1. **Identification**

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>Promoting Decentralisation and Local Development (DLD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>EC contribution €20,000,000</td>
</tr>
<tr>
<td></td>
<td>Contribution of the beneficiary €2.5 million¹</td>
</tr>
<tr>
<td>Aid method / Method of implementation</td>
<td>Project approach - Decentralised management</td>
</tr>
<tr>
<td>DAC-code</td>
<td>15140</td>
</tr>
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<td></td>
<td>Government Administration</td>
</tr>
</tbody>
</table>

2. **Rationale**

2.1. **Sector context**

The Syrian 10th **Five Year Plan** 2006-10 (FYP) adopted a new approach to planning and reassessed the role required from the State in the context of the development of a social market economy. It calls for a new distribution for responsibilities between the various levels of government and administration, and for the participation of all social groups as partners in the formulation, implementation and evaluation of development plans. The existing levels of local administration / government (governorate and local units) are asked to play a leading role in “implementation of national strategic projects and vital infrastructure; implementation of national programmes; local participation in formulating and implementing local development plans; involvement of representatives of the private sector, banking sector and civil society in local development projects; improvement of inter-governorate cooperation in the context of regional plans”.

The 1971 legal provisions on local administration have not led to the expected devolution of responsibilities for economic development, services and culture to local level. A strong centralised control of financing mechanisms of local plans still exists and local authorities are therefore not fully recognised as real interlocutors by local development partners.

These problems and challenges, if not properly addressed, are likely to increase negative implications for the Syrian population as governance at local level becomes increasingly ineffective.

New needs resulting from rapid growth of the private economy and from changes in the employment structure have to be fully incorporated in the urban modernisation process (mainly in housing, transport, water and energy) which should combine preservation and valorisation of some ancient areas with provision of modern facilities. In this regard, municipal officials and planners will have to take more complex decisions operating in an environment lacking of the technical means, the updated qualification and a sufficient understanding of interrelations between spatial, social and economic issues.

¹ Based on a contribution of the GoS similar to the amount provided to the MAM programme
2.2. Lessons learnt

EC has contributed since 2004 to local development in Syria through the €20.5 million Municipal Modernisation Programme (MAM), the first project of its kind in Syria. MAM ran in 6 of the country’s biggest cities and encompassed 17 areas of intervention. Its main expected results were: (1) improved local governance and administration, (2) better planning and management of urban growth, and (3) delivery of key municipal services.

The main lessons of the MAM programme applicable to the DLD Programme are:

- The Ministry of Local Administration and Environment (MoLAE) is one of the most committed of the EC Delegation to Syria’s partners. The experience of the MAM suggests that there is a sufficient absorption capacity in this ministry, and a good level of ownership of the decentralisation and local development agenda, such that a further project in this area would add value.

- The high level of acceptance of the MAM by municipalities in the pilot cities encourages the duplication of its initiatives in other locations.

- The reinforcement of the involvement of all levels of administration and government (national, gubernatorial, municipal) is critical for achieving more sustainable results.

- With the appropriate financial and technical support, priority projects identified through participatory process can be converted into concrete realisations.

2.3. Complementary actions

Relevant on-going and planned donor projects

GTZ promotes capacities for urban management and development at national and municipal level through its Programme for Sustainable Urban Development (€4m, 2008-10). Aga Khan Foundation runs a microfinance scheme, preventive health and early childhood development day care centres, agricultural techniques and established an environmental park in Aleppo. UNDP supports national and local urban observatories and working with Al-Jaza’iri Centre to develop training for sustainable development (€200k), the National Social Aid Fund (NSAF) network expansion as well as to assist Syria to enter the “Art Gold” UNDP Initiative on Local Development and Decentralisation. The MLAE is undertaking the regional planning in Dar’a, Sweida, Quneiter, Deir Ezzour, Adlib and Aleppo. JICA has carried out a comprehensive master plan study for the metropolitan area of Damascus, a Development Study on Urban Transportation and is involved in the Qanawat pilot project in the Old City of Damascus. AECID Local/Municipal Development Programme is implementing a municipal development programme in the North Eastern Region, including local development plan for Deir Ezzour.

Relevant on-going and planned EC funded projects and programmes

Modernisation of Vocational Education and Training Programme and the projects supporting Syrian authorities to cope with the large influx of Iraqi refugees have a direct impact on poverty reduction and employment creation at the local level. Furthermore, a programme on social protection will be foreseeable funded by the EC in 2009. Public finance is also in a process of deep restructuring in Syria and the EC-funded Public Finance Reform (PFR) project should start in the forthcoming
months. Complementary actions in terms of civil society will also be included in the EU’s Non State Actors-Local Authorities programme.

