struggle against corruption, commentaries to them, and also the analysis of separate aspects of the international conventions ratified by the Republic of Belarus (National Library of Belarus, 2010). Belarus’s legal framework addresses the issue of corruption and contains a test for the corruption potential of draft laws planned for consideration by parliament (Freedom House, 2013b).

Belarus has slightly improved its rank in the World Bank 2014 Doing Business report (World Bank, 2014). Thus, the lesson is that progress is possible.

### *Division of Responsibilities*

As mentioned above, domestic and international agencies<sup>26</sup> work separately. The former have the capacity to make decisions, while the latter make efforts to evaluate the results.

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<sup>26</sup> See for instance USAID, 2014d.



### ***Lessons Learnt***

- ***Insufficient capacities***
- ***Overwhelming bureaucracy, corruption and lack of public engagement***

### ***Recommendations***

- ***Ownership of reform programme***

It might be helpful to cooperate more on issues that are the priorities for domestic policy-makers in charge of improving administrative capacity in Belarus.

## **Territorial cooperation**

### ***Types of Territorial Cooperation***

Belarus is engaged in cross-border cooperation with other EaP countries. In particular, in forms of Euroregions<sup>27</sup>: (1) Euroregion “Dnepr” unites from Belarusian side Gomel region, from Ukrainian side – Chernigovsk region, from Russian side Bryansk region. (2) Euroregion "Ozerny kraj" includes: Braslav district, Verkhnedvinsk district, Miorisk district, Postavy district and Gluboksk district (Belarus); Duagavpilska district, Kraslav district, Preylski district, Rezeknensk district, including Daugavpilska and Resekne cities (Lithuania); Zarasayska district, Ignalinsk district, Utensk district and Shvenchensk district, including Visaginas city (Lithuania). (3) Euroregion – Neman unites from Belarusian side – Grodno region, from Polish side (since 1998) – Podlaska voievodship, from Lithuanian side – Mariampol, Alitusk and Vilnusk regions (poviety), from Russian side (since 2002) – Cherniakhov, Krasnoznamensk, Ozersk, Gusev and Nesterov districts of Kaliningradsk region. (4) Euroregion – Belovezhskaya Puscha unites: from Belarusian side – Kamenets, Pruzhany, Svisloch districts, from Polish side – Haynuvka poviet. (5) The members of Transborder union Euroregion Bug are: Brest region (Belarus), Lublin voievodship (Poland) and Volyn region (Ukraine).

### ***Instruments of Territorial Cooperation***

Various instruments suggested by the EU programmes related to cross-border cooperation in EaP countries are used: the European Neighbourhood Policy Instrument (ENPI), EaPTC, etc.<sup>28</sup>

<sup>27</sup> See for more information <http://www.eaptc.eu/en/program/view-belarus-ukraine.html>.

<sup>28</sup> See <http://www.enpi-info.eu/library/country/Belarus> for more information.

The EaP Territorial Cooperation programme that is set to run in 2013–16 involves the regions of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. In particular, the Belarus–Ukraine part of the EaPTC Cooperation Program involves Brest Oblast and Gomel Oblast of Belarus and five regions of Ukraine. The programme aims to promote the social and economic development of the participating regions. It will also focus on environmental protection, healthcare, culture, education and sport. Some €3.3 million has been earmarked to finance territorial cooperation projects between Belarus and Ukraine. The projects might be drafted by local and regional authorities, civil society organizations and communities. Each project will get from €20,000 to €250,000. The beneficiary of the grant will have to finance 10% of the project cost. A competition for projects will be conducted in mid-2014 to select the best of them. Grant contracts are to be signed in January 2015. The projects will be implemented from January 2015 to the end of 2016.<sup>29</sup>

In cases where Euroregions that Belarus is engaged in include regions of EU members, more instruments can be applied (via access to EU Funds).<sup>30</sup>

### *Working Methods*

As in most EaP countries, the working methods are as follows: exchanging data on cross-border issues of mutual concern, promoting joint efforts to solve such problems. Authorities, NGOs, businesses, citizens are involved. Their capacity to tackle such issues is built at special training events and seminars, often with trainers from the EU involved. That the above-mentioned Euroregions function well is evident from the list of successful projects implemented. Nevertheless, there remain administrative obstacles to the participation of regions in the programmes at the same level as the central administration.<sup>31</sup>

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<sup>29</sup> See <http://www.eaptc.eu/en/eaptc-program.html> for more information.

<sup>30</sup> See [http://beleuroregion.by/index.php?option=com\\_k2&view=itemlist&task=category&id=3&lang=en](http://beleuroregion.by/index.php?option=com_k2&view=itemlist&task=category&id=3&lang=en).

<sup>31</sup> See <http://lv.niss.gov.ua/articles/478/>.

### ***Lessons Learnt***

#### **➤ *Complex decision-making***

The main obstacle from the side of Belarus is that Belarusian regions have to pass through numerous administrative steps at the level of ministries in order to fully participate in the programmes and projects of the respective Euroregions.

### ***Recommendations***

#### **➤ *Simplify procedures***

Therefore, it is recommended to simplify this process.

## **1.1.4. Georgia<sup>32</sup>**

### **Decentralisation and local self-government**

#### ***Progress on Decentralisation***

In 2009, the Ministry of Regional Development and Infrastructure was established.<sup>33</sup> With financial aid from the European Commission Delegation, it created a National Strategy of Regional Development for 2010–17. The Strategy aims to increase the capabilities of local entities to carry out their functions of regional development successfully (Government of Georgia, 2011).

In 2010, new amendments to the Constitution were adopted and a separate chapter on local self-governance was established. It sets and defines some institutional guarantees for the independence of local governance. According to the amended Constitution, regional governors should be appointed by the government and not by the president. The chapter on local self-governance declares that if the central government delegates new responsibilities to local governments, it provides local municipalities with the transfer of adequate material and financial resources. These amendments to the Constitution entered into force in January 2011 (EaP Community, 2011).

In 2010, the Laws on the “Budget System of Georgia”, the “Municipal Budget” and the “Distribution of Receipts between the Budgets” were cancelled. Instead, a new Georgian “Budget Code” was adopted in 2009 and entered into force in

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<sup>32</sup> For additional references on developments in Georgia, see: Open Society Foundations – Georgia, 2013; UNDP, 2014; EU Neighbourhood Library, 2014

<sup>33</sup> See <http://www.mrdi.gov.ge/en/main>.

2010 (Ministry of Finance of Georgia, 2014). According to it, the procedure for special purpose transfers is as follows: local self-government units can receive special purpose transfers from budgets of any level.

The new Code of Self-Government (2014<sup>34</sup>) allows the local self-government to be exercised at the municipal level – in self-governing cities and communities (Article 3). The self-governing cities are defined by the Organic Law on Local Self-Government of 2005: Tbilisi, Rustavi, Kutaisi, Poti, Batumi, Telavi, Ozurgeti, Zugdidi, Gori, Ambrolauri, Mtskheta and Akhaltsikhe (Article 151, Paragraph 1). According to the Code, the municipality assemblies are to be elected for the term of four years by the citizens of Georgia registered on the territory of the municipality by direct, universal, equal vote, through secret ballot. The gangebeli/mayor is to be elected by direct, universal, equal vote, through secret ballot for the term of four years (Articles 23, 49). The new Code does not exercise self-government at the level of villages, settlements and communities (Bakhtadze, 2014).

### *Plans for Decentralisation*

Reforms towards fiscal decentralisation will be the next step on the decentralisation agenda.

### *Political and Legal Context of Reform and Barriers*

Meaningful steps towards decentralisation in Georgia resulted from the transfer of power from Saakashvili's party to the Georgian Dream (GD) coalition in 2012. The central government formed by the Georgian Dream coalition presented the decentralisation reform as the core component of democratization in Georgia (Georgian Young Lawyers' Association, 2012). The initial intention was to give regional towns and communities more decision-making powers and to maximise public engagement in agenda-setting and decision-making at the local level.

Despite the fact that the Code of Self-Government was adopted, it is criticised for undermining meaningful decentralisation efforts (Council of Europe, 2013b). For example, the initial draft law envisaged the direct election of mayors of 18 towns,<sup>35</sup> and of heads of all municipalities. The governors of the regions were to be appointed by central government, but accountable not only to government, but also to the consultative councils formed of representatives of local councils. There was also a plan to create third, lowest-tier of local government: borough councils in Tbilisi and public councils in the villages. This first version of the

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<sup>34</sup> See <http://www.mrdi.gov.ge/en/news/page/530b62890cf2722ae0e3f8ea>.

<sup>35</sup> There are currently 5 towns which directly elect their mayors.

Draft Code was heavily criticised by the Georgian Orthodox Patriarch Ilia II who claimed that the empowerment of the regional authorities could lead to separatism. Opposition criticised the draft code, because it allowed elected local councils to vote out mayors and heads of municipalities. After the amendments to the draft law, the number of towns with directly elected mayors was limited, the role of consultative councils became purely advisory – the councils were not given the right to request that central government sacks the governor, the establishment of borough councils and public councils was never mentioned (FactCheck, 2014).

One more problem with the reform is that there was no wider public debate on the reform, at least until the Georgian Orthodox Patriarch Ilia II criticised the government's plans.<sup>36</sup>

### *Fiscal Decentralisation and the Allocation of Resources*

In Georgia the level of fiscal decentralisation remains unsatisfactory. Currently only 5% of all local units' revenues are their own income in Georgia (Tumanyan, 2013). The share of local budget expenditures in public expenditures is 19.0% and the share of local budgets in GDP is 7.0% (*ibidem*). The tax system is highly centralised: all taxes except for property tax are sent to the central budget (*ibidem*) – thus insuring fair funding of municipalities and their economic development through equation transfers that are calculated based on a special formula. Special and targeted transfers are also disbursed from the centre, to meet the special needs of the regions. Fiscal decentralisation level in self-governing cities is higher than in municipalities. This is caused by a better revenue index and a comparatively high rate of expenses/growth of non-financial assets. The level of dependence of local self-government bodies on transfers received from the national budget is still very high. The larger part of funds spent from the local budgets is received as grants from the national budget.

However, there have been some changes in the area of fiscal decentralisation since 2009:

1. In 2010, a new 'Budget Code' was introduced.<sup>37</sup> It slightly reduced the dependence of local self-government bodies on special and targeted transfers from the national budget:

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<sup>36</sup> See <https://www.pda.inosmi.ru/sngbaltia/20131219/215830484.html?all>

<sup>37</sup> Fiscal Decentralization in Georgia, Project –“Strengthening Local Authorities – The Way Towards Decentralization”, 2011.

- a. It is now possible to allocate special purpose transfers from the national budget to self-government bodies for any purpose, including the funding of municipal programmes.
  - b. The Budget Code defines ‘special purpose transfers’ as the transfer of money in a form of financial support from one budget to another and makes it possible for any level of government.
  - c. It defines ‘target purpose transfers’ as resources transferred from the national budget of the budget of an autonomous republic to a municipal budget as ‘financial support’ aiming at the implementation of delegated competencies by self-government units.
2. In 2009 the Georgian Organic Law on ‘Local Self-Government’ was amended. It simplified the procedures required for self-government units to receive grants (non governmental grants) by lifting the restriction through which, before 2009, the self-government units could only receive grants from the Government of Georgia or with its permission (Subgroup on Local Government and Public Administration Reform, 2012).

As mentioned above, the second step of the decentralization reform in Georgia is fiscal decentralisation (Georgian News TV, 2013). Some experts claim that it is planned that income tax will be shared between the central and municipal budgets, while the currently active transfers, together with property taxes, will also remain in municipalities. However, a public debate on fiscal decentralization is not taking place.<sup>38</sup>

### *Challenges Facing LRAs in Decentralisation*

The 2010 constitutional changes do not touch on the substance of regional governance, which remain controlled by the central government. Local authorities depend on funding from the central government and their activities are very often dictated by regional governors, who are appointed by the central government. Local self-governing units lack the financial resources to fulfil their responsibilities. Local authorities still depend on central fund transfers, which are frequently dictated by regional governors (Council of Europe, 2013b).

The decentralisation reform is dictated by the central government, which often uses decentralisation as a means for transferring costs to local budgets for services previously covered by the central budget (Georgian Young Lawyers’ Association, 2012). This creates a risk that the central government may use municipalities to enhance their political influence in the regions, and for

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<sup>38</sup> See [www.georgiatimes.info/news/97404.html](http://www.georgiatimes.info/news/97404.html).

influencing voting during elections. Also, regions' fiscal dependence upon the centre is distracting to investors.

### *Examples of Good Practice*

In March 2013, the central government published the Concept of the Local Self-Government Reform. The Concept became the basis for the Draft Law on Decentralisation – the Code of Self-Government.<sup>39</sup> The draft Code, which was redrafted by the central government, was adopted by parliament on 5 February 2014 and will be enacted after the 2014 local elections.

#### ***Lessons Learnt***

##### ***➤ Lack of competences and financial powers of LRAs***

The weakest point of the current decentralisation reform is the lack of changes in competence and financial powers of local government units. The lesson is that it is difficult to consider local government reform without the creation of local fiscal autonomy.

#### ***Recommendations***

##### ***➤ Work towards fiscal decentralisation***

It is recommended that the following steps be taken: (1) ensure fiscal decentralisation in order to implement a decentralisation strategy in Georgia; (2) ensure open public debate while agenda-setting and decision-making regarding fiscal decentralisation. It is important to follow these steps in order to avoid reforms being derailed after criticism from a very authoritative (non-political) leader.

## **Administrative capacity building**

### *Challenges to Administrative Capacity Building*

The need for administrative capacity building is recognised by Georgian policy-makers, as well as international agencies. The main issues in this regard include over-centralised and ineffective government that fails to delivery public services to citizens.

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<sup>39</sup> See <http://www.mrdi.gov.ge/en/news/selfmanagment>.

## *Administrative Capacity Building Strategy*

According to the Minister for Regional Development, the decentralisation reform introduced in 2014 was meant to increase the efficiency of public service delivery for the people.<sup>40</sup> This statement is supported by the content of the Code of Self-Government. Its implementation strategy is meant to be monitored by public officers. It is expected that civil society will have access to the monitoring process. Also, NGOs are free to develop their own monitoring system and evaluate the progress against their indicators (to ensure that the results are easily measurable). International agencies can join this process, too.

Various development strategies for Georgia, suggested by international agencies, highlight the goal of administrative capacity building (For example, USAID Country Development Cooperation Strategy for 2013-17; USAID, 2012). SlovakAid, a Slovak Ministry of Foreign Affairs Programme, implemented a programme of administrative capacity building in Georgia in co-operation with the Project Partner Institution "The National Association of Local Authorities of Georgia" (NALAG; Slovak Aid, 2014). The particular project (2010-2012) addressed the need of improving the capacity of Georgian municipalities in managing public investments and development projects. It aimed to provide local financial officers with the necessary skills in the management of public investments. As a result of the project, Georgian municipalities – Kutaisi, Rustavi, Poti, Batumi – became better able to efficiently and effectively manage their public investments and develop public investment strategies.

### *Methodological and Technical Approach to Reform*

A collaborative approach: there are the respective programmes of administrative capacity building financed by National Endowment for Democracy, the EU, EU members (i.e. SlovakAid, a Slovak Ministry of Foreign Affairs' Programme), UN agencies, and USAID. Mostly they provide technical assistance in terms of administrative capacity building for national and local government bodies.

### *Division of Responsibilities Between Stakeholders*

International agencies tend to make efforts towards encouraging transparent, responsive and effective governance and service delivery. However, the actual service delivery is carried out by domestic authorities at both the national and local levels. International and domestic NGOs call for participatory decision-

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<sup>40</sup> See <http://www.mrdi.gov.ge/en/news/minterviews/52fdc9420cf298a857ab7d9b>.



making and public engagement.

### ***Lessons Learnt***

#### **➤ *Further administrative capacity building***

Probably the best example of administrative capacity building in Georgia is the reform of the police.

### ***Recommendations***

#### **➤ *Share best practices***

It is recommended that this experience be spread to other spheres that concern administrative capacity. International agencies can combine efforts to provide financial assistance for these particular purposes.

## **Territorial cooperation**

### ***Types of Territorial Cooperation***

The re-integration of the country is an issue in Georgia. Apart from this, cross-border cooperation is being observed.

### ***Different Instruments of Territorial Cooperation***

Different instruments are suggested by the EU – via EU-funded Programmes, including the framework of its Eastern Partnership Territorial Cooperation Programme (EaPTC)<sup>41</sup>, the ENPI East regional indicative program for 2010–13.

EaPTC comprises four territorial cooperation programmes: Armenia – Georgia, Azerbaijan – Georgia, Belarus - Ukraine and Moldova - Ukraine. Programmes for Armenia – Georgia refer to Shirak, Lori and Tavush regions (marzes) from the Armenian side and Samtskhe-Javakheti and Kvemo Kartli regions from Georgian side. Territorial cooperation between Azerbaijan and Georgia refers to Ganja-Gazakh and Sheki-Zaqatala regions (Azerbaijan) and Kvemo Kartli and Kakheti regions (Georgia).

The initiative of the Black Sea Euroregion (Bulgaria, Georgia, Moldova, Romania, Russia (as observer), Turkey, Ukraine, Armenia, Azerbaijan and Greece) was established in 2008 (Council of Europe, 2008) and has remained in

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<sup>41</sup> See <http://www.eaptc.eu/en/eaptc-program.html> for more information

place since then (Council of Europe, 2009a).

### *Working Methods*

- a. Encouraging regional and local authorities, NGOs and businesses to engage into cross-border programmes and projects;
- b. Raising awareness about the opportunities of cross-border cooperation to effectively manage future cross-border programmes in the region, etc.

### ***Lessons Learnt***

- ***Transborder territorial cooperation as a model for territorial cooperation***

Transborder territorial cooperation appears to be better organised than inter-regional cooperation in Georgia.

### ***Recommendations***

- ***Sharing of best practices***
- ***Better integration of the different types of territorial cooperation in strategies***

It is recommended that the transborder territorial cooperation and inter-regional cooperation components be strengthened in governmental and international strategies and action plans.

## **1.1.5. Moldova<sup>42</sup>**

### **Decentralisation and local self-government**

#### *Progress on Decentralisation*

Progress with decentralisation has been made.

In 2012 the National Decentralisation Strategy of Moldova was adopted. Its aim is to transfer competences and financial resources from the central authorities to local authorities, to bring decision-making powers closer to the people and to increase institutional and financial autonomy of local governments. At the same

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<sup>42</sup> For additional references on Moldova, see: Council of Europe, 2012b; UNDP, 2014; EU Neighbourhood Library, 2014.

time it serves the goal of maintaining the territorial integrity of the country, with Transnistria and Gagauzia being two regions with secessionist dynamics. The Strategy establishes the objectives and tasks regarding decentralising power and assuring local self-government, in line with the principles of the European Charter of Local Self-Government. The National Decentralisation Strategy articulates policies regarding local public administration, which determines the national mechanisms in the domain of decentralisation and assurance of an authentic local autonomy for the local public administration authorities.<sup>43</sup>

### *Plans for Decentralisation*

Further plans for decentralisation have been publicised in the government's programme "European Integration: Freedom, Democracy, Well-being" for 2013–14. According to the Programme, further decentralisation will be achieved via increasing local autonomy according to the norms of the European Chart of Local Self Governance; strengthening of their financial autonomy; amending national legislature in accordance with the constitutional norms of decentralisation. A number of public services will be provided more efficiently at the local level. Secondary education, social assistance, water supply and road infrastructure are just some of these services on which local government can now make decisions and allocate resources.

### *Political and Legal Context of Reform & Barriers*

Decentralisation in Moldova, as elsewhere, is politicised.<sup>44</sup> The previous (communist) government was reluctant to carry out decentralisation reforms. The new government declared its readiness to go for decentralisation. Indeed, it adopted the legislation concerning institutional decentralisation, as mentioned above. However, the steps towards fiscal decentralisation are less obvious. Local public officials openly criticise the central government for this policy. Moreover, they organise open protests by local officials. Such public protests were especially active in late 2013, when they demanded more fiscal decentralisation, especially for municipalities and communities, so that the Law on "Local public finances" came into force since 1 January 2014 (Government of Moldova, 2014). The protests were headed by the Congress of Local Authorities of Moldova, which declared the absence of any political goals.<sup>45</sup> Also, the Council of Europe advises Moldova to adopt and implement the full package of norms regarding fiscal decentralisation.

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<sup>43</sup> See <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=344005&lang=2> and [http://www.descentralizare.gov.md/public/files/Proiectul\\_Strategiei\\_Nationale\\_de\\_Descentralizare\\_in\\_limba\\_ru\\_sa.pdf](http://www.descentralizare.gov.md/public/files/Proiectul_Strategiei_Nationale_de_Descentralizare_in_limba_ru_sa.pdf).

<sup>44</sup> See <http://enews.md/news/view/31441> and <http://gagauzinfo.md/index.php?newsid=884>.

<sup>45</sup> See <http://www.infotag.md/reports/764081/> and <http://enews.md/news/view/32113/>.

The central government of Moldova should listen to these pieces of advice more carefully in order to overcome such problems in the future (especially bearing in mind that the respective commitments are present in the government's programme for 2013–14).

### *Fiscal Decentralisation*

In Moldova, fiscal decentralisation is limited. All taxes, which are collected in regions, are still first transferred to the centre; they are only transferred back to regions in a second step.<sup>46</sup> The procedures and formulas of such transfers are not always transparent.<sup>47</sup> In 2011, the share of local budget expenditures in public expenditures was 25.9% and the share of local budgets in GDP is 9.9% (Tumanyan, 2013).

New legislative norms regarding fiscal decentralisation<sup>48</sup> have been developed in partnership with international agencies, i.e. the World Bank. The major recent change regarding fiscal decentralisation is the Law on Public Finance, which was amended on 13 June 2013 and finally adopted on 1 November 2013 – it should enter into force on 1 January 2015.<sup>49</sup> It describes the new financing system, especially how revenues will be shared, and the new formula for financing municipalities.<sup>50</sup>

The next stage of the decentralisation reform in Moldova includes the strengthening of the local government capacity in local financial management. A part of local taxes is supposed afterwards to remain in local budgets (Subgroup on Local Government and Public Administration Reform, 2012).

### *Challenges Facing LRAs*

Chişinău and Tiraspol have made no headway on the status of Transnistria within Moldova. This issue cannot be solved without the success of international efforts.

So far local budgets are largely under the control of central authorities (Tumanyan, 2013).<sup>51</sup> Fiscal decentralisation has not been implemented yet. Local financial autonomy should be promoted more actively.

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<sup>46</sup> See <http://excliuziv.md/moldavskie-primary-trebuat-reformy-mestnogo-samoupravleniya/>.

<sup>47</sup> See <http://excliuziv.md/moldavskie-primary-trebuat-reformy-mestnogo-samoupravleniya/>.

<sup>48</sup> See <http://enews.md/news/view/31312/>.

<sup>49</sup> See [http://www.noi.md/ru/news\\_id/30488](http://www.noi.md/ru/news_id/30488).

<sup>50</sup> See <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=312821&lang=2>.

<sup>51</sup> See <http://www.blackseanews.net/read/71604>.

## *Examples of Good Practice*

In late 2009, the new cabinet declared decentralising power as one of its five major objectives. In order to coordinate the government's decentralisation efforts, the Alliance for European Integration coalition formed a Directorate for Decentralisation Policy within the State Chancellery. In mid-2010 the government established the Parity Commission for Decentralisation chaired by the Prime Minister. The Commission included representatives of the central government, local officials from all levels, and the Chair of the National Council for Participation (to ensure adequate representation of civil society).<sup>52</sup>

### ***Lessons Learnt***

#### ***➤ Political will & decentralisation***

Political will is vital to carry out decentralisation reforms.

### ***Recommendations***

#### ***➤ Sharing of best practices to enhance fiscal decentralisation***

Sharing international experience of decentralisation and showing best practises is conducive to decentralisation reforms. It is recommended that these lessons be applied to the area of fiscal decentralisation in Moldova.

## **Administrative capacity building**

### *Administrative Capacity Building Progress*

The Moldovan government and international organisations contribute to improving administrative capacity in Moldova. The main issues in this regard include: local administrative capacity to provide better quality public services at a lower price, the government's ability to meet the needs of the citizens, knowing to a greater extent their problems, but also the best ways to solve them, the lack of strategic and sector planning and so on.

### *Strategy and Lessons Learnt*

The Government Programme of Moldova "European Integration: Freedom, Democracy, Well-Being" for 2013–14 aims at improving the efficiency of public administration at national and regional level as well as boosting

<sup>52</sup> See <http://descentralizare.gov.md/?l=ru>.

transparency and fighting corruption. The programme is being implemented at the time of writing in 2014. The implementation strategy includes the step of developing a new Strategy of reforming public administration.

The central government's Strategy for Decentralisation is correlated with the Reform of the Central Public Administration, which started in 2006 and was implemented to a moderate extent, according to the experts' evaluation and measurement (Soros Foundation Moldova/Business Consulting Institute, 2011, p.10).

The United Nations Development Program (UNDP)'s on-going Joint Integrated Local Development Program (JILP) continues to provide support for local administrative capacity and civil society access to local government.

The United States Agency for International Development (USAID) and the Moldovan government signed an agreement to initiate a multiyear local government assistance project focused on decentralisation and capacity-building.

#### *Methodological and Technical Approach to Reform*

The main approach is collaborative: the collaboration between domestic and international agencies that promotes decentralisation and supports Moldova's decentralisation efforts.

#### *Division of Responsibilities Between Stakeholders*

Domestic policy-makers make decisions with the help of international agencies. For example, representatives of civil society and development partners contributed with specialised methodological support to the development of the National Decentralisation Strategy (i.e. concerning local public administration): the Joint Integrated Local Development Programme, financially supported by the Swedish International Development Cooperation Agency (SIDA), the United Nations Development Programme (UNDP), the United Nations Organization dedicated to Gender Equality and the Empowerment of Women (UN Women) and the Council of Europe (CoE). USAID is working in coordination with the EU in 2 of the 32 Raions of rural Moldova.

## ***Lessons Learnt***

- ***Insufficient capacities***
- ***Lack of strategic guidance***

The USAID Country Development Cooperation Strategy 2013 – 2017 recognises the weak government capacity of Moldova (USAID, 2014b). At the national level there remains extremely low capacity in government, due in part to an inability to recruit or retain civil servants because of non-competitive wages and due to an inability to implement government decisions and priorities despite on-going reforms in law and regulation. This challenge is currently being addressed at the national level by the EU.

“There was a lack of a well-defined medium-term vision on the organisation of the central public administration, reorganisation actions, methodological substantiation, implementation and purpose of this process; the practice of reporting on the basis of indicators of efficiency of financial resources was not developed; the system of evaluating the performance of central public administration in relation to the amount of the allocated financial resources was not established” (Soros Foundation Moldova/Business Consulting Institute, 2011).

Implementation of the government’s National Strategy for Decentralization (NSD) requires strong management and administrative capacity at the local government level in order to respond to the real and everyday needs of citizens and spur community development and economic opportunities (USAID, 2014b).

## ***Recommendations***

- ***Finalise the legislative framework & procedures***
- ***Enhance transparency***

In terms of recommendations, it is essential to finalise and approve the Law on Central Public Administration.

Also, it is recommended that the procedural norms for policy development, approval, monitoring and evaluation of progress regarding administrative capacity be put in place. Finally, ensuring transparency in decision-making process at all levels of governance is advised.

## **Territorial cooperation**

### *Types of Territorial Cooperation*

The government's programme for 2013–14 contains the goal of developing the strategy of integration of Moldova. The national strategy for regional development for 2013–15 was adopted (Government of Republic of Moldova, 2013). Its implementation should be monitored and evaluated against a set of adequate indicators. The re-integration of the country should consider the issue of Transnistria. Transborder cooperation projects are carried out with Moldova (Vasylova, 2012).

### *The Instruments Used*

Different instruments are suggested by the EU – via EU-funded Programmes, including the framework of its Eastern Partnership Territorial Cooperation Programme (EaPTC). The initiative of the Black Sea Euroregion (Bulgaria, Georgia, Moldova, Romania, Russia (as observer), Turkey, Ukraine, Armenia, Azerbaijan and Greece), which was established in 2008 (Council of Europe, 2008) has been implemented since then (Council of Europe, 2009a & b).

The whole country of Moldova is involved in transborder cooperation with Ukraine and Romania.<sup>53</sup> The Ukrainian–Moldovan–Romanian cross-border regions are more focused on education, scientific and cultural dimensions of cooperation. They also have a special emphasis on protection of respective national minorities across borders, striving for the creation of new opportunities for solving ethnic problems in the region. Border assistance management is also provided in the field by the EU, which has deployed the EUBAM mission, and collaborates with local actors.<sup>54</sup>

### *Working Methods*

- a. Engaging regional and local authorities into cross-border programmes and projects;
- b. Raising awareness of various stakeholders (authorities, NGOs, businesses, citizens) about the opportunities of cross-border cooperation to effectively manage future cross-border programmes in the region, etc.

Moldova and Ukraine operate joint customs posts to monitor the transit of people and commodities through Moldova's breakaway Transnistria region, which remains under the auspices of an Organization for Security and Cooperation in Europe-mandated peacekeeping mission comprised of

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<sup>53</sup> See <http://www.eaptc.eu/en/program/view-moldova-ukraine.html> for more information.

<sup>54</sup> See [www.eubam.org](http://www.eubam.org).



Moldovan, Transnistrian, Russian, and Ukrainian troops.<sup>55</sup>

### *Achievements*

There are some achievements, as is evident from the successfully implemented projects, especially in the area of promoting tourism, protecting environment, organising cultural activities of mutual interest and so on (International Centre for Democratic Transition & Institute for Stability and Development, 2014).

### ***Lessons Learnt***

#### ➤ ***Weak participation in Euroregions***

However, the lesson is that Moldova's participation in Euroregions (i.e. the "Lower Danube" and "Upper Prut") did not prove a viable independent partnership instrument and did not make the expected long-term impact on creating a common cross-border space with integrated infrastructure and respective mental perception.

### ***Recommendations***

#### ➤ ***Strengthen the institutional and financial framework for transborder cooperation***

In order for transborder cooperation to play a more positive role in tackling transborder issues and consolidating international efforts for solving problems that concern transborder regions, it is recommended that institutional and financial resources be found for Euroregions to become self-sustainable structures and not to over-rely on EU related funding.

## **1.1.6. Ukraine<sup>56</sup>**

### **Decentralisation and local self-government**

#### *Progress on Decentralisation*

In 2012 the Constitutional Assembly's working group drafted a document detailing the reform of local government and the territorial organisation of

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<sup>55</sup> See <http://www.eaptc.eu/en/program/view-moldova-ukraine.html> for more information.

<sup>56</sup> For additional references on Ukraine, see: OECD, 2013; Council of Europe, 2013a; UNDP, 2014; EU Neighbourhood Library, 2014.

power,<sup>57</sup> which became the basis for the Concept on Local Self-Government and Territorial Organisation of Power in Ukraine.<sup>58</sup> On 24 May 2013 the President signed the Decree that promoted decentralisation of power via delegating more powers from central executive authorities to (sub)regional administrations, including the issues of appointing and dismissing of civil servants at the regional level.<sup>59</sup> On 1 April 2014, the amended Concept on Local Self-Government and Territorial Organisation of Power in Ukraine was adopted by the Government of Yatsenyuk. (The Parliament plans to amend the Constitution later in 2014, adopting laws on local self-government and territorial organization, which should be drafted by the Ministry of Regional Development by then.)<sup>60</sup> The Concept contains radical steps towards decentralisation. It claims to abolish (sub)regional administrations and to pass their functions to the executive committees of (sub)regional councils.<sup>61</sup> Also, it claims to significantly broaden the functions of (sub)regional councils. Still the exact extent of their institutional powers is the subject of a constitutional reform that is being planned at the time of writing in 2014.

### *Plans for Decentralisation*

Further plans for decentralisation are still being discussed and are politically very sensitive in the light of the current political instability in the country. The government's plan<sup>62</sup> to abolish regional state administrations and to pass their functions to the executive committees of regional and subregional councils, fiscal decentralisation, the rights of councils to organise local referendums, to decide on regions' 'foreign affairs' directions, mechanisms of public engagement into decision-making of local councils and so on should be reflected by the working group on decentralisation and the constitutional commission that is preparing the 2014 constitutional reform (which is expected to be finally adopted in autumn 2014). Policy-makers are discussing further plans.<sup>63</sup>

### *Political and Legal Context & Barriers*

Today's context is largely shaped by Russian military aggression on the territory of Ukraine and the manipulation of democratic norms in Ukraine's regions,

<sup>57</sup> See <http://zakon4.rada.gov.ua/laws/show/328/2012>.

<sup>58</sup> See <http://cau.in.ua/ua/results/draft-decisions/id/proekt-rishennja-pro-vnesennja-zmini-do-skladu-komisiji-konstitu-667/>.

<sup>59</sup> See <http://www.president.gov.ua/ru/documents/15772.html?PrintVersion>.

<sup>60</sup> See <http://zakon4.rada.gov.ua/laws/show/333-2014-%D1%80>.

<sup>61</sup> See <http://minregion.gov.ua/koncepciya-reformuvannya-miscevogo-samovryaduvannya-ta-teritorialnoyi-organizaciyi>.

<sup>62</sup> See <http://minregion.gov.ua/news/uryad-pracyue-nad-demontazhem-usih-obmezhen-scho-buli-nakladeni-na-misceve>.

<sup>63</sup> See <http://racurs.ua/news/26049-turchinov-obyasnil-chto-decentralizaciya-vlasti-v-regionah-vozmojna-ne-ranshe-oseni-2014-goda> and <http://top.rbc.ru/politics/18/04/2014/918872.shtml> and <http://news.finance.ua/ru/~1/2014/04/13/323623> and <http://top.rbc.ru/politics/18/04/2014/918872.shtml>.

including the ‘referendum’ in Crimea, the ‘Republics’ in the south-east of Ukraine, and the highly dangerous issues of public discontent in regions (not to mention the 2014 presidential campaign in Ukraine).

On the one hand, policy-makers are highly motivated to go for decentralisation in order to demonstrate that regions ‘are heard by Kyiv’. On the other hand, it is very difficult to ensure high quality of reforms in the context of a military threat.<sup>64</sup>

### *Fiscal Decentralisation*

In Ukraine fiscal decentralisation remains limited. State subsidies account for over 70% of local budgets, while the share of local budget expenditures in public expenditures is 20.1% and the share of local budgets in GDP is 13.6% in 2011 (Tumanyan, 2013).

There have been some changes regarding fiscal decentralisation since 2009:

1. A new version of the Budget Code of Ukraine was adopted in 2010 and entered into force in 2011:
  - (a) The implementation of certain state obligations was delegated to local self-government bodies, but without proper financial compensation for these additional expenditures. Today the Ukrainian local self-government bodies receive very few financial resources to implement the powers delegated to them by the state.
  - (b) Local public authorities received the mandate to prepare and implement local budgets.
2. The Tax Code of Ukraine was amended in 2011. It identified the following local taxes and fees: property tax; single/fixed/self-employment tax paid by natural persons registered as entrepreneurs; fee for some business and entrepreneurial activities; Fee for parking space available to vehicles; tourist tax (Subgroup on Local Government and Public Administration Reform, 2012).

The ‘Concept on Local Self-Government and Territorial Organisation of Power in Ukraine’, was adopted on 1 April 2014 and clearly proclaims the objective to strengthen fiscal decentralisation but without specifying the extent to which

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<sup>64</sup> See <http://gazeta.zn.ua/internal/o-dushe-i-strahah-vostoka-s-samoy-soboy-druzyami-sergeem-tarutoy-.html>.

fiscal decentralisation should be realised.<sup>65</sup> The Concept also states that fiscal decentralisation is a step towards the implementation of the subsidiarity principle.<sup>66</sup> Decentralisation reforms, including fiscal decentralisation, are part of the on-going constitutional reform in Ukraine. In particular, it is suggested to ensure that the competence transfers to local self-government are covered by matching financial resources, through an increase of the share of income tax in local budgets to 25%, for example.<sup>67</sup>

### *Challenges Facing LRAs*

Before any planned reforms come into force, Ukraine remains a largely centralised state.<sup>68</sup>

The heads of regional state administrations, which are appointed in the capital, concentrate exceptional institutional powers in regions. These appointments tend to be politicised. Regions are obliged to transfer taxes to Kyiv, which afterwards will be transferred back to the regions (this process lacks transparency and predictability).

The public has little input or impact on decision-making in regions.

The State Regional Development Fund does not serve its purpose. In practice it is just a line in the state budget, not a separate structure/organisation. Money from this Fund is spent for social projects in regions, which are not able to generate innovation and become a basis for economic development.<sup>69</sup>

### *Examples of Good Practice*

The Concept of Local-Governance Reform and the Territorial Organisation in Ukraine was adopted. In 2014 the majority of policy-makers demonstrated the political will to go for decentralisation.<sup>70</sup>

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<sup>65</sup> See <http://minregion.gov.ua/koncepciya-reformuvannya-miscevogo-samovryaduvannya-ta-teritorialnoyi-organizaciyi-vladi-v-ukrayini-333230>.

<sup>66</sup> See <http://minregion.gov.ua/news/volodimir-groysman--mi-proponuemo-zakripiti-v-konstituciyi-pravo-miscevogo-samovryaduvannya-na-chastinu-zagalnonacionalnih-podat-13558/>.

