

Team Europe Democracy (TED) Initiative

Team Europe Democracy (TED) Working Group (WG) 2

LAB 2

16th of April 2025, 11:00 - 13:05 CET



Breaking Silos and Embedding Good Governance in Local Governance and Public Services

ANALYTICAL REPORT

LAB Concept.

The LABs are experimental spaces within the TED Working Group (WG) 2 framework on political and civic participation, designed to bring together TED Network members, local actors and democracy practitioners in an informal, open virtual roundtable format. It aims to encourage candid exchanges, peer learning and collective reflections on how to support local democratic resilience in fragile situations. By combining experience with practical instruments, the LABs explore context-driven approaches/principles, unlocks new ideas and generates actionable recommendations to inform and strengthen Team Europe's democracy support programming efforts.

[UNDP](#) and [Platforma](#), a TED Network member and WG2 Thematic Lead respectively, co-led the LAB 2.

Introduction.

In an increasingly complex and polarised world, achieving transformative local governance demands a deliberate shift: from siloed interventions to inclusive, collaborative and adaptive models of action.

LAB 2 summarises key takeaways on advancing people-centred local governance, strengthening resilience and unlocking local economic development, even amid fragility and crisis. Multi-stakeholder approaches, institutional innovation, digitalisation, participatory processes and new financing models - such as blended finance and quadratic funding - can reshape public service delivery and democratic engagement. Discussions reaffirmed the centrality of local governments not just as service providers, but as catalysts for inclusive development, peacebuilding and the realisation of human rights, with a commitment to “leave no one behind.”

Setting the Scene: Local Governments as Catalysts for Inclusive Change.

Local and regional governments play a critical role in addressing the complex governance dynamics currently shaping today's world. While trust in central institutions is declining in many



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countries, local governments continue to rank highly in public confidence and have demonstrated their value - particularly during the COVID-19 crisis - by delivering effective services and supporting community resilience, as covered in WG2's LAB 1 *Strengthening Local Community Engagement and Democratic Governance Resilience in Situations of Fragility*. At the same time, municipalities and urban areas face growing challenges, including political polarisation, climate change, economic stagnation and a shrinking civic space. These pressures are compounded by limited fiscal resources/revenues, restricted decision-making authority and infrastructure deficits, including digital exclusion. In more fragile situations, governance instability, corruption, democratic backsliding and gender backlash further constrain local leadership, particularly women's participation in local politics and the abandonment of rights-based development anchored in the rule of law.

Local and regional governments should not simply be viewed as service providers *"but as catalysts for inclusive, resilient and sustainable development and as frontliners and change makers."* By co-creating local plans and budgets with citizens, civil society, the private sector and other stakeholders, they build participatory and responsive local governance systems - equipped to adapt to changing needs, support economic diversification and anticipate, or mitigate, crises. They are accountable to their communities and uniquely positioned to *"amalgamating the needs of different populations and disadvantaged groups"* ensuring policies and services reflect diverse lived realities. This also means *"moving away from siloed interventions towards stronger locally led and adaptive governance portfolios."*

The role of local governments in democratic governance extends beyond delivery—they are embedded within multi-level governance systems and frequently share responsibility for services such as water, sanitation, waste management and local transport. *"This is really also embedded in the DNA of local and regional governments."* Their mandates give them legitimacy to lead inclusive territorial development processes and to work in partnership with actors across government levels and sectors.

Importantly, "local" also does not mean working in isolation. Peer-to-peer, global, learning and partnerships unlock access to innovation, resources and tested practices - such as quadratic financing - that local governments can tap into and tailor to their context.

Especially in the context of public infrastructure investment - ideally facilitated through the EU's Global Gateway - local governments should be recognised as *"amplifiers, multipliers of competitiveness, trade, investment..."* and as guarantors in ensuring that such investments reflect and align with local priorities and uphold rights (e.g. Land Rights), support sustainable development, safeguard biodiversity and generate tangible local economic benefits (e.g. job creation, tender opportunities for local companies and increased local revenues).

Locally led Development through Core Principles.

Local governance is and must be, grounded in the principles of democracy: participation, inclusion and accountability. As actors across different levels of governance and society seek to respond to increasingly complex challenges, there is a growing consensus that transformation must begin at the local level. Transformation requires *"tackling complex challenges through dynamic cross-sectoral planning and continuous learning, not through isolated projects,"*

Hence, a locally led development approach is essential.

This goes beyond mere decentralisation; it means ensuring that decision-making and



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implementation are genuinely informