



# Mayors for Economic Growth

## Mayors for Economic Growth (M4EG)

### CONCEPT

March 2017

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## Abbreviations

M4EG	—	the 'Mayors for Economic Growth' initiative
EU	—	the European Union
EaP	—	the 'Eastern Partnership' initiative
CoM	—	the 'Covenant of Mayors for Climate & Energy' initiative
CSOs	—	civil society organizations
WB	—	the World Bank
LAs	—	local authorities
LED	—	local economic development
LEDP	—	the Local Economic Development Plan
IFIs	—	international financial institutions
CD	—	capacity development
PPD	—	public-private dialogue

## What is “Mayors for Economic Growth” (M4EG)?

Launched on 26 October 2016 during a high-level conference<sup>1</sup> in Yerevan, Mayors for Economic Growth (M4EG) is a new EU initiative targeting local authorities throughout the Eastern Partnership (EaP) countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.<sup>2</sup>

M4EG's focus is on sustainable local economic development (LED). Its ambition is to support Mayors and municipalities at local levels to become active facilitators for economic growth and job creation by developing their capacities and technical skills and working in partnership with their private sector and civil society.

### COVENANT OF MAYORS

Since 2008, the EU **Covenant of Mayors (CoM)** initiative has supported local authorities that sign up to the Covenant of Mayors and voluntarily commit themselves to develop and implement a more sustainable local energy policy by increasing their renewable energy use and energy efficiency measures and preparing for the impacts of climate change.

At the end of 2015, a **new integrated Covenant of Mayors for Climate & Energy** was launched to align with the 2030 climate and energy objectives. It aims to include the 'Mayors Adapt' initiative dealing with climate change adaptation and to promote access to sustainable energy for all. Setting up a single global network is the cities' response to the global COP21 Agreement reached in Paris.

EU support to the initiative has evolved, and now entails:

- assisting the Covenant of Mayors Office East (CoMO East), a branch of the CoM Secretariat in the EaP, to help cities in the region sign up to the Covenant of Mayors and design and implement Sustainable Energy Action Plans (SEAP) or similar actions;
- a grant scheme to finance demonstration projects that illustrate how sustainable actions can be realized to ensure a wide exchange of best practices;
- support teams to assist and guide Local Authorities during the implementation of their grant projects (the **Sustainable Urban Development Projects'** (SUDeP) mechanism).

Today over 150 EaP municipalities have signed the Covenant and are actively working to meet their commitments.

<http://www.euMayors.eu>,  
<http://www.soglasheniemerov.eu>

Sustainable local economic development is the process by which local authorities work with partners (the private sector, public organizations and CSOs) to improve local business environments and thus create the conditions for private-sector-led economic growth and employment generation from which all communities, locally and nationally, benefit. This economic growth must, however, be both environmentally and socially sustainable.

Municipalities will be invited to design or adapt existing local economic plans according to the principles of good governance and public-private sector dialogue, to identify practical actions to be taken, and eventually to propose projects that support growth, development and employment. During this process, the local administrations of municipalities and cities will seek to become more transparent, more inclusive, and more business-friendly.

This initiative is partly inspired by the successful Covenant of Mayors, an urban climate and energy initiative bringing together local, regional and national authorities voluntarily committed to implementing the EU's climate and energy objectives. Thanks to its voluntary nature, participatory approach and clear objectives, the Covenant of Mayors has proved very successful in the Eastern Partnership region.

<sup>1</sup> [http://www.covenantofmayors.eu/IMG/pdf/High\\_Level\\_Conference\\_CoM\\_East\\_Launch\\_YeFrevan\\_Press-Release\\_Final\\_ENG.pdf](http://www.covenantofmayors.eu/IMG/pdf/High_Level_Conference_CoM_East_Launch_YeFrevan_Press-Release_Final_ENG.pdf)

<sup>2</sup> Technical assistance to the Initiative is implemented through a Consortium led by ECORYS BV Nederland, with GFA Consulting Group, Policy and Management Consulting Group, Noblet Media CIS and VASSR as partners.

## The M4EG Rationale

The Mayors for Economic Growth initiative proposes an approach to managing local economic development that over the past three decades has proven to be of great value around the world, particularly in the European Union. It is based upon the following considerations:

- Worldwide, three quarters of all jobs are created in the private sector. Private sector growth is thus the gateway to wider economic and social development and employment.
- All regions, cities and localities have particular strengths that can be harnessed to generate growth, development and employment.
- Growth and development are driven by many global factors, but they are also strongly influenced by local efforts. Global players will only invest in those places where the local conditions are favourable. Evidence suggests that investors look for a set of “locational” factors when they consider the possibility of investing in one part of a country rather than another: connectivity to markets; the availability of human resources, land and key infrastructure; a cooperative local public authority; good local services; a quality of life that motivates their management and employees to want to live where they invest; etc. Many of these factors are produced or influenced by local action.
- Private sector growth in productive and tradable sectors can lead to an overall rise in the value of what a local area produces and sells elsewhere over time, and is driven by investment and strives for efficiency, thus leading to higher levels of productivity. It enables and drives broader development-producing resources (financial and human capacity and talent) that can contribute to enhanced social services, improved quality of life, and higher levels of human development.
- Much growth derives from activities that are “bottom-up” and are developed from within the local communities themselves, using local resources (people, natural and cultural assets, historical and geographical advantages, etc.). This is most obvious with regard to sectors such as tourism; agriculture and food processing; knowledge and creative sectors; local crafts; information and communication technology (ICT) services; small-scale production and manufacturing (where raw materials and processing methods are local); etc.
- Local economic development (LED) is most successful when it is based upon a public-private partnership. While local authorities and business circles are the principal actors of local economic development, civil society organizations and local communities also have a role to play. Within the M4EG approach, partnership between them will hereafter be referred to as Local Economic Development Partnership.
- Growth in local productive and tradable service sectors creates capacities and conditions that in turn enable growth in retail, consumption, construction and other local services, thereby boosting employment. Success breeds success, making areas more attractive as places where people want to live, work, visit and invest. A positive image makes a place attractive and projects dynamism, even magnetism. These are “soft” factors that favour entrepreneurship and investment, and hence employment creation.
- Natural and geographical factors are not the main determinants of growth and development in modern economies: organization, know-how, leadership, education and innovation in a broad sense are the key factors that drive growth and development. Local economic development is about getting these conditions right locally, and clever and efficient municipalities can achieve this.