<sup>67</sup> See <http://minregion.gov.ua/attachments/content-attachments/3023/.pdf>.

<sup>68</sup> See [http://www.aer.eu/fileadmin/user\\_upload/Commissions/CultureEducation/EventsAndMeetings/2013/0425-27\\_DNK/WorkDocs/Briefing\\_note\\_on\\_local\\_and\\_regional\\_government\\_in\\_Ukraine.pdf](http://www.aer.eu/fileadmin/user_upload/Commissions/CultureEducation/EventsAndMeetings/2013/0425-27_DNK/WorkDocs/Briefing_note_on_local_and_regional_government_in_Ukraine.pdf).

<sup>69</sup> See <http://zakon4.rada.gov.ua/laws/show/508-2013-p>.

<sup>70</sup> See <http://glavred.info/politika/obraschenie-turchinova-i-yacenyuka-k-narodu-poobeschali-amnistiyu-russkiy-yazyk-i->

### ***Lessons Learnt***

- ***Coordinated domestic and international efforts towards decentralisation***

After long-lasting efforts from numerous international agencies and the aspirations of Ukrainian people, decentralisation has come closer.

### ***Recommendations***

- ***Further capacity building and ensure quality of legislation***

It is highly recommended that the appropriate level of quality in the drafting of the documents and the capacity to implement them should be ensured.

## **Administrative capacity building**

### ***State of Play***

There have been numerous domestic declarations and international efforts to address the issues of low administrative capacity of Ukraine, including corruption, the judiciary, low public engagement into decision-making at public offices and so on.

### ***Methodological and Technical Approach***

The domestic approach could be termed ‘declarative’ and the international approach ‘collaborative’.

### ***Strategy and Achievements***

Poor government effectiveness has been addressed by numerous public documents, including the Strategy for National Modernisation<sup>71</sup>, Annual Action Plans for its implementation, government’s annual programmes, the President’s Annual Address to the Parliament<sup>72</sup> and so on. Also, there have been international commitments by Ukraine to improve its administrative capacity, i.e. ENP Action Plans (Resource and Analysis Centre “Society and Environment”, 2009), the Association Agreement with the EU (EEAS, 2014a), etc.

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<sup>71</sup> See [old.radakmu.org.ua/file/Strategy%202020.doc](http://old.radakmu.org.ua/file/Strategy%202020.doc).

<sup>72</sup> See <http://www.president.gov.ua/docs/posl.pdf%E2%80%8E>.

Finally, there are international agencies that call for administrative capacity building in Ukraine. For example, one of the goals of USAID Country Development Cooperation Strategy 2012-16 is “More Participatory, Transparent and Accountable Governance Processes” (USAID, 2014c).

However, when it comes to evaluation, the administrative capacity of Ukraine appears to be unsatisfactory. The World Bank Institute’s Governance Matters index for 2010 ranked Ukraine in the lowest 25th percentile for government effectiveness. The Mission’s 2010 Democratic Governance Assessment claims that public administration is neither accountable nor effective. “There are no consequences for not following established procedures. Laws that are passed are poorly implemented. Court rulings are not enforced. The governance problem is not limited to the national government in Kyiv: Ukraine’s many subnational governments are besieged by complaints from their constituents about local conditions. These governments, in turn, complain that under the current policies of overly centralized decision making and micromanagement of local affairs by the national government” (USAID, 2014c). Freedom House reports are also critical when it comes to measuring Ukraine’s administrative capacity (Freedom House, 2014).

### *Division of Responsibilities Between Stakeholders*

In 2010-13 domestic agencies prioritised the strengthening of the executive branch of power (however, it is difficult to say that its work has become more efficient).<sup>73</sup>

International agencies tend to tackle administrative capacity in regions, the lack of civic engagement into politics and to open up opportunities for meaningful public input and participation into decision-making at national and regional levels. For example, the European Commission and the Council of Europe cooperate in their support for decentralisation reform.

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<sup>73</sup> See [http://gazeta.zn.ua/POLITICS/v\\_prikaze\\_yanukovicha.html](http://gazeta.zn.ua/POLITICS/v_prikaze_yanukovicha.html).

## ***Lessons Learnt***

### **➤ *Effectiveness of international assistance***

Sub-state administrative capacity is connected to decentralisation issues. The main lesson is that the long-lasting efforts of international agencies to improve civil engagement into politics have born fruit.

## ***Recommendations***

- *Ensure participation of civil society in decision-making***
- *Further capacity building***

It is recommended that civil society should be provided with technical skills to cooperate with policy-makers in a civilised and constructive manner. Also, it is the right time to establish a cooperative approach from domestic and international agencies towards administrative capacity building.

## **Territorial cooperation**

### ***Types of Territorial Cooperation***

In 2010-13 there were efforts to promote inter-regional cooperation in Ukraine. Calls for greater inter-regional cooperation were echoed by the Party of Regions of Ukraine<sup>74</sup> in particular.

Ukrainian regions are involved into trans-border cooperation with their neighbours. Protocol No. 3 to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities concerning Euroregional Co-operation Groupings was ratified by Ukraine.<sup>75</sup> As in Moldova, border assistance management is also provided in the field by the EU, which has deployed the EUBAM mission, and collaborates with local actors.<sup>76</sup>

### ***Different Instruments and their Evolution***

Cross-Border Cooperation Programmes and territorial cooperation pilot projects in the framework of ENPI, EaPTC, potentially are part of the Association Agreement with the EU. Ukraine participates in cross-border cooperation in the

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<sup>74</sup> See <http://partyofregions.ua/news/blog/4fe30acb63eac52d4900001a>.

<sup>75</sup> See [http://zakon2.rada.gov.ua/laws/show/994\\_947](http://zakon2.rada.gov.ua/laws/show/994_947).

<sup>76</sup> See [www.eubam.org](http://www.eubam.org).

format of Euroregions, as well as European groupings for Territorial Cooperation.<sup>77</sup>

As for the EaPTC, Ukraine's cooperation with Belarus engages Brest and Gomel Oblasts (Belarus) and Volyn, Rivne, Zhytomyr, Kyiv, and Chernihiv Oblasts (Ukraine)<sup>78</sup>, while Ukraine's cooperation with Moldova engages Moldova (the whole country) and Odesa, Vinnytsya, Chernivtsi Oblasts (Ukraine).<sup>79</sup>

### *Working Methods*

Working methods include data exchange (on cross-border issues of mutual concern), trainings, summer schools, festivals, concerts, seminars, working groups in the framework of cross-border programmes, projects and so on.

### *Lessons Learnt*

- *Poor legal framework for territorial cooperation*
- *Tensions over the distribution of powers*
- *Insufficient capacities*

There are ten Euroregions in which Ukrainian regions take part. Their efficiency is different (for example, Euroregions Slobozhanshyna and Yaroslavna – with Russia – do not function very well, with a poor legal basis and tensions over the distribution of powers constituting the major challenges in Ukraine. Instead the Carpathian Euroregion is a good example of cross-border cooperation). The Carpathian Euroregion failed to win funding in the framework of Europe 2020 Strategy due to low administrative capacity of its members, including Ukraine. The proposal was not very well prepared: it was based not on the strategic documents of the Euroregion, but on short-term project proposals.

### *Recommendations*

- *Develop training to answer calls for proposals and to improve quality of documents*
- *Share best practices*

The institutional potential of Euroregions and European Groupings of Territorial Cooperation (EGTC) where Ukraine participates can serve as a regional platform for the implementation of the Association Agreement between the EU and Ukraine.

<sup>77</sup> See <http://www.eaptc.eu/en/eaptc-program.html>.

<sup>78</sup> See <http://www.eaptc.eu/en/program/view-belarus-ukraine.html>.

<sup>79</sup> See <http://www.eaptc.eu/en/program/view-moldova-ukraine.html>.



## **1.2 The role of Local and Regional Authorities in Association Agreements and Deep and Comprehensive Free Trade Agreements**

This section looks forward to the Association Agreements and the Deep and Comprehensive Free Trade Agreements and explores the potential role of LRAs in the effective implementation of the AAs. The section has two objectives: (1) to identify where LRAs can make a difference; and (2) to formulate policy recommendations to enhance the contribution of LRAs.

After a presentation of the Association Agreements, including the DCFTA dimension, and the state of play with the six Eastern partner countries, it will reflect on the scope for LRAs' contribution to the implementation of the AAs and to the economic development in the regions using the opportunities provided by the DCFTAs. To conclude, this section will formulate policy recommendations to enhance the role of LRAs.

### **1.1.7. Association Agreements**

Association Agreements (AAs) are international agreements that the European Union has concluded or is negotiating with third countries with the aim of setting up an all-embracing framework to conduct bilateral relations. They include *inter alia* a deepening of economic integration through the negotiation of deep and comprehensive free trade agreements (DCFTAs). They go beyond the scope of existing free trade agreements that have already been achieved through the WTO membership of the partner countries with a focus on regulation and approximation of EU standards.

Although Association Agreements differ in their exact content and finality depending on the partner country, nevertheless, they meet the following criteria:

- they provide for a privileged relationship between the EU and its partners, aiming at establishing close economic and political cooperation;
- they offer Most Favoured Nation treatment;
- they systematically include a clause on the respect of human rights and democratic principles, which constitutes an essential element of the agreement.

The negotiations on AAs were opened with all EaP partners with the exception of Belarus. At the time of writing, AAs had been finalised with Moldova, Georgia, Armenia and Ukraine but their individual situations vary and it is worth investigating the differences from country to country as follows.

Belarus is a member of the Eastern Partnership initiative but, in view of the political situation, participates only in its multilateral track. Indeed, since 1997, tensions are palpable in the EU–Belarus relationship in response to the political situation in the country (the violations of electoral standards in Belarus’ presidential elections in 2010 and the ensuing crackdown on civil society, political opposition and independent media).<sup>80</sup>

Georgia<sup>81</sup> and Moldova<sup>82</sup> are two of the success stories of the Eastern Partnership Vilnius Summit. Both countries completed the negotiation of an AA, including the DCFTA dimension, and initialled the Agreement at the Vilnius Summit of November 2013. These agreements were signed by the EU and partner sides in June 2014.

Armenia’s inclusion in the ENP and the Eastern Partnership demonstrated its initial willingness to move closer together to the EU (Commission, 2013a). Negotiations on the AA, including a DCFTA, were finalised in July 2013. However, given Armenia’s wish to join the Customs Union of Russia, Belarus and Kazakhstan announced in September 2013, the AA will not be initialled nor signed as it is incompatible with membership of the Eurasian Customs Union.<sup>83</sup>

The situation in Ukraine is at the time of writing more complex. Ukraine is part of the EaP and was once the star pupil of the ENP. Negotiations on an AA, including a DCFTA, started in 2007 and the text was initialled in 2012. However, in view of the recent political developments in the country, the situation is on hold.<sup>84</sup> Following the Presidential elections of May 2014, Ukraine signed the agreement with the EU in June 2014.<sup>85</sup>

The sixth Eastern partner, Azerbaijan, began negotiating an Association Agreement with the EU in 2010.<sup>86</sup>

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<sup>80</sup> See [http://eeas.europa.eu/belarus/index\\_en.htm](http://eeas.europa.eu/belarus/index_en.htm) for more information.

<sup>81</sup> See [http://eeas.europa.eu/georgia/index\\_en.htm](http://eeas.europa.eu/georgia/index_en.htm) for more information. The text of the AA is available at [http://eeas.europa.eu/georgia/assoagreement/assoagreement-2013\\_en.htm](http://eeas.europa.eu/georgia/assoagreement/assoagreement-2013_en.htm).

<sup>82</sup> See [http://eeas.europa.eu/moldova/index\\_en.htm](http://eeas.europa.eu/moldova/index_en.htm) for more information. The text of the AA is available at [http://eeas.europa.eu/moldova/assoagreement/assoagreement-2013\\_en.htm](http://eeas.europa.eu/moldova/assoagreement/assoagreement-2013_en.htm).

<sup>83</sup> See [http://eeas.europa.eu/armenia/index\\_en.htm](http://eeas.europa.eu/armenia/index_en.htm) for more information.

<sup>84</sup> See [http://eeas.europa.eu/ukraine/index\\_en.htm](http://eeas.europa.eu/ukraine/index_en.htm) and [http://eeas.europa.eu/top\\_stories/2012/140912\\_ukraine\\_en.htm](http://eeas.europa.eu/top_stories/2012/140912_ukraine_en.htm) for more information. The text of the Agreement is available at [http://eeas.europa.eu/ukraine/assoagreement/assoagreement-2013\\_en.htm](http://eeas.europa.eu/ukraine/assoagreement/assoagreement-2013_en.htm).

<sup>85</sup> See <http://www.kyivpost.com/content/ukraine/fule-eu-ready-to-sign-remaining-part-of-association-agreement-with-ukraine-after-presidential-elections-345161.html>.

<sup>86</sup> See [http://eeas.europa.eu/azerbaijan/index\\_en.htm](http://eeas.europa.eu/azerbaijan/index_en.htm) for more information.

### **1.1.8. The scope for Local and Regional Authorities' contribution**

As the main goal of the Eastern Partnership is to create the conditions to accelerate political association between the EU and the Eastern European partner countries and deepen integration in the EU's internal market, all parties have forged deeper contractual relations in the form of Association Agreements, including, where appropriate, Deep and Comprehensive Free Trade Areas (DCFTAs). DCFTAs include both trade in goods and services as well as a high level of regulatory approximation of EU laws by the partner country. The CoR strongly urges that Local and Regional Authorities, alongside central governments, take part in preparing and in the implementation phase of Association Agreements (opinion CoR on role of LRAs within EaP, 2009). As set out in the agenda for political and economic reforms, it is important for LRAs to be included in the process from the beginning as they can make a key contribution not only to actually delivering on the commitments in the implementation of the Association Agreements but also in the monitoring/evaluation of the Agreements and of the Eastern Partnership in general (Commission, 2013b; Commission/High Representative, 2012; CoR, 2009b).

AAs constitute a reform agenda for the partner countries, based around a comprehensive programme of approximation of partners' legislations to EU norms. This section discusses the provisions of the Association Agreements that identifies opportunities for action by LRAs. Harnessing the experience of Local and Regional Authorities, their know-how and on-the-spot knowledge can significantly contribute to the realisation of the agreed objectives.

Overall, Association Agreements cover a wide range of areas. They focus on support for core reforms, on economic recovery and growth (see for instance CoR, 2013b), governance and sector cooperation in areas such as energy, transport, environmental protection, industrial and small and medium enterprise cooperation, social development and protection, equal rights, consumer protection, education, training and youth, as well as cultural cooperation (see for instance CoR, 2011).

#### ➤ Values and principles

Common values, notably democracy and rule of law, respect for human rights and fundamental freedoms, good governance, the market economy and sustainable development (here there is clearly a role for LRAs);

➤ Enhanced cooperation in foreign and security policy

Focus on regional issues, WMD, non-proliferation and disarmament, conflict prevention and crisis management;

➤ DCFTA

Mutual opening of markets for most goods and services, gradual approximation with EU norms and standards in trade and trade-related areas, such as standards and conformity assessment rules, sanitary and phytosanitary rules, intellectual property rights, trade facilitation, public procurement, and competition; strong binding provisions on trade-related energy aspects, including on investment, transit and transport (Commission/High Representative, 2014b, p.10) (here there is clearly a role for LRAs);

➤ Justice, freedom and security,

Visa Liberalisation Action Plan (Commission/High Representative, 2014b, p.11), covering the rule of law, data protection, migration, fight against money laundering and financing of terrorism, illicit drugs, fight against organised crime and counter-terrorism (here there is clearly a role for LRAs);

➤ Energy

Security of supply, gradual integration of energy markets, energy efficiency, renewable energy sources and nuclear safety (here there is clearly a role for LRAs);

➤ Enhanced cooperation in sector policy areas

Including transport, environment, cooperation on industrial and enterprise policy, public finance, macroeconomic stability, company law, banking, insurance and other financial services, information society, information technology and telecommunications, tourism, agriculture and rural development, fisheries and maritime governance, mining, cooperation in science and technology, space cooperation, consumer protection, social cooperation, public health, education, training and youth, cooperation in the cultural and audio-visual field, civil society cooperation, cross-border and regional level cooperation...based on gradual approximation with EU *acquis* and were relevant also with international norms and standards (in many areas here there is clearly a role for LRAs).

What can LRAs do to contribute to the successful implementation of AAs? On the basis of the pillars identified above, LRAs have a particular role to play in the following areas:

*Public administration reform at local and regional level* is expected to make a key contribution to the good governance objective. Good governance includes respect for values and principles such as democracy, the rule of law and human rights. Progress at local and regional level would trigger a positive chain reaction, diffusing good practices and in turn consolidating progress in aggregate terms. As an element of democracy, decentralisation for instance would (further) empower LRAs while contributing to the realisation of the good governance objective. Attention to the *protection of regional minority rights*, another illustration, could be best promoted at local and regional level in an effort to integrate communities. In addition, *fiscal decentralisation* also has the potential to the realisation of this objective by giving LRAs the financial means to pursue their agenda. It could be paralleled by the reform of *public finance management* and in particular the *fight against corruption* at local level.

- In the field of the CFSP, LRAs' contribution to the realisation of the AAs' objectives could be based on the achievements of cooperation in the field. Cooperation has made a modest contribution towards the *resolution of regional or frozen conflicts, border management* with a particular focus on the *fight against organised crime and money laundering in border regions*. LRAs could capitalise on the results of these concrete projects, further develop them and integrate them in the national strategies to meet the objectives set out in the AAs.
- In the field of justice, security and freedom, LRAs' experience in border management could also prove to be an asset. In addition, as *LRAs are the level of administration closer to citizens*, they are seen as the most effective level to *promote people-to-people contacts*. Empowering LRAs to manage visa systems would also contribute to the realisation of objectives in this policy area (Commission/High Representative, 2014b, p.11).
- In the field of trade, LRAs' potential is far-reaching given the scope of the DCFTAs (Commission/High Representative, 2014b, pp.9-11).

What does a DCFTA offer? The example of EU-Ukraine DCFTA (Commission, 2014a; EEAS, 2014a)

- Market access for goods
- Trade remedies
- Technical barriers to trade
- Sanitary and phyto-sanitary measures
- Customs and trade facilitation
- Establishment, trade in services and electronic commerce
- Current payments and movement of capital
- Public procurement
- Intellectual property
- Competition
- Trade-related energy
- Transparency
- Trade and sustainable development
- Dispute settlement
- Mediation mechanism
- Protocol I: Rules of origin
- Protocol II: Mutual administrative assistance in customs matters
- Protocol III: Protocol on a framework agreement between the EU and Ukraine on the general principles for the participation of Ukraine in Union programmes.

Building in particular on the Report by the Centre for Strategy and Evaluation Services on *A Trade Strategy for Europe 2020* (Centre for Strategy and Evaluation Services, 2010), LRAs could make a contribution to the following areas in particular. First, they could support the opening of markets by identifying trade and business opportunities. For instance, LRAs could monitor the implementation of existing agreements, pointing towards difficulties and challenges for economic actors, and providing feedback to national authorities on what barriers remain to be lifted. They could also act as information point on opportunities abroad, by setting up desk for exports to a particular country. Second, LRAs could develop activities for legal support to local and regional economic actors. For public procurement, non-tariff barriers and trade defence instruments, LRAs could become the main port of call to provide information and to support economic actors to benefit from the opportunities opened by DCFTAs. Third, LRAs could contribute to the objective of the approximation of law, through LRAs acting as information hubs. They would disseminate information on standards relevant to local actors, monitor the evolution of standards and possibly collect inputs from economic actors on possible evolution of standards. Fourth, the same role of information hub would be

particularly helpful in the field of IPR protection to support international strategies of local actors.

Depending on LRAs' respective responsibilities in particular policy sectors, they may also contribute to sectoral cooperation targeted in the AAs. In particular, the implementation of AAs will be facilitated by the translation of national objectives into regional and local specific targets, identifying actions that will be best conducted at local and regional levels, the coordination of the policy agenda between the national and the regional and local levels, and the exchange of best practice. In particular, on the basis of existing cooperation, the following dimensions seem promising:

- a. Energy (energy security, energy efficiency, renewables energy and possible link to industrial policy or infrastructure for instance);
- b. Environment;
- c. Natural resource management (shared resources, eg: sea or river basin).

### 1.1.9. Policy recommendations

For LRAs to capitalise on their potential and effectively contribute to the realisation of the objectives contained in the AAs and DCFTAs, mechanisms for structured dialogue with LRAs on monitoring and evaluation of the AAs should be set up. This report also formulates the following policy recommendations:

- **A bottom-up approach to good governance objectives would strengthen the commitments made and consolidate the changes.** By further strengthening the “more for more” principle, implemented *inter alia* in the Eastern Partnership Integration and Cooperation programme (EaPIC) and the European Neighbourhood Instrument (ENI), the EU would create financial incentives for central administrations to include LRAs in the process (Commission/High Representative, 2014b, p.12; Commission, 2013b). **The participation of LRAs in the design of national strategies for administrative reform** would first consolidate progress in that respect at the local and regional level and encourage the diffusion of best practices towards the realisation of the objectives set at the national level. It would also be key in the emergence of a good governance mindset, ensuring that the changes are for the long term.
- Working towards CFSP objectives could benefit from the setting up of **consultation mechanisms to harness on the spot knowledge of LRAs on regional and frozen conflicts.** Developing training activities for LRAs and the sharing of best practice on border management would also contribute to progress in this policy area.

- In the field of justice, security and freedom, the participation of LRAs in enhanced border management would realise the objective of the freedom of persons. Especially in the border regions, a greater involvement of LRAs in the process of providing accreditation for visas would reduce the costs for individuals, in turn increasing mobility and thereby people-to-people contacts. Greater powers to LRAs in the visa delivering process should be coordinated with capacity building in this policy area and monitoring of local practices. Of course LRAs will never be able to issue visas, but they should be able to help coordinate in this area and provide accreditation for those wishing to apply for such visas.

The EU acknowledges the **valuable contribution that LRAs, as catalysts and promoters of local interests, can make to local economic development and encourages it** (Commission, 2008a). This report recommends that a focus should be put on enhancing the role of LRAs as information hub to realise trade objectives (Centre for Strategy and Evaluation Services, 2010). It could include the following:

- Involving LRAs in monitoring mechanisms to monitor the implementation of DCFTAs and identifying where barriers remain to be lifted;
- Positioning **LRAs as key intermediaries between the European and national level on the one side and economic actors on the other to inform about economic and trade opportunities**, as well as remaining challenges. For instance, LRAs could outline opportunities that have emerged from high-level strategic dialogues being conducted, on the model of the East Midlands regional development agency in the UK engaging with China through the East Midlands China business bureau. The network of LRAs involved in such activities could be institutionalised to share knowledge and best practice (such as for instance the economic partnership agreement signed between Derbyshire and Nottinghamshire Chamber of Commerce and representatives from the Yangqan region of China);
- **Enhancing the role of LRAs as information hubs** in particular for SMEs, providing information on support available to access markets abroad (skills development programmes, information on access to financing, information on and access to other networks of businesses and SMEs, raising awareness of certification and standardisation, offering legal assistance on IPR and public procurement for instance);



- Developing internationalisation programmes in conjunction with local and regional stakeholders, in particular targeting sectors with high potential (high technology and green markets).

Sectoral cooperation would benefit from the representation of the LRAs in the subcommittees created by the association committees to implement sectoral cooperation. LRAs could also contribute to the implementation of AAs in that respect if they were involved in the definition of operational plans translating strategies into practical measures at local and regional level.



## **2 PART II – EU FINANCIAL ASSISTANCE AVAILABLE TO LOCAL AND REGIONAL AUTHORITIES**

The second part of this report provides an update on the EU financial assistance available to the local and regional authorities in Eastern Partnership countries in the new programming period 2014–20 and the relevant institutional framework. It functions as a guide and will also give an overview of projects financed by the Pilot Regional Development Programme (PRDP) in 2011–13 and the lessons learnt for LRAs. It advises on the practical steps LRAs should undertake to access the EU's funds and give strategic recommendations on increasing the participation of LRAs in dealing with EU funds among other by developing structures that would enable LRAs in partner countries be the recipient of the EU's funds.

The role local authorities is both central and crucial to effective governance as it is at the local level that the great majority of public policies are implemented, basic services are delivered, enterprises are established and so on. Strong local and regional authorities form one of the pillars of an effective and well-governed democratic state. It follows therefore that EU will only be able to improve the way in which it supports partner countries in their development by supporting the improvement of the capacities and capabilities of local authorities, including the environment in which they operate and their access to funding. Providing funds is one of the best means by which the EU can help the long-term development of local and regional government. Structural funds provide three kinds of leverage to improve the quality of governance: (1) through better strategic planning and government policy making; (2) through improved institutional and administrative capacity building; and (3) through a more cohesive, partnership-based approach to policy making.

There are three types of EU financial instruments (interview #1)<sup>87</sup>:

- Thematic,
- Bilateral,
- Regional.

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<sup>87</sup> The European Neighbourhood Policy is funded through a specific instrument. For the period 2014-2020, the European Neighbourhood and Partnership Instrument (ENPI) is succeeded by the new European Neighbourhood Instrument (ENI). With an overall budget of around € 15.4 billion, the ENI funds targeted instruments and supports certain objectives such as cross-border cooperation, which have an impact on Eastern partners (EEAS, 2014b).

The following table provides an overview of the different financial instruments available to LRAs in Eastern countries:

**Table 1: Overview of Financial Instruments available to LRAs in EaP countries**

<b>Dimension</b>	<b>Instrument</b>
<b>Thematic</b>	1. CSO-LA
<b>Bilateral</b>	2. Country envelope 3. PRDP
<b>Regional</b>	1. CBC 2. Territorial Cooperation Programme 3. COMUS 4. CoM 5. SUDeP 6. E5P 7. ENPARD

Source: interviews; Commission, Devco-EuropeAid, 2013; Commission, 2008b; Commission, Devco-EuropeAid, 2012; [http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia\\_en](http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia_en); <http://www.eaptc.eu>; Commission, 2014c; Council of Europe, 2014c; Commission, 2013h; Commission, 2013i & 2013j; Commission/EBRD/EIB, 2013

Unfortunately, there is no general manual on the conditions that LRAs need to meet to access EU funds. Conditions are defined on an individual instrument-by-instrument basis depending on the specifics of the given financial instrument and of the projects considered (interview #1). For more information on the specific conditions attached to each project/financial instruments, LRAs should refer to the calls for proposals published. Nevertheless, a number of recommendations can be formulated so as to maximise LRAs' participation in the new Multiannual Financial Framework (MFF). The 2012 report for CORLEAP on the EU funds available for LRAs from the EaP countries develops practical recommendations for increasing LRA access to EU funds (Copsey & Rowe, 2012a, pp. 47–54). It also includes six practical guidelines on preparing a funding application, which could be summarised as follows:

1. Identify an open call for proposals on one of the relevant websites (see Sections I–III below);
2. Establish what the proposal is for, i.e. what precisely would you like to do with EU financial assistance?
3. Make contact with relevant project partners and establish jointly the aims and objectives of the project, paying close attention to the details of what funding is to be provided for;
4. Calculate the cost of the project, together with the project partners;
5. Download all the relevant funding application forms and make sure that

each of the sections is filled in appropriately, correctly and in full. You should seek external advice at this stage and run through several drafts of your project application;

6. Return all of the necessary application documentation to the relevant funding authorities within the time frame set out in the call for proposals.

The same report also emphasised the supporting role that the Committee of the Regions plays in helping EAP LRAs to apply for funds (Copsey & Rowe, 2012a, pp. 52-54). With its relations with LRAs and its expertise in the area, the CoR can not only help position LRAs as central actors in development, but translate this potential into effective action and further increase awareness of the financial instruments available to LRAs. This report follows that logic. The following sections I–II describe the funds available to LRAs from the European Union by type: thematic, bilateral and regional/cross-border.

## **2.1 Thematic programmes**

### ***Civil Society Organisations and Local Authorities’ (CSO–LA) Thematic Programme 2014–20<sup>88</sup>***

The CSO–LA programme (Commission, Devco-EuropeAid, 2013) will support actions initiated and directly implemented by local authorities and actions meant to strengthen LA capacities (under the previous programming period, this was called Non-State Actors–Local Authorities Programme or NSA–LA; the change was introduced by the Communication from the Commission on “The roots of democracy and sustainable development: Europe’s engagement with Civil Society in external relations”; Commission, 2012).

This thematic programme is defined by its substantial focus – the strengthening of civil society organisations and local authorities – and is implemented in the 6 eastern partners. It will support actions promoting reform in the following key areas: effective budget implementation, tracking of public revenues and expenditures and budget literacy, accessibility of budgetary information to citizens and provision of details of the decision-making processes to citizens. This thematic programme is different from the rest of the programmes as it focuses more on the actor with the aim of enabling the actor to realise his or her potential (interview #5). Under these conditions, the major difficulty is a lack of institutional capacities – a point on which the CSO-LA programme is working – as well as of an enabling environment (for instance the politico-administrative

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<sup>88</sup> This information is based on a preparatory document and should be taken as indicative as long as the programming process is on-going.

framework in which LRAs can or cannot participate in the decision-making process with government actors, *ibidem*).

## Objectives

- To enhance local authorities' contributions to development as:
  - Actors in local governance and creators of local public spaces;
  - Providers of public services, including social services;
  - Promoters of inclusive and sustainable growth at local level;
- To reinforce regional and global networks of local authorities;
- To develop and support initiatives fostering citizens' awareness of and mobilisation for development issues.

## Budget

The Development Cooperation Instrument 2014–20 set the allocation for the CSO-LA programme at €1.907 billion (Commission, 2014d; interview 5). Indicative allocations for the different programme priorities are as follows:

<b>Priorities</b>	<b>Indicative allocations</b>
1.Focus on country level: enhancing CSOs and LAs contributions to governance and development processes	70%
2.Reinforcing regional and global CSOs networks and ALAs	15%
3.Develop and support education and awareness raising initiatives fostering citizens' awareness of – and mobilisation for – development issues	10%
Support measures and unallocated reserve	5%

The distribution afterwards depends on the needs of each country (there is no cap on the country envelopes; interview #5).

## Contact point

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## 2.2 Bilateral programmes

Under the national envelope of any EaP country, funding may also be available to LRAs. LRAs will have access to these funds when they can contribute to the realisation of a particular objective (or objectives) agreed bilaterally.

### ***Illustration 1: Belarus***

Community-based volunteer initiatives for civic groups in remote areas of the country aimed to reduce vulnerability and to improve conditions for inclusive, empowering and sustainable development in remote areas of Belarus through strengthening civil society and enhancing cooperation between local authorities and non-state actors (under the previous MFF; interview #3).

Budget: €243,813.75

### ***Illustration 2: Moldova***

In the field of renewal energies, LRAs were the main beneficiaries of the Biomass project (under the previous MFF; interview #4).

For 2014-2020, overall, the list of the projects and the funding available cannot be determined *ex ante* as it depends on their exact objectives and on the call for projects published.

### ***Pilot Regional Development Programmes (PRDPs)***

As introduced by the Commission Communication on the Eastern Partnership (Commission, 2008b), the Pilot Regional Development Programmes (PRDPs) constitute an additional way for the EU to further its objectives in regional development in EaP countries by making additional funds available to address local needs for infrastructure, human capital and the promotion of SMEs.<sup>89</sup> Modelled on EU cohesion policy and addressing cohesion concerns within partner countries, the goal of the PRDPs is to share experience with each EaP partner country by conducting a regional policy dialogue and enhancing cooperation with partners in this area.

PRDPs have been implemented in very different ways in the EaP countries, with Belarus being excluded in particular and Azerbaijan being very reluctant to embark in this initially (interview #2). Implementation was based on bilateral cooperation between the EU and individual partner countries. Indeed, it depended on country-specific contexts after the identification of the needs of

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<sup>89</sup> See Devco's document:

[http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/prdps\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/prdps_en.htm).

each country and in the framework of the overall EU assistance package. References to PRDPs may be found in the Annual Action Plans for each country.<sup>90</sup>

Already in the definition of the content of PRDPs, the EU and its partners faced difficulties as both sides did not share the same understanding of and approaches to regional disparities. In general, in the EaP countries, the same ministry covers regional and rural development as well as infrastructure. Remaining largely rural economies, there is hardly any distinction between regional and rural development. As a result, these different aspects were brought together under the PRDPs (interview #2).

In some countries, such as Ukraine and Georgia, EU cooperation was already focused on regional development. The PRDP approach reinforced the EU's large programme in the field of regional development in Georgia, while in Ukraine it was part of a programme on local development. In Armenia, the result was also a large programme in the field of regional development and in Moldova more targeted activities were launched with for instance, the funding will help improving regional statistics and developing capacities of relevant institutions such as Regional Development Agencies.

The implementation of current programmes will continue until 2017–18. A few examples of the kinds of projects undertaken are as follows.

In countries where EU cooperation was already focused on regional development, such as **Ukraine and Georgia**, extra EaP funds have built upon existing experiences and lessons learnt (Commission, Development and Cooperation – EuropeAid, 2012).<sup>91</sup> For example in Georgia, there is a large on-going programme on regional development, which helps regions improving statistics, preparing strategies for development and creating regional development councils. Other countries, such as **Moldova and Armenia**, are using the opportunity under the EaP to enter the sector for the first time. In Moldova for instance, the funding will help improving regional statistics and developing capacities of relevant institutions such as Regional Development Agencies (*ibidem*).

In **Azerbaijan**, some preparatory activities have taken place as part of wider institution building and policy advice programmes (*ibidem*).

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<sup>90</sup> A list of the Annual Action Plans may be found at EuropeAid:  
[http://ec.europa.eu/europeaid/work/ap/index\\_en.htm](http://ec.europa.eu/europeaid/work/ap/index_en.htm).

<sup>91</sup> See [http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/prdps\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/prdps_en.htm) for more information.



Large programmes in the field of regional development have been launched in **Georgia and Armenia** (interview #2).

The involvement of civil society and local communities is of greatest importance and is pursued in **complementarity with other EU dedicated instruments**, including the Neighbourhood Civil Society Facility or thematic programmes (Commission, Development and Cooperation – EuropeAid, 2012).

A number of actions have been undertaken in EaP partner countries following their individual Annual Action Plans 2013:<sup>92</sup>

**Armenia** (Commission, 2013c)

Support has been provided to regional development based on the PRDP approach linking rural development (in partnership with farmers associations and cooperatives) with the larger regional development initiative.

**Azerbaijan** (Commission, 2013d)

Support has been given to regional and rural development via support to the diversification of the economy and sustainable development of the regions.

**Georgia** (Commission, 2013e)

Support is in place for the implementation of the State strategy for regional development.

**Moldova** (Commission, 2013f)

Support has focused on the regional development of Gagauzia, engaging local authorities and civil society and enhancing cooperation with Chisinau.

**Ukraine** (Commission, 2013g)

A follow-up programme “support to Ukraine’s regional development policy” (AAP2011) was launched in January 2013 to support a large number of LRAs in improving their institutional and administrative capacities. This includes a process of learning by doing to link strategic priorities to budgets available and concrete regional development actions.

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<sup>92</sup> See [http://ec.europa.eu/europeaid/work/ap/index\\_en.htm](http://ec.europa.eu/europeaid/work/ap/index_en.htm) for more information.

## **Lessons learnt**

No evaluation of the PRDP approach has been undertaken to-date, although it has been extended until 2017–18, which suggests positive preliminary results. According to the DG Devco (interview #2), initially a lack of common ground on which to build the cooperation in the field of regional policy impeded at first the definition and implementation of PRDPs. As a result, subsequent policy dialogue led the EU and its EaP partners to integrate regional development with agriculture and rural development to better address local needs. For the future programming period, these aspects should be mainstreamed in the EU-EaP countries cooperation. Some countries have also selected regional development as a priority for the next period of 2014–20. That said, however, this pilot approach fits uneasily with the EU's assistance modalities (interview #2) and will require further refinement.

The following period will build more on existing policies, strategies and programmes through larger, more local and regional government reform-oriented programmes (interview #2).

## **Budget**

Overall, **€62 million** from the ENPI budget 2012–13 was allocated to PRDPs (this is part of the €350 million additional funds that accompanied the launch of the Eastern Partnership). The overall PRDPs allocation was broken down in five country allocations.

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## **2.3 Regional instruments**

### ***Cross-border cooperation***

The Cross-Border Cooperation programme (CBC) supports cross-border co-operation projects between EU Member States and the partner countries along the external borders (land and sea) of the EU.<sup>93</sup> The land border programmes include Belarus, Ukraine and Moldova and the sea basin programmes are open to Georgia, Armenia, Ukraine, Moldova (Black Sea Programme) and Belarus (Baltic Sea Region Programme). Azerbaijan, however, elected not to participate. The CBC programmes are open to LRAs and non-government actors.

Each of the individual projects is managed separately. The key objectives of each project are listed below, along with the name of the managing organisation, as well as links to project documents containing detailed information on the management and financing of each project, updating the report of 2012.

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<sup>93</sup>Further details are available from the ENPI website at:

[http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/index\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/index_en.htm) and [http://www.enpi-info.eu/maineast.php?id=322&id\\_type=10](http://www.enpi-info.eu/maineast.php?id=322&id_type=10).