The DLDP will seek to explore synergies with all relevant programmes during the drafting of the TAPs and the inception phase to ensure that the national approach to local development issues is coherent. In particular, DLDP will seek to work with PFR, a harmonised monitoring system, financial support mechanisms to municipalities and capacity development systems.

2.4. Donor coordination

In 2008 an informal donor coordination mechanism was put in place. It is led by the donors and has not yet involved partners from relevant Syrian authorities.

3. DESCRIPTION

3.1. Objectives

Overall objective

More balanced socio-economic development in Syria through stronger local development based on reinforced community participation and a modernised local public administration

Programme purpose

To further enhance municipal modernisation and capacities in planning, managing and maintenance of public investments, and to contribute to an increased access to services through an enabling environment for integrated local development and local governance.

3.2. Expected results and main activities

Result 1: Consolidate institutional mechanisms supporting local governance processes and modernise administrative units.

Activities:

(a) Assist administrative units in reinforcing local governance, strengthening accountability and related coordination mechanisms, with a view to building a shared vision of decentralisation and local development, through:

- Support to the merging / integration of local units (according to Law 15) into other units to form larger administrative units
- Help municipalities to create local development plans in a participatory way, ensuring mainstreaming of Local Economic Development (LED) strategies in Local Investment Plans and promoting synergies and coordination mechanisms with urban plans created by the MAM and other spatial planning initiatives such as the regional development plans
- Support to the participatory implementation of local and regional development plans within the existing legal framework
- Assistance with the identification of a role for the Al Jaza'iri Centre (restored under the MAM) to support local development and decentralisation
• Further support implementation of legal and regulatory framework, based on the achievements of the MAM and the FYP, including raising of awareness and dissemination of information to relevant parties

(b) Promote civic participation in cooperation with the Ministry of Social Affairs and Labour (based on the experience of the MAM), through:
• Continuation of Grant Scheme allowing Syrian NGO projects to submit proposals to enhance local development
• Capacity-building to civil society

(c) Improvement of local public finance management through:
• Assistance to introduction of new financial management information systems at municipal level
• Further technical advice on the introduction of budget classification at municipal and governorate level
• Provision of equipment, software and staff training

The above activities will be implemented through the establishment of appropriate management tools, including:
• Reinforcement of reporting and control mechanisms
• Further institutionalisation of working groups
• Creation of handbooks on specific issues (e.g. budgetary control and budget management)
• Training and capacity-building for key staff
• Provision of internal information systems
• Awareness raising

Result 2: Improve service provision and local economic development through the establishment of comprehensive local (and regional) development strategies and institutional framework.

Activities:

(a) Introduce sustainable and harmonised monitoring systems and data collection tools (in complementarity with both UNDP urban observatory and with the work undertaken by MAM on Geographical Information System)

(b) Establishment of more service centres (one-stop-shops) in line with the 10th FYP and MAM achievements in the One-Window office pilot projects in Homs, Lattakia and Damascus

(c) Establish an incentive-based funding mechanism to support implementation of municipalities' local development plans, providing assistance to municipalities in accessing funds, including other donor funds

(d) Assistance to municipalities in the creation of investment-friendly climate to promote local economic development, strengthening competitiveness of SMEs and service delivery capacity, through:
– Removal of obstacles for business development, such as expansion of One-Window, introduction of incentives for local business development and improved land access
– Provision of effective delivery of Local Economic Development services including support to business

During the inception phase of this project, specific areas of intervention will be selected and possible linking of this activity to the promotion of cultural heritage and tourism through microfinance and need for seed capital will be explored. Where possible, a Public Private Partnership (PPP) approach will be used.

The above activities will be implemented through technical assistance, training, capacity building and provision of equipment.

**Result 3: Enhance institutional and human capacity at various levels of local public administration.**

**Activities:**

(a) Provision of training to staff (e.g. on-the-job training of elected officials and local civil servants) making use of existing central and local training facilities and resources

(b) Provision of IT networking and distance learning facilities

(c) Improvement of central and local staff capacity to create project proposals to attract external donors' financing opportunities

(d) Encourage the exchange of best practices and experiences between professionals in relevant governance, administrative and technical fields (e.g. twinning, study tours, internships and work shadowing)

(e) Enhancement of human resources at municipal levels through new services and tools

### 3.3. Risks and assumptions

**Risks:** (i) Delays in the adoption of related laws and regulations on decentralisation and local development (ii) Absorption capacity of some of the selected institutions at governorate and municipal level

**Assumptions:** (i) Full commitment of the Government of Syria to the objectives in the 10th FYP. (ii) Appropriate managerial, human, financial and physical resources made available by main stakeholders.

### 3.4. Cross-cutting Issues

Environmental sustainability and gender mainstreaming will be integrated in the core of all the activities of the DLD programme. Good governance and decentralisation are intrinsically linked to devolution of power and responsibilities to directly-elected local authorities as well as accountability.