## Objectives

M4EG's overall objective is to support local authorities in EaP countries to become active facilitators for economic growth and job creation in the region, as well as to ensure that they are able to provide opportunities for economic, social and cultural participation, community well-being and a good quality of life.

The initiative's immediate objectives are to develop capacities among participating local authorities and their partners (the private sector and civil society) with a view to:

- Encourage and support local authorities and their partners to design and implement local economic development plans which identify key local economic drivers, based on European best practices and approaches;
- Strengthen the technical skills of local authorities as well as their capacity to implement local economic development plans in line with principles of good governance and sound financial management;
- Encourage the creation of local partnerships and networks based on public-private dialogue (PPD) principles in order to implement actions which promote growth, development and employment; and to
- Develop and disseminate know-how and best practices in order to motivate local development actors, demonstrate new approaches at work, and sustain pro-development local policies and actions.

The M4EG initiative proposes to its partners an approach which will help municipalities to:

- Understand their potential to improve their economic situation;
- Acquire the necessary knowledge and skills in order to build their capacity to make positive changes;
- Create their own "tailor-made" solutions which will help make positive changes real; and to
- Take focused pro-development actions and evaluate achieved results.

## Welcome to the M4EG Club!

By joining the Mayors for Economic Growth initiative, cities will have access to a variety of exclusive support services, high-quality expertise and other opportunities listed below. Signing up will make them members of an advanced professional community network which will offer significant economic, political and reputational gains to all its participants:

- Expert support during the design and implementation of local economic development plans;
- Free access to international local economic development advice and experts;
- Help in identifying and developing concrete projects, and support during their implementation;
- Support in communicating achievements with a view to attracting further investment;
- Assistance with searching for grant opportunities, and help preparing project proposals;
- Liaison with international financial institutions and potential investors;
- Mobilization and involvement of local partners such as businesses, educational and scientific institutions and NGOs;
- Access to international peers and partners;
- Facilitation of cross-country cooperation between local authorities in the EaP region;
- Staff exchange instruments;

- Training, study tours and thematic workshops for municipal staff and local partners;
- Dissemination of and access to relevant information;
- Membership of a networking forum (the “M4EG Club”); and
- A special “Mayors for Economic Growth” brand sign for the use of signatory municipalities during their external and internal positioning.

The EU (through the M4EG Secretariat) and other partners (e.g. the World Bank) are committed and available to amplify the capacities of local partners and to expand their opportunities to foster sustainable local economic development.

## Leading Local Economic Development with M4EG

Within the context of M4EG, economic development will be locally facilitated by the municipal authority and will be focused on growth, employment and job creation. This entails the following:

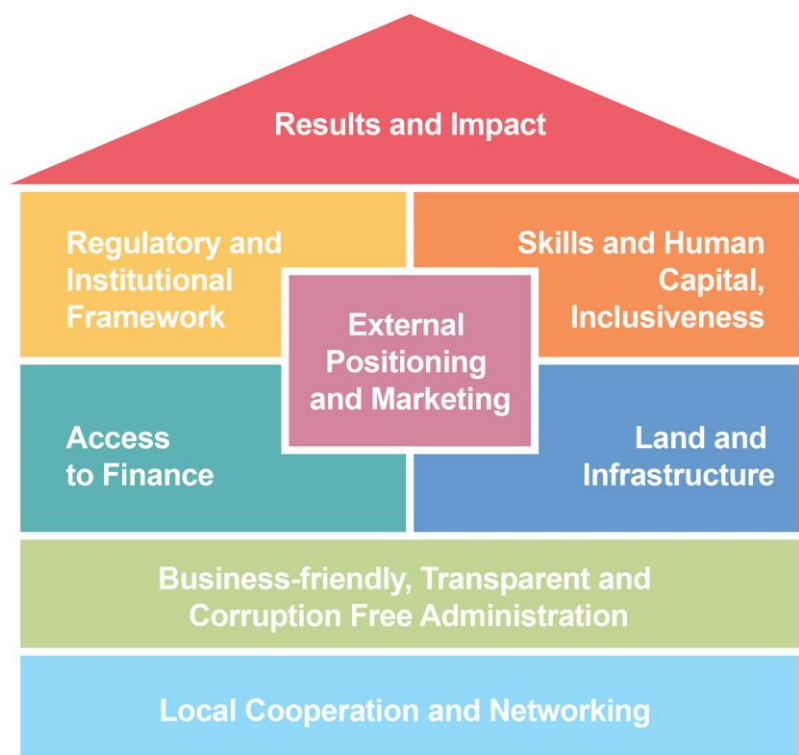
- A partnership (LED Partnership) between the local public authority, the private sector and civil society actors;
- Demand-driven assistance to small companies and existing or potential individual entrepreneurs;
- Focusing on the efforts to promote development rather than relying upon external factors or initiatives taken by higher levels of government;
- A practical, focused approach characterized by concrete actions—many of them small, but all of them worked out as part of an agreed plan;
- A system for dialogue, monitoring and continuous change and adaption of plans in order to remain responsive to local needs;
- Cooperation among municipalities as well as between municipalities, other public bodies and higher levels of government; and
- A focus on results, understood as clear benefits to local areas in terms of growth, development and jobs which accrue over time.

There are some differences between the models of municipal governance across the six EaP countries, but in all cases the State, its ministries and agencies and some regional authorities are also actively engaged in the promotion of economic development. M4EG local economic development efforts will seek to involve many of these regional and national actors to the benefit of local ones, but the main scope and focus of the local economic development effort will be on factors that directly favour growth, development and employment and that at the same time can be influenced by local action.

Many EaP countries are already quite experienced in terms of national or regional development planning, having either inherited this experience from former centralized planning practices or having developed them over the past 10-15 years through donor support, especially in the context of regional development. Wherever such plans exist and work, M4EG will build upon what has already been achieved and seek to take it further.

## M4EG Building Blocks

Under M4EG, municipalities and their private sector partners are encouraged to focus on key “blocks” (“building blocks”) of issues, which are the underlying local preconditions for private sector growth.



### Local Cooperation and Networking

**Local public-private cooperation** is a key factor for local economic development. Municipalities are well-placed to initiate such cooperation, which is often needed in areas such as:

- *Knowledge and skills* (municipality—local vocational education and training providers—companies);
- *Business infrastructure* (municipality—business support services—companies and individual entrepreneurs), particularly in economic sectors in which actions need to be carefully planned, jointly structured and sequenced (e.g. tourism, agriculture and processing, IT, culture and arts, small manufacturing, innovation, etc.).

Successful local economic development actions (some of them featured below) often require some form of **public-private dialogue and partnership**. Larger, predominantly urban municipalities may be able to facilitate the development of the “triple helix” approach to innovation (business—public sector—academic and research institutions).



## Business-friendly, Transparent and Corruption-Free Administration

One of the main functions of a local administration is to establish and maintain an operational environment for other actors, including the private sector and civil society. The more **open, predictable** and **transparent** this environment is, the more vibrant, efficient and healthy the overall system becomes.

While WHAT rules and regulations exist in spheres relevant to local economic development is very important (this topic will be addressed in the next sub-section), HOW these rules and regulations are enforced is decisive. A **zero tolerance to corruption** as well as a commitment to the principles of good governance (e.g. participation, inclusiveness, accountability and the rule of law) are both **pre-requisites** to increase confidence within business circles, trust within civil society, and general satisfaction within the local community.

Besides local stakeholders, international actors such as foreign investors and donor organizations are also very sensitive to the public image of governing bodies, and consider this image as a **factor** when deciding whether or not to cooperate with them.

## Regulatory and Institutional Framework

Although primary business regulations are usually defined at a national level, in some cases municipalities can play an important role with regard to the regulatory requirements that apply to local companies (e.g. company registration procedures, local taxation, etc.). Local authorities also exercise some control over the planning process (**planning permission**, land usage and leasing, etc.).

Some municipalities may also be responsible for enforcing different compliance regulations that bear a transactional cost for business: fire safety inspections, sanitation and hygiene inspections, health and safety rules, etc. The provision of these services naturally needs to be compliant with the law, efficient, fair and transparent, but it also needs to be as simple and unbureaucratic as possible.

Within each municipal area, it is important that entrepreneurs are able to find help to grow their business without having to travel long distances for assistance, and that they feel sure that their needs will be considered in an impartial and objective way.

This requires an effective system of **business support services** that actively helps businesses which may include (but is certainly not limited to):

- *Providing information and advisory services (product and market information, professional advice, etc.);*
- *Supporting cooperation among businesses and the formation of business clusters; or*
- *Supporting the development of local value chains.*

Depending on the service, these can be provided to potential entrepreneurs or investors, small businesses or to groups of companies. Even if the municipality does not provide these services itself, it may be able to use its **authority to develop and facilitate service provision** in this area.

Many municipal administrative services may be business-relevant or even business-focused, but in all cases it is important that the municipality is business-friendly, that it enjoys the trust of its constituents and business entities, and that it acts in the public interest. The services it provides should be speedy, efficient, transparent and helpful to entrepreneurs and investors; meeting these conditions may require local authorities to assess and potentially redesign the services they provide based upon private sector feedback.

## Access to Finance

Access to finance and to information about possible funding is very often a major problem for businesses, and most especially for small entrepreneurs. Municipalities and cities can provide **information and business support services** which alert entrepreneurs to existing financing possibilities such as micro-credit schemes, national enterprise support programmes, donor and international financing mechanisms, etc.

There are also ways to **develop the local funding landscape** or to create preconditions for the appearance of new financing opportunities: examples include the use of municipal financing to underpin local enterprise credit facilities, establishing a credit facility in a non-profit structure (e.g. credit unions or credit boards), encouraging a private bank to open a new branch in your municipality, or encouraging a local bank to diversify its offer.

## Land and Infrastructure

Businesses of all kinds and sizes need physical premises and modern facilities in which to operate: workshops, offices, production and service facilities, etc. Municipalities may be able to **provide land** for such facilities, or initiate or encourage efforts to develop such facilities.

Business infrastructure includes basic workspaces, business incubators, industrial zones (greenfield and brownfield), science or technology parks, etc. Projects in this area may be large, complex and carry significant risk, and require municipalities and the private sector to work together to develop such facilities and to **ensure they are usable, useful, and both economically and financially viable**. At a minimum, all these facilities require a basic level of public infrastructure to ensure they are connected to utilities (water, electricity, gas) and essential services (telephone, internet).

Municipalities can **identify unused land or premises** which would be suitable for business use, or sites which could be redeveloped or rehabilitated for future use. Specific sites could be marketed to potential investors and relocation companies.

## Skills and Human Capital, Inclusiveness

Even though local public employment offices may not be managed by the municipal administration, the municipality can act as an initiator and broker to bring business, local employment offices and the vocational education and training sector together to identify how to ensure businesses have the skilled employees they require.

Specific actions in this area may include **job matching services** (e.g. asking businesses which skilled people they need, providing a space in which vacancies can be advertised for free, or informing unemployed people about suitable job opportunities, etc.) and **vocational training initiatives** (e.g. company-driven training programmes, in-company internships, etc.).

Unlocking entrepreneurial potential in the area is crucial. This can be achieved by creating a conducive atmosphere for small and medium enterprises (individual entrepreneurs) and by encouraging the provision of business support services, including services which **address the needs of traditionally underserved groups** such as women and young people.

Municipalities can also work with civil society organizations to develop socio-economic safety nets in order to ensure affordable service delivery, especially to groups that cannot easily access training or the labour market (e.g. internships for young people, special provisions to facilitate the employment of women or

members of disadvantaged or minority groups, etc.). Civil society organisations can also provide opportunities for work placements and the acquisition of work experience for groups who have difficulty accessing the labour market and its support systems.

## External Positioning and Marketing

More than any other public body, the municipal administration, represented by the Mayor, is democratically legitimized to represent, profile and project a positive, business-friendly image of the local area. Commitment to good governance practices, transparency and accountability of the local administration are crucial elements of the public image of a given area. This image needs to highlight the area's positive and attractive aspects, focusing upon **good reasons to live, work, visit and invest** in the area.

Developing these approaches requires a collective public-private and community effort, as well as the development, once investors have established their business, of "**after-care**" **services** to ensure they stay and continue to invest in their facilities. Creating a safe and conducive life environment for the general population is also an important factor during external positioning. Municipalities can also market local products and services.

In some cases, it is also necessary to undertake small-scale but image-enhancing **improvements** to the physical or natural environment and **quality of life**. More generally, Mayors need to work with national investment promotion agencies to ensure that they are on the lookout for any foot-loose investment coming to the country. They can also use any national or international linkages they have to ensure their local entrepreneurs and companies can access new markets or to facilitate business cooperation.

## Local Economic Development Success Stories

Local economic development is about local collaboration to design and implement actions and projects that can make a difference and which are consistent with the Plan. Since the Plan is partnership-based, many of the actions are also partnership-based and involve an integrated approach to development; this can help achieving important additional synergetic effects than wouldn't be reached through narrow, isolated actions. The following examples, all drawn from new EU member states or Candidate Countries,

### 1) Orlicko (ca. 30,000 inhabitants), Czech Republic, 2000-2004

**Baseline:** Orlicko is a rural area in the eastern part of the Czech Republic, consisting of several small towns and numerous villages, a hilly and forested area with low-productive agriculture and a few medium-sized factories.

#### Local Economic Development Solution:

1. The Mayors of the three larger towns established a **local association** whose goal was, among others, **to promote the development of tourism**.
2. A **Tourism Information Centre** was established in co-operation with Czech Railways;
3. New **tourism products** were developed (climbing, cycling, canoeing and riding facilities) and special **tourism infrastructure** was developed (cycling paths, hiking trails, a climbing wall, a riding centre).

**Outcome:** The area now attracts thousands of tourists annually who benefit from its many rural tourism facilities and boost local income, benefiting small rural communities and hoteliers and retailers in local towns.

**Building blocks at work:**

- Local Cooperation and Networking
- Business-friendly, Transparent and Corruption-free Administration
- External Positioning and Marketing
- Access to Finance
- Land and Infrastructure

2) **Zrenjanin** (ca. 70,000 inhabitants), Republic of Serbia, 2003-2007

**Baseline:** Zrenjanin used to have a poorly maintained and unattractive city centre with underdeveloped services.

**Local Economic Development Solution:**

1. The city entered a **donor-sponsored economic development programme** in 2002 under which it devised a local economic development plan (2003-2007).
2. On the Mayor's initiative, a **Business Improvement District Association** was **established** by entrepreneurs, shop owners and owners of buildings in the old town.
3. About 200 businesses joined the Association, which then **raised financial resources** (including **support from the City Hall**) and improved the facades of houses and public areas, organized events in the downtown, and began marketing activities to attract more tourists and visitors.

**Outcome:** By 2007, the sales of local businesses had increased and the overall value of property in the city centre had increased. This dynamic has continued ever since.

**Building blocks at work:**

- *Local Cooperation and Networking*
- *Business-friendly, Transparent and Corruption-free Administration*
- *Access to Finance*
- *Land and Infrastructure*
- *External Positioning and Marketing*

3) **Trnava** (ca. 70,000 inhabitants), Slovak Republic, 2002-2006

**Baseline:** Trnava had a high unemployment rate and the transformation of its local economy was slow.

**Local Economic Development Solution:**

1. The city organized a **Task Force** to address incoming investors and be ready to negotiate with them.
2. The **Mayor** and her deputy were **the leaders** of this process, which included **other partners** (the local labour office, state administration bodies, local planning authorities and infrastructure providers).
3. Peugeot-Citroën (PSA) became interested in investing in Slovakia in 2003, and **the city decided to go after this opportunity**: the Task Force **identified suitable land** and negotiated with a large number of local owners in order to put together a large industrial site. It also facilitated **planning permission** and liaised with both the state authorities and the investor.

**Outcome:** The city was able to obtain a grant of EUR 25 million to prepare the site and provide essential infrastructure. PSA began to operate in Trnava in 2006, yet already decided in 2005 to expand its premises. Production of the PSA factory in Trnava is now about 300,000 cars a year, and the factory employs about 5,000 people.

**Building blocks at work:**

- *Local Cooperation and Networking*
- *Business-friendly, Transparent and Corruption-free Administration*
- *Regulatory and Institutional Framework*
- *Access to Finance*
- *Land and Infrastructure*
- *Skills and Human Capital, Inclusiveness*
- *External Positioning and Marketing*

demonstrate what joint efforts can achieve.

These three examples show that leadership, partnership and organization are essential to successful local economic development, and that it is the Mayor and the municipality who set change in motion.

- Mayors and municipalities can lead and contribute to local economic development: they carry a level of authority and democratic legitimacy that allows them to engage with other public bodies and to represent the interests of their private sector.
- Dialogue and partnership drive results: conversely, a locality where everyone works in isolation will not produce sustainable results.

- Municipalities need to work with other public bodies since they do not always possess the legal or technical powers to act alone.

## How will M4EG Work

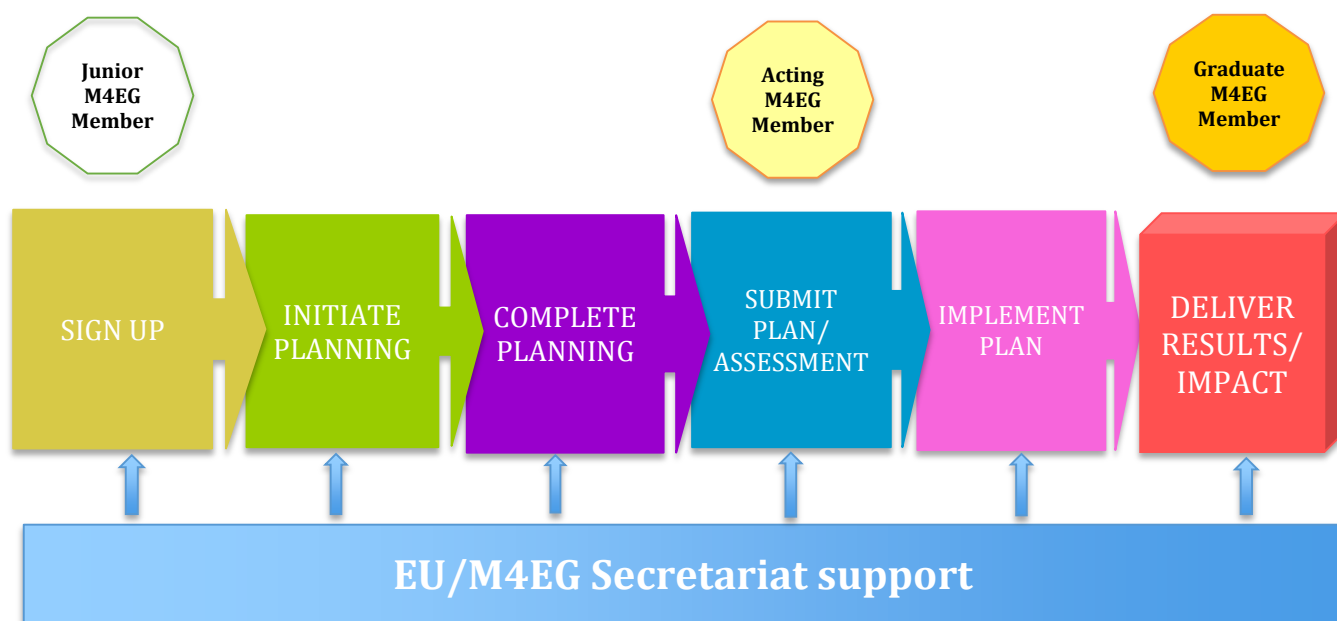
M4EG involves a step-by-step approach that leads municipalities along a path consisting of several distinct stages.

Each municipality will tackle these stages at its own speed and according to its own choices: some may, however, be able to progress very quickly through the initial stages if they are already active in local economic development planning, or have an existing and relevant plan.

While going through this process, signatories will be granted a membership status ranging from **Junior** through **Acting** to **Graduate** to acknowledge their progress and achievements along the way.

The figure below gives an overview of the various stages of the process.

### The M4EG Process



## The M4EG Stages Explained

### Starting Point: Sign up to M4EG

The M4EG Secretariat will ensure that potential signatories are fully informed of the opportunities the initiative presents, as well as of what will be expected of them in terms of commitments.

Municipalities wishing to sign up must meet several prerequisites: firstly, an official document needs to confirm a general consensus regarding this decision based upon a wide consultation process with civil society, private and other public sector actors. This process, which must include discussions of the M4EG processes and commitments, is most commonly led by the Mayor. A Local Economic Development Partnership has to be formed at this stage to act as the driving force and to guarantee widespread local commitment to M4EG.

Besides the Mayor, another member of staff needs to be identified; this person, acting as a Focal Point, will lead and document local economic development planning and reporting processes, and will serve as a point of contact for the M4EG Secretariat.

A Membership Form to join the Mayors for Economic Growth community (see **Annex 1**) needs to be signed by the Mayor and submitted to the M4EG Secretariat in order to become a **Junior M4EG member** and to be able to access the support made available.

### Stage 1: Initiate Planning

This first stage is very intensive in terms of analysis, and can be broken down into several phases.

Initially, the structure of the local economy must be analyzed, with a special focus on **the local private sector** across industry, agriculture and services. The local private sector is the foundation of the local economy and its main capacity for job creation. Productive sectors are particularly important, as well as service sectors that trade outside the local area. This analysis will identify the most promising sectors, sub-sectors and niche areas that can serve as local engines for growth. It will also focus local economic development efforts, and determine baseline figures for the key parameters which the local economic development plan will be targeting.

This economic analysis is to be followed by an analysis of the M4EG building blocks, with a sharper focus upon those which are of greater relevance to a particular municipality or city. The tasks of mapping the key actors within each of the building blocks, tracing their systemic interactions, spotting successful models of networking and identifying deficiencies need to be at the centre of this building blocks analysis.

### Stage 2: Complete Planning

The final deliverable of this stage should be the Local Economic Development Plan (LEDP)—a short (10-15 pages) but focused document. Every signatory must submit their Plans within 1 year of signing up, otherwise they will be dropped out of the M4EG initiative.

The Local Economic Plan should propose a set of solutions for the main drivers of local economic growth and define an action plan of measures to be implemented over the next 2 years. It should also provide a preliminary calculation of the costs of the proposed measures as well as define a series of performance monitoring indicators.

While the main document may be drafted in the local language, a short (1-page) summary in English must be provided indicating the rationale for intervention, the action plan, the preliminary costing and the performance monitoring indicators. The planning process is to be conducted according to the usual principles and practices of local economic development planning, with the exception being that the plan is not intended to cover all relevant sectors, but instead to focus upon key local economic drivers.

Each local economic development partnership will set up a scheme to monitor its own progress against planned actions. This scheme will be an integral part of the Local Economic Development Plan, and the basis for the signatory to report formally to the M4EG Secretariat on their progress.

A template proposing a structure for a Local Economic Development Plan is given in **Annex 2**.

### Stage 3: Submission and Assessment of Plan

At this third stage, an agreed local economic development plan is officially submitted to M4EG. After an initial check of the quality of the planning processes (performed by the M4EG Secretariat), the Local Economic Development Plan will be translated into English and submitted to the World Bank for review. World Bank experts will then assess the quality and the overall feasibility of the plan, and may suggest improvements prior to its official quality certification. Considering the time required for translation and expert feedback, this stage is expected to take approximately one month.

Once their Local Economic Development Plan is officially approved, signatories will be awarded the status of **Acting M4EG Member**, and will be eligible for active branding and positioning.

### Stage 4: Implementing the Plan

Once the quality of a Plan has been certified, the local economic development partnership, led by the municipality, will begin to implement the actions the plan sets out (with ad hoc technical support from the M4EG Secretariat and some grant financing). Different municipalities are likely to follow different timelines for implementation, but those which have signed up at an early stage might be able to finish within the lifetime of the current M4EG Secretariat project, thus enjoying support throughout the entire process.

In order to maintain their status as Acting Members of M4EG, the signatories must submit to the M4EG Secretariat short, bi-annual (six-monthly) progress reports which outline the general status of their plan's implementation, summarize achievements to date, reflect upon lessons learned, and suggest adjustments where necessary.

### Stage 5: Delivering Results (Change)

As signatories will implement their Plan at their own pace, and as different plans will foresee very different measures within very different time-frames, it is difficult to predict when tangible results can appear. For these results to be visible in reliable statistical data (impact indicators) can take even longer, but half-way into a Plan's implementation (i.e. after 12 months) it is quite likely that the first tangible and measurable progress will already be observable as improvements to the business environment and to the general quality of life. (Local Economic Development Plans which do not involve complex, time-consuming and costly action may show results even earlier.) The M4EG Secretariat will be monitoring these changes closely through the signatories' reports, and will facilitate exchanges of knowledge and best practices throughout the region.



Signatories who will be able to implement their plans at least by 70%, and record the intended transformation through the relevant parameters of economic development, will be awarded the status of **Graduate M4EG member**. Achieving this will mean that they will have “graduated” into the M4EG community with a set of advanced tools and established partnerships to ensure the sustainable development of their locality.

The M4EG Secretariat will help signatories ensure that the results they achieve are sustainable, recommend further measures to deepen the local economic development partnership and cooperation, and will remain committed to the values and principles of the M4EG initiative.

## Role of the M4EG Secretariat

Throughout the five stages, the M4EG Secretariat will, through its Central Office and local branches in the EaP countries, be the main point of contact for signatories (and for those interested in joining), related EU initiatives in the region, potential investors and international financial institutions.

For signatories, the Secretariat will be playing a dual role: 1) as a principal support provider, and 2) as the body tasked with monitoring M4EG processes and results. These two roles will be explained in detail below:

### The M4EG Secretariat Support

The M4EG Secretariat is mandated with and will be responsible for providing interested parties and actual signatories with accurate, up-to-date information, as well as general administrative and technical support (e.g. guiding signatories through the different stages) and ad hoc training and expert assistance according to the individual demands and needs of signatories.

The kinds of support the Secretariat will provide will broadly speaking be the following:

- Expert consultations;
- Information/knowledge building;
- Strategic partnership forging;
- Capacity building, with topics including but not limited to:
  - Local economic development planning;
  - Project-based approaches to local economic development;
  - Smart solutions to local economic development;
  - Finance and procurement for local economic development;
  - Partnership and networks for local economic development; and
- Providing high visibility for M4EG Signatories.

For more on the types of support available at each stage, please see Table 1 (“M4EG Process Explained”) below.

### Monitoring

Throughout the different stages of the M4EG initiative, the Secretariat will serve as the main administrative and quality control body (with the assistance of the World Bank during certain stages).



When evaluating the performance of an M4EG signatory, four aspects will be assessed (depending on the stage in question):

- I. Planning process quality;
- II. Local Economic Development Plan (the signatory's document);
- III. Local Economic Development Plan implementation process; and
- IV. Local Economic Development results and impact assessment.

The specifics of every aspect, their relation to the M4EG stages and the corresponding monitoring tools are dealt with in greater detail below.

#### I. Planning process quality

From **Sign-up** to **Complete Planning**, the main focus of quality control will be how the planning processes were set up, whether they were performed in an open and participatory manner, and if the underlying analysis was done in a consistent and logical way based upon concrete evidence. Monitoring visits will be carried out, but quality control during these stages will generally speaking rely upon the documents referenced in the completed Plan (e.g. the composition of the local economic development partnership, the minutes of local economic development partnership meetings, documented planning sessions, existing plans or research used, etc.).

#### II. Local Economic Development Plan (the LDEP)

At the stages during which Local Economic Development Plans are **submitted and assessed**, their quality will be checked in cooperation with the World Bank according to general criteria such as the overall logic of planned measures, the relevance and feasibility of proposed solutions, performance indicators and targets, sustainability considerations, etc.

#### III. Local Economic Development Plan implementation

During the **Implementation** stage, the M4EG Secretariat will monitor the progress of signatories as they carry out the measures and actions set out in their Local Economic Development Plans. Regular bi-annual reports will be requested, assessed and documented by the M4EG Secretariat. The main criteria of interest at this stage will be:

1. Whether the implementation is on track time- and content-wise (the gradations could include "Ahead of Schedule", "On Track", "Slightly Off Track", "Significantly Off Track")
2. Per cent of actual measures which have actually been implemented to date (or whose implementation has begun) vs the planned actions.
3. Financial resources de facto allocated from external sources for the Local Economic Development Plan Implementation to date vs planned funding (%).

#### IV. Local Economic Development results and impact assessment

At the final Stage, "**Deliver Results/Impact**", the results of signatories' efforts should already be visible in the custom indicators pre-defined in their Plan. Achievements against the baseline will be assessed according to signatory reports, and success stories will be collected and shared across the M4EG community.

In addition, the following general indicators<sup>3</sup> can be recommended for measuring the long-term impact of the implementation of Local Economic Development Plans throughout the EaP region:



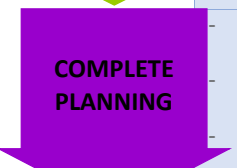
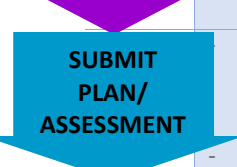


- 1) The number of new jobs created in the area;
- 2) Increases in local tax revenue (%), providing the local taxation system allows for local tax collection by cities/municipalities; and
- 3) Increased investment in the area (total value in EUR).

The support and monitoring functions of the M4EG Secretariat at each stage of the initiative are set out in the table below.

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<sup>3</sup> Measuring the impact of the Local Economic Development actions is crucial for the local authorities to assess their overall performance. However, achieving tangible and measurable results takes time, which might extend well beyond the M4EG Secretariat project life-time. These indicators are suggested to the signatories purely as a self-diagnose tool. The M4EG Secretariat does not require either setting respective targets in Local Development Plans, or reporting on their achievement.