Six programmes were implemented on the EU Eastern border under the 2007–13 programming period, some of which will be extended as follows:

1. Baltic Sea Region<sup>94</sup>;
2. Black Sea Basin<sup>95</sup>;
3. Latvia-Lithuania-Belarus<sup>96</sup>;
4. Poland-Belarus-Ukraine<sup>97</sup>;
5. Hungary-Slovakia-Romania-Ukraine<sup>98</sup>;
6. Romania-Ukraine-Moldova.<sup>99</sup>

For the new programming period, in the Eastern and Southern neighbourhood, a total of 12 land-border and 1 sea-crossing programme will be financed, as well as 4 sea-basin programmes. In the Eastern neighbourhood, out of the 6 programmes under the previous MFF, 5 have been extended and one trilateral project split into 2 bilateral programmes (EEAS/Commission, 2014):

1. Baltic Sea Region;
2. Black Sea;
3. Latvia-Lithuania-Belarus;
4. Poland-Belarus-Ukraine;
5. Hungary-Slovakia-Romania-Ukraine;
6. Romania-Moldova;
7. Romania-Ukraine.

The individual programme documents being currently prepared.<sup>100</sup> A call for proposals will follow for the selection of individual projects.

## Objectives

The CBC strategy has three overarching strategic objectives (EEAS/Commission, 2014):

- Promote economic and social development in regions on both sides of common borders;
- Address common challenges in environment, public health, safety and security;

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<sup>94</sup> For more information, see [http://eu.baltic.net/Future\\_period\\_2014\\_2020.26029.html](http://eu.baltic.net/Future_period_2014_2020.26029.html).

<sup>95</sup> For more information, see <http://www.blacksea-cbc.net>.

<sup>96</sup> See for more information <http://www.enpi-cbc.eu>.

<sup>97</sup> For more information, see <http://www.pl-by-ua.eu>.

<sup>98</sup> For more information, see <http://www.huskroua-cbc.net>.

<sup>99</sup> For more information, see [http://www.ro-ua-md.net/index.php?option=com\\_content&view=article&id=60&Itemid=99](http://www.ro-ua-md.net/index.php?option=com_content&view=article&id=60&Itemid=99).

<sup>100</sup> For updated information, see [http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia\\_en](http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia_en).

- Promote better conditions and modalities for ensuring the mobility of persons, goods and capital.

## Budget

In the period 2007-2013, the total funding under the ENPI CBC programme amounted to €950.516 million.

From 2014, CBC is included in the European Neighbourhood instrument (ENI) regulation. The 2014–20 allocation is currently under discussion with Member States and is expected to be known by end 2014. Indicative financial allocations for each of the CBC programmes are established for the period 2014-2017, while illustrative allocations for 2018-2020 are included in the EEAS/Commission programming document (EEAS/Commission, 2014). The indicative total ENI funding amounts to €489,000,000 – 598,000,000 for 2014-2020 (*ibidem*). For Eastern partners, the indicative ENI funding amounts to €265,469,773. The breakdown is as follows:

**Table 2: Overview of ENI-CBC allocations for 2014-2020**

	2014-2017	2018-2020	2014-2020	2014-2020
Programmes	ENI*	ENI**	ENI	TOTAL***
Baltic Sea Region	5,028,571	3,771,429	8,800,000	8,800,000
Black Sea	13,882,355	10,411,766	24,294,121	39,038,597
Latvia/Lithuania/Belarus	21,142,857	15,857,143	37,000,000	74,000,000
Poland/Belarus/Ukraine	50,228,373	37,671,279	87,899,652	175,799,304
Hungary/Slovakia/Romania/Ukraine	21,129,142	15,846,858	36,976,000	73,952,000
Romania/Moldova	23,142,857	17,357,143	40,500,000	81,000,000
Romania/Ukraine	17,142,857	12,857,143	30,000,000	60,000,000

\* indicative ENI allocations

\*\* illustrative ENI allocations

\*\*\*The 2014-2020 total include the ENI and the ERDF allocations for each project.

Source: EEAS/Commission, 2014, annex 2

The expected yearly programme allocations will be indicated in each joint operational programme.

In addition to the funding for the programmes, an allocation will be made for programme support, which covers

1. Actions aimed at facilitating the exchange of experience and best practices among the programme partners, to build up the capacity of partner countries in particular with a view to helping enhance the preparation, implementation and management of current and future CBC programmes
2. A small facility to create an IT system for exchange of information between the Commission and the CBC programmes

## Contact point

European Commission  
DG Development Cooperation & EuropeAid  
B-1049 Brussels

In addition, CBC in the neighbourhood also receives funding from the European Regional Development Fund (EEAS/Commission, 2014). Certain Eastern partners are included in projects under the “European territorial cooperation” objective, supported by the ERDF (Commission, 2014c).

## Objectives

Transnational cooperation covers large territories involving national, regional and local partners. Its objectives are:

- “Maximis[ing] the impact of cohesion policy across the Union”
- Strengthening territorial “cooperation by means of actions conducive to integrated territorial development”
- “Enhancing institutional capacity of public authorities and stakeholders and efficient public administration by developing and coordinating macro-regional and sea-basin strategies” (European Parliament/Council, 2013).

## Budget

Two particular transnational cooperation programmes include both Member States and Eastern partners (Commission, 2014c):

<b>Transnational cooperation programme</b>	<b>Global ERDF contribution</b>
BALTIC SEA  Denmark, Germany, Estonia, Latvia, Lithuania, Poland, Finland, Sweden Belarus, Norway, Russia	€ 263,830,658
DANUBE  Austria, Bulgaria, Czech Republic, Germany, Croatia, Hungary, Romania, Slovenia, Slovakia Bosnia and Herzegovina, Montenegro, Serbia, Moldova, Ukraine	€ 202,095,405

## *Territorial Cooperation Programmes<sup>101</sup>*

Territorial cooperation programmes share the same objectives, as follows:

- Objectives
  - To strengthen cross-border relations between LRAs as well as civil society organisations;
  - To help develop joint solutions to common social and economic development challenges in the participating border regions.
  
- Each territorial cooperation programme focuses on the following broad priorities:
  - Improving living conditions, economic and social development;
  - Addressing common challenges (environment, employment, public health and any other field of common interest);
  - Culture, education and sports.
  
- Eastern Partnership Territorial Cooperation (EaPTC) comprises the four following projects:
  1. Armenia-Georgia
  2. Azerbaijan-Georgia
  3. Belarus-Ukraine
  4. Moldova-Ukraine.

### **Budget**

The EU funding of the territorial cooperation programmes come from the regional allocations of the budget year 2013 of the ENPI and covers the financial period ending in December 2016 (interview #8). As set out in the respective Joint Operational Programmes (JOPs) and the EaPTC Programme Strategy, they amount to:

Armenia-Georgia (JOP, 2014)	€1.35m
Azerbaijan-Georgia (EaPTC Programme Strategy, 2013)	€1.35m
Belarus-Ukraine (JOP, 2014)	€3.30m
Moldova-Ukraine (JOP, 2014)	€3.30m

<sup>101</sup> For more information, see <http://www.eaptc.eu>.

## Results

The concrete results anticipated are as follows:

- Increased cooperation between local and regional authorities as well as civil society organisations in the eligible border regions;
- Strengthened capacity of LRAs to effectively participate in EU-funded programmes.

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## *COMUS – Community Led Urban Strategies<sup>102</sup>*

A sample of historic towns in the EaP countries will be the target of focused interventions in their historic centres to lay the foundations for an effective revitalisation of their urban and social fabric. These interventions will be channelled through the project “Community-led Urban Strategies – COMUS”, managed by the Council of Europe. The aim of the project is to pilot the regeneration of the urban and social fabric and value the presence of local communities. This goal will be achieved through a series of capacity building activities that will enable, in the pilot phase, one town per country, to draft and implement development strategies with the support of international experts (interview #13). The whole project aims to encourage new partnerships involving all stakeholders (citizens, local authorities, civil society and the private sector) in a sustainable development process and to improve existing procedures and policies (Commission, 2013h, p.140).

## Objective

- Support to LRAs in drafting development strategies

## Budget

€650,000 (Council of Europe, 2014c) with estimated transfers of €40,000 per country. The final agreement by the Commission of the budget is expected in

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<sup>102</sup> For more information, see at [http://www.coe.int/t/dg4/cultureheritage/cooperation/Kyiv/urbanrehab\\_en.asp](http://www.coe.int/t/dg4/cultureheritage/cooperation/Kyiv/urbanrehab_en.asp).



October 2014, and there may be a considerable increase in the size of the budget.

## **Modalities**

- Identification of pilot towns and definition of management modes with partner countries;
- Implementation of pilot phase;
- Lessons learning and generalisation.

## **Contact points**

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## ***Covenant of Mayors***<sup>103</sup>

The Covenant of Mayors is an initiative of the European Commission launched in February 2008 to seek the commitment of LRAs in the fight against climate change. The instrument has an Eastern Dimension (Covenant of Mayors Office East or CoMO-East), funded by DG Devco (interview #10). CoMO-East is a technical assistance project (providing information and training for instance to LRAs but not providing funding to them: projects are funded through specific instruments such as SUDeP; interview #11). The initiative is open to cities from all EaP countries. Participating authorities can benefit in a number of ways, including:

- A clear public statement of commitment to CO<sub>2</sub> reduction is made by the participating authority;
- Authorities can reinforce wider national efforts in CO<sub>2</sub> reduction on their territory, or help create new pressures;
- Benefiting from the encouragement and example of other pioneers;
- Benefiting from EU endorsement and support, including a contribution to the preparation and implementation of the Covenant-related Sustainable Energy Action Plan, and Public Relations (PR) support;

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<sup>103</sup> For more information, see [http://www.covenantofmayors.eu/index\\_en.html](http://www.covenantofmayors.eu/index_en.html).

- Qualifying for funding available to Covenant signatories;
- All achievements are widely publicised on the Covenant website.

## **Objectives**

LRAs joining the Covenant of Mayors make a commitment to:

- To go beyond the EU's CO<sub>2</sub> 20% reduction objective;
- Prepare a Baseline Emission Inventory;
- Set up and implement a Sustainable Energy Action Plan;
- Submit regular Implementation Reports;
- Organise Local Energy Days.

## **Budget**

For the period 2011–15 the budget available for the CoM Office East is €4,302,779.55 (interview #12).

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## ***Sustainable Urban Demonstration Projects (SUDeP)***

In 2013, the European Commission announced a new programme to help cities in the neighbourhood (both Southern and Eastern neighbourhood) to address local sustainable development challenges such as energy efficiency, security of energy supply and sustainable economic growth. The eastern component focuses on the implementation of Sustainable Energy Action Plans under the Covenant of Mayors (Commission, 2013i & 2013j; interview #14).

## **Objective**

- Enabling local authorities to implement measures incorporated in their sustainable energy action plans targeting sustainable urban development.

## **Modalities**

The programme will be implemented through four major actions:

- Demonstration projects;
- A municipal finance facility (ENP East only, European Investment Bank in lead);
- A supporting mechanism strengthening the capacity of municipalities to develop demonstration projects and ensuring the visibility and spread of results;
- Scientific support by the Joint Research Centre (JRC) for the Sustainable Energy Action Plans.

## **Budget**

€25 million for the Eastern dimension (€35.5 million overall)

- Call for proposals (grants): €10.25 million.
- Municipal Finance Facility: €12 million.
- Supporting mechanism: €2.5 million.
- Scientific support from the JRC: €0.25 million.

## Contact point

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## *Eastern Europe Energy Efficiency and Environment Partnership (E5P)*

In 2009, the E5P fund was first established with the aim to improve energy efficiency and environmental protection in the EaP region. The initial focus was Ukraine, while Armenia, Georgia and Moldova joined in 2013 (Commission/EBRD/EIB, 2013).

## Objective

- Multi-donor fund for supporting energy efficiency and environmental projects at municipal level.

The sectors most likely to benefit include district heating modernisation, water and wastewater treatment, projects to improve energy efficiency in public buildings and projects to improve sustainability in municipal and transportation infrastructure *i.a.*<sup>104</sup>

## Budget

€93 million (pledged contributions as per June 2014)

In addition, in October 2013, following the accession of Armenia, Georgia and Moldova to E5P, the fund received pledges of ca €20 million for each country (the EU pledging €10 million per country; interview #15).

The Fund merges financial contributions from the European Union and a group of over ten nations to provide access to both investment and technical assistance grants for municipal sector projects. The fund also supports policy dialogue and regulatory improvements.

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<sup>104</sup> See for more information:

<http://www.nefco.org/sites/nefco.viestinta.org/files/FINAL%20English%20E5P%20brochure%20reduced%20size%20from%20Alexa%201.pdf>.