### 3.5. Stakeholders

The main stakeholders are:

(a) The Ministry for Local Affairs and Environment (MoLAE), responsible for developing legislation and formulating local administration and local development strategies, as well as supervising and guiding the work of local
administrative units. It will be the main counterpart of the EC in this programme

(b) The Prime Minister's Office (PMO), responsible for changes in the administrative set-up and division of roles and responsibilities between ministries

(c) The State Planning Commission (SPC), responsible for elaboration and monitoring of the 10th FYP national development plan and development of the overall planning system

(d) The Governorates and the municipalities, their officials and administrative structures

(e) Other relevant ministries such as the Ministry of Finance (MoF), the Ministry of Housing and Construction, the Ministry of Tourism (MoT), the Ministry of Culture (MoC) and the Ministry of Social Affairs and Labour (MoSAL)

(f) Utilities organisations, in particular sewage and electricity

(g) Relevant Associations active in Syrian civil society and interested in local development and governance issues

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The implementation method of the programme will be partial decentralised management through the signature of a Financing Agreement between the EC, the Syrian Ministry for Local Affairs and Environment (MoLAE) -as beneficiary of the project- and the State Planning Commission as national coordinator.

A Project Task Force (PTF) to manage the implementation of the project will be established, through the awarding of a services contract comprising long-term and short-term experts, inside the institutional structure of the MoLAE, governorates and local administrative units. In line with the provisions of the Backbone Strategy, the management rules for the PTF will be designed in a way that it will ensure appropriation, ownership and leadership of the project by the Syrian administration.

The EC Delegation in Syria will be the contracting authority for the PTF service contract, as well as for the audit, monitoring and evaluation contracts. Two committees will be established for the implementation of the programme: (1) a Steering Committee (SC), involving the major stakeholders at a high supervisory level (detailed list to be included in the FA), and (2) a Technical Committee (TC), including representatives of the selected local administrative units where the main programme activities will be implemented.

The Commission controls ex ante all the procurement procedures except in cases where programmes estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and apply ex post for procurement contracts ≤ 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments remain centralised except in cases where programmes estimates are applied, under which payments are decentralised for operating costs and contracts up to the ceilings indicated in the table below.
The Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

<table>
<thead>
<tr>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 300.000 EUR</td>
<td>&lt; 150.000 EUR</td>
<td>&lt; 200.000 EUR</td>
<td>100.000 EUR</td>
</tr>
</tbody>
</table>

4.2. Procurement and grant award procedures

Contracts: All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in art. 21(7) ENPI.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI ‘Grants’ of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The indicative budget breakdown is as follows:

<table>
<thead>
<tr>
<th>Categories</th>
<th>EC contribution €</th>
<th>GoS contribution €</th>
<th>Total €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services (TA and others, including TA for funds management)</td>
<td>7,000,000</td>
<td></td>
<td>7,000,000</td>
</tr>
<tr>
<td>Supplies and Equipment</td>
<td>2,000,000</td>
<td></td>
<td>2,000,000</td>
</tr>
<tr>
<td>Works</td>
<td>500,000</td>
<td></td>
<td>500,000</td>
</tr>
<tr>
<td>Operating costs (non-</td>
<td>4,000,000</td>
<td>2,500,000</td>
<td>6,500,000</td>
</tr>
</tbody>
</table>
4.4. **Performance monitoring**

An internal system of monitoring will be developed by the programme during its inception phase and integrated in the ToR of the steering committees at local and central level. Beyond regular meetings of these committees, there may also be regular joint missions and the establishment of a comprehensive information system. The external monitoring of the programme will be carried out through the results-oriented monitoring (ROM) system on-going for the European Neighbourhood countries.

4.5. **Evaluation and audit**

Expenditure incurred will have to be certified, as part of the obligations of the parties to this programme. An external independent mid-term review and a final independent evaluation will be carried out during the programme implementation. The final evaluation will take place at the latest three months after to the termination of the action.

4.6. **Communication and visibility**

During the inception phase, the programme will develop its communication and visibility strategy. In particular, it will raise awareness of the public local institutions and civil society stakeholders about opportunities offered for local development. Due to the nature of the programme, and based upon previous experience with MAM, high EC visibility is expected.

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<table>
<thead>
<tr>
<th>exhaustive) - Running Costs</th>
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<tbody>
<tr>
<td>Grant Scheme civil society</td>
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<tr>
<td>Incentive-based Mechanism for Municipality Projects</td>
</tr>
<tr>
<td>Monitoring, Evaluation, Audit</td>
</tr>
<tr>
<td>Visibility</td>
</tr>
<tr>
<td>Contingencies</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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The **overall implementation period** of the programme will be **48 months** from the signature of the Financing Agreement.