Table 1. The M4EG Process Explained

STAGE	DESCRIPTION	SUPPORT AVAILABLE	MONITORING
 <b>SIGN UP</b>	<ul style="list-style-type: none"> <li>- Potential signatories are fully informed of the M4EG opportunities and of the commitments expected from them. The LED Partnership is formed.</li> <li>- Sign-up is possible at any given point in time.</li> <li>- Status obtained: <b>Junior M4EG member</b>.</li> </ul>	<ul style="list-style-type: none"> <li>- Broad information campaign and facilitation of the sign-up process via the M4EG Secretariat.</li> <li>- Helpdesks operational in every country.</li> </ul>	<p><u>Planning process</u> quality criteria apply:</p> <ul style="list-style-type: none"> <li>✓ A dedicated municipal Focal Point is appointed to oversee M4EG work throughout all the stages.</li> <li>✓ Commitment on behalf of both the municipality and LED partners.</li> </ul>
 <b>INITIATE PLANNING</b>	<ul style="list-style-type: none"> <li>- Needs assessment of the signatory municipalities.</li> <li>- The LED Partnership analyses local economic structures according to the M4EG Building Blocks.</li> <li>- Baselines are determined.</li> </ul>	<ul style="list-style-type: none"> <li>- Capacity development on LED planning.</li> <li>- Advice on the purpose, process, methods and tools for each analysis.</li> <li>- Ad hoc expert support on selected topics.</li> <li>- Quality control/feedback by experts.</li> </ul>	<p><u>Planning process</u> quality criteria apply. The planning processes should be:</p> <ul style="list-style-type: none"> <li>✓ Conducted on a regular basis;</li> <li>✓ Participatory in nature;</li> <li>✓ Based upon available evidence; and</li> <li>✓ Based upon a wide consensus among stakeholders.</li> </ul>
 <b>COMPLETE PLANNING</b>	<ul style="list-style-type: none"> <li>- The LED Partnership identifies a Vision, Objectives, and a List of Initial Actions Agreed.</li> <li>- The LED Plan is put together, identifying local economic drivers and actions to be taken.</li> <li>- A municipality-led, public-private LED Partnership is formalized and agrees on its modus operandi onwards.</li> </ul>	<ul style="list-style-type: none"> <li>- Ad hoc expert support on selected topics.</li> <li>- Capacity development on local economic development planning.</li> <li>- Advice on purpose, process, methods and tools for each analysis.</li> <li>- Quality control/feedback by experts.</li> </ul>	<p><u>Planning process</u> quality criteria apply. LEDP conclusions and main statements should be:</p> <ul style="list-style-type: none"> <li>✓ Based upon verifiable information and data;</li> <li>✓ Participatory in nature; and</li> <li>✓ Based upon a general consensus.</li> </ul>
 <b>SUBMIT PLAN/ ASSESSMENT</b>	<ul style="list-style-type: none"> <li>- Following LEDP submission and approval, signatories are eligible for a membership upgrade, including access to the corresponding branding and funding support services from the M4EG Secretariat.</li> <li>- Status obtained: <b>Acting M4EG member</b>.</li> </ul>	<ul style="list-style-type: none"> <li>- Technical support from the World Bank.</li> <li>- Quality check of the LEDP by the M4EG Secretariat and DG NEAR, and ad hoc feedback.</li> </ul>	<ul style="list-style-type: none"> <li>- The <u>planning process</u> quality criteria mentioned above will be pre-checked by the M4EG Secretariat.</li> <li>- LEDP feasibility and quality control will be performed by the World Bank, leading to official certification.</li> </ul>
 <b>IMPLEMENT PLAN/ REPORT PROGRESS</b>	<ul style="list-style-type: none"> <li>- Membership of the M4EG Club of Signatories.</li> <li>- Training, study tours and thematic workshops for municipal staff and local partners.</li> <li>- Staff exchange instruments for best practice and experience sharing.</li> <li>- Signatories submit bi-annual reports to the M4EG Secretariat.</li> </ul>	<ul style="list-style-type: none"> <li>- Demand-driven and proactive capacity development and advice on managing LEDP implementation, performance assessment (i.e. training, networking and study visits, staff exchanges, etc.).</li> <li>- Help searching for grant opportunities, preparing project proposals and implementing grant projects.</li> <li>- Assistance with external promotion and marketing.</li> <li>- Financing of some pilot projects showing how LED actions can be implemented on the ground.</li> </ul>	<p><u>Implementation process</u> quality criteria apply. Monitoring is conducted by the M4EG Secretariat based upon bi-annual signatory reports and updates. The main indicators are:</p> <ul style="list-style-type: none"> <li>✓ “On Track”/“Off Track” – four gradations;</li> <li>✓ % of LEDP actions which have actually been implemented (or whose implementation has begun); and</li> <li>✓ % of budget requirements for the Plan that have financial resources de facto allocated (including from external sources).</li> </ul>
 <b>DELIVER RESULTS/ IMPACT</b>	<ul style="list-style-type: none"> <li>- The municipal administration has implemented the Plan by at least 70%, and shows commitment to promote LED further.</li> <li>- The private sector is continuously engaged.</li> <li>- Performance monitoring is started</li> <li>- A self-sustained process of transformation has begun and is progressing.</li> <li>- Status obtained: <b>Graduate M4EG member</b>.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular reporting to the M4EG Secretariat, dissemination of the results and success stories via the M4EG communication tools.</li> <li>- Liaison with international financial institutions and potential investors.</li> <li>- Ad hoc expert support on selected topics.</li> <li>- Assistance with external promotion and marketing.</li> <li>- Access to international partners.</li> </ul>	<p><u>Results and impact</u> assessment criteria apply. Impact is measured against the set of indicators specified in each LEDP and verified by the World Bank.</p> <p>Proposed <u>general impact</u> indicators:</p> <ol style="list-style-type: none"> <li>1. Number of new jobs created;</li> <li>2. Increase in local tax revenue (%); and</li> <li>3. Increased investment into the area (total value in EUR).</li> </ol>

## Grant Support

The EU will offer financial assistance for the implementation of some grant projects aligned with local economic development plans throughout the EaP region. Through a first Call for Proposals for M4EG pioneer cities (1<sup>st</sup> quarter 2017), the best projects will be financed to demonstrate how concrete actions from the local economic development plans can be implemented on the ground.

The M4EG Secretariat will be offering support and advice to potential grantees on project proposal preparation; applicants will, however, be responsible for drafting their project proposals.

In order to fund the bulk of activities set out in their Local Economic Development Plans, Mayors will need to tap into resources available from their national and regional budgets as well as engage with other (international) donors over time—especially with private sector investors.

The M4EG Secretariat will help municipalities identify potential sources of funding for their actions and projects.