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## *European Neighbourhood Programme for Agriculture and Rural Development (ENPARD)*

The EU has launched a programme aiming to support agriculture and rural development under the European Neighbourhood Policy.<sup>105</sup> ENPARD is an approach and not a ready off-the-shelf financial instrument available to partner countries (interview #7). Based on the following four principles:

- long-term policy planning;
- integrated approach;
- ownership by the partner authorities;
- participatory approach;

ENPARD can support different activities in different beneficiary countries, providing of course that they fall in the broad field of agriculture and rural development.

First, ENPARD is implemented through the European Neighbourhood Instrument (ENI). Under ENPARD, the EU offers a dialogue on agriculture and rural development to all of its neighbourhoods and it is prepared, via ENI, to assist in implementing policies and related reforms for all those countries committed to make agriculture and rural development a focal sector in their cooperation with the EU. When priorities in the field of agriculture and rural development have been agreed between the EU and a partner country, the authorities of the country and EU delegation jointly prepare a national ENPARD programme.<sup>106</sup>

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<sup>105</sup> The full details of the ENPARD programme may be found on the EuropeAid website at: [http://ec.europa.eu/europeaid/news/31-05-2012\\_enpard\\_en.htm](http://ec.europa.eu/europeaid/news/31-05-2012_enpard_en.htm).

<sup>106</sup> For an illustration of the ENPARD programme, see the programme in Georgia at: [http://eeas.europa.eu/delegations/georgia/documents/brochures/agriculture/enpard022013\\_en.pdf](http://eeas.europa.eu/delegations/georgia/documents/brochures/agriculture/enpard022013_en.pdf).

Second, if a beneficiary country decides that one of its objectives should be an improved role of regional and/or local authorities or should be implemented at the regional/local level, then such an objective would be included under the ENPARD programme and necessary funding made available for the local authorities.

Moreover, ENPARD strongly promotes a participatory approach based on active involvement of civil society and other sector stakeholders, including also local rural authorities, in the design and implementation of public policies for agriculture and rural development. In this context, local and regional authorities of the rural areas should be able to contribute (or at least be consulted) on the preparation of the sector strategies and policies.

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E-mail: queries should be submitted using the following form - [http://ec.europa.eu/agriculture/contact/index\\_en.htm](http://ec.europa.eu/agriculture/contact/index_en.htm)

## 2.4 Overview of financial instruments available to LRAs per country

Table 3a: Overview of financial instruments available to LRAs in Armenia and in Azerbaijan

Instrument	Armenia	Instrument	Azerbaijan
<b>Thematic</b>		<b>Thematic</b>	
CSO-LA	√	CSO-LA	√
<b>Bilateral</b>		<b>Bilateral</b>	
Country envelope PRDP	√ √	Country envelope PRDP	√ √
<b>Regional</b>		<b>Regional</b>	
CBC*	√	CBC*	×
EaPTC	√	EaPTC	√
Terr.coop.prgm	×	Terr. coop. prgm	×
COMUS	√	COMUS	√

<b>Instrument</b>	<b>Armenia</b>	<b>Instrument</b>	<b>Azerbaijan</b>
CoMO-East	√	CoMO-East	√
SUDeP	√	SUDeP	√
E5P	√	E5P	×
ENPARD	√	ENPARD	√

\*under previous MFF

Source: interviews; Commission, 2013c & 2013d; Commission, Devco-EuropeAid, 2013; Commission, 2008b; Commission, Devco-EuropeAid, 2012; [http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia\\_en](http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia_en); <http://www.eaptc.eu>; Commission, 2014c; Council of Europe, 2014c; Commission, 2013h; Commission, 2013i & 2013j; Commission/EBRD/EIB, 2013

**Table 3b: Overview of financial instruments available to LRAs in Belarus and Georgia**

<b>Instrument</b>	<b>Belarus</b>	<b>Instrument</b>	<b>Georgia</b>
<b>Thematic</b>		<b>Thematic</b>	
CSO-LA	√	CSO-LA	√
<b>Bilateral</b>		<b>Bilateral</b>	
Country envelope PRDP	√ ×	Country envelope PRDP	√ √
<b>Regional</b>		<b>Regional</b>	
CBC*	√	CBC*	√
EaPTC	√	EaPTC	√
Terr. coop. prgm	√	Terr. coop. prgm	×
COMUS	√	COMUS	√
CoMO-East	√	CoMO-East	√
SUDeP	√	SUDeP	√
E5P	×	E5P	√
ENPARD	√	ENPARD	√

\*under previous MFF

Source: interviews; Commission, 2013e and 2013f; Commission, Devco-EuropeAid, 2013; Commission, 2008b; Commission, Devco-EuropeAid, 2012; [http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia\\_en](http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia_en); <http://www.eaptc.eu>; Commission, 2014c; Council of Europe, 2014c; Commission, 2013h; Commission, 2013i & 2013j; Commission/EBRD/EIB, 2013

**Table 3c: Overview of financial instruments available to LRAs in Moldova and Ukraine**

<b>Instrument</b>	<b>Moldova</b>	<b>Instrument</b>	<b>Ukraine</b>
<b>Thematic</b>		<b>Thematic</b>	
CSO-LA	√	CSO-LA	√
<b>Bilateral</b>		<b>Bilateral</b>	
Country envelope	√	Country envelope	√
PRDP	√	PRDP	√
<b>Regional</b>		<b>Regional</b>	
CBC*	√	CBC*	√
EaPTC	√	EaPTC	√
Terr. coop. prmg	√	Terr. coop. prgm	√
COMUS	√	COMUS	√
CoMO-East	√	CoMO-East	√
SUDeP	√	SUDeP	√
E5P	√	E5P	√
ENPARD	√	ENPARD	√

\*under previous MFF

Source: interviews; Commission, 2013f and 2013g; Commission, Devco-EuropeAid, 2013; Commission, 2008b; Commission, Devco-EuropeAid, 2012; [http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia\\_en](http://ec.europa.eu/europeaid/regions/eu-neighbourhood-region-and-russia/eu-support-border-cooperation-eu-neighbourhood-and-russia_en); <http://www.eaptc.eu>; Commission, 2014c; Council of Europe, 2014c; Commission, 2013h; Commission, 2013i & 2013j; Commission/EBRD/EIB, 2013



## **Boxes 1–7 Examples of Projects Successfully Funded Across the Eastern Partnership Countries**

### **Box 1: Ensuring effective collaboration between Ijevan municipality, health facilities, csos and citizens in addressing basic health and social needs of community population**

EU contribution: € 149,580.00

Beneficiaries: Ijevan city, Tavush marz

Description: The establishment of a collaborative platform between Ijevan municipality, health facilities, social support services, CSOs and citizens aimed at improving the health status of population of the Ijevan community.

See for more information:

[http://eeas.europa.eu/delegations/armenia/projects/list\\_of\\_projects/308958\\_en.htm](http://eeas.europa.eu/delegations/armenia/projects/list_of_projects/308958_en.htm)

### **Box 2: Capacity building for citizens participation and increasing accountability of elected bodies**

EU contribution: € 120,374.00

Beneficiaries: Baku, Ganja, Sumgayit, Goychay, Guba, Jalilabad, Mingachevir, Shaki, Beylagan and Nakhchevan

Description: The project aimed at:  
encouraging citizens to engage actively in public policy;  
increasing organisational capacities of civic groups on participation in state governance;  
strengthening relations between citizens and elected state bodies.

See for more information:

[http://eeas.europa.eu/delegations/azerbaijan/projects/list\\_of\\_projects/261487\\_en.htm](http://eeas.europa.eu/delegations/azerbaijan/projects/list_of_projects/261487_en.htm)

**Box 3: Strengthening 20 village municipalities capability to provide public services (safe water supply) in the rural area of garabakh lowlands of central azerbaijan**

EU contribution: €336,605

Beneficiaries: rural area of Garabakh lowlands

Description: The project aimed to enhance the capacity of 20 municipalities to provide access to potable water and sanitation infrastructure.

See for more information:

[http://eeas.europa.eu/delegations/azerbaijan/projects/list\\_of\\_projects/200296\\_en.htm](http://eeas.europa.eu/delegations/azerbaijan/projects/list_of_projects/200296_en.htm)

**Box 4: Support to environment and sustainable development in belarus**

EU contribution: € 1,500,000

Beneficiaries: 35 pilot regions

Description: The pilot regions received expert support in Local Agenda 21 and Green Ways. To promote environmental protection and sustainable development at central and local levels, the project supported:  
institutional capacity building;  
the active involvement of communities in local decision-making;  
public awareness.

See for more information: [http://ec.europa.eu/europeaid/documents/case-studies/belarus\\_environment\\_en.pdf](http://ec.europa.eu/europeaid/documents/case-studies/belarus_environment_en.pdf)

**Box 5: Joint local authorities/cso development of social strategies and services to most vulnerable in georgia**

EU contribution: € 100,000

Beneficiaries: Adjara, Guria, Kakheti regions

Description: With the objective to enhance the capacity to provide social services, this project supported the development of joint local authorities/CSO social strategies.

See for more information:

[http://eeas.europa.eu/delegations/georgia/projects/list\\_of\\_projects/271120\\_en.htm](http://eeas.europa.eu/delegations/georgia/projects/list_of_projects/271120_en.htm)

**Box 6: Promoting renewable energies in moldova**

EU contribution: € 14,000,000

Beneficiaries: 1,046 mayors and local civil society representatives

Description: Training in community and resource mobilisation, project management, biomass heating solutions and energy efficiency has been provided to mayors and local civil society representatives in order to:  
improve the heating system in public buildings;  
increase awareness about renewable energies and promote energy efficiency.

See for more information: [http://ec.europa.eu/europeaid/documents/case-studies/moldova\\_renewable\\_energy\\_promotion\\_en.pdf](http://ec.europa.eu/europeaid/documents/case-studies/moldova_renewable_energy_promotion_en.pdf)

**Box 7: Local sustainable development strategies in rural communities in poltava region**

EU contribution: € 89,505

Beneficiary: Poltava region

Description: The project aimed at:  
strengthening the capacities of local authorities and non-state actors;  
introducing best practices in the area of tourism and cultural heritage preservation;  
supporting local initiatives in cultural heritage preservation, diversity and tourism development;  
building partnerships on local sustainable development issues between local authorities, non-state actors, communities and the private sector.

See for more information:

[http://eeas.europa.eu/delegations/ukraine/projects/list\\_of\\_projects/304599\\_en.htm](http://eeas.europa.eu/delegations/ukraine/projects/list_of_projects/304599_en.htm)

### 3 CONCLUSION

Strong and well-functioning local government is essential for effective European integration. The high level of administrative capacity that is so essential for local good governance is dependent on three factors of central importance that in turn operates at three levels: the *individual*, the *institutional* and the *organisational* (Commission, Development and Cooperation – EuropeAid, 2013; interview #1). These three areas can be summarised as follows:

1. *Individual*: the skills, training and attitude of local politicians and administrative staff;
2. *Institutional*: the structures and operating procedures that frame and govern the activities of the personnel;
3. *Organisational*: the policy and legal environment, rules and practices that govern the relations with other actors.

At all three levels, there exist at least four broad challenges and limitations that may jeopardise the progress of local authorities. These may be said to be:

1. A disabling environment;
2. A lack of capacities;
3. Limited budgetary autonomy and access to funding;
4. The resulting governance and accountability challenges.

In order to capitalise on the potential of EU financial instruments and to reach the objective of establishing local authorities as decision-makers, the EU works for and with local authorities through CORLEAP in six dimensions that collectively address these four shortcomings:

1. Supporting an enabling environment;
2. Supporting decentralisation;
3. Adapting sector operations to decentralised environments;
4. Enhancing the capacities of local authorities;
5. Supporting associations of local authorities;
6. Involving them in programming and implementation.

Finally, the EU focuses on fiscal decentralisation to build an accountability culture, as it defines the generation and distribution of resources that are used to fulfil citizens' demands. The preceding guide has sought to set out clearly what the funds available to local and regional authorities for the period 2014–20 are and how they may best be accessed.



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## Interviews

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#2 Commission, DG Development & Cooperation – EuropeAid, 16 April 2014 (on PRDPs)

#3 EEAS, Delegation to Belarus, 16 April 2014

#4 EEAS, Delegation to Moldova, 16 April 2014

#5 Commission, DG Development & Cooperation – EuropeAid, 2 May 2014 (on CSO-LA)

#6 EEAS, Delegation to Azerbaijan, 15 May 2014

#7 Commission, DG Agriculture and Rural Development, 20 June 2014

#8 Eastern Partnership Territorial Cooperation Support Programme, 22 August 2014

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#10 Covenant of Mayors, support office Brussels, 25 August 2014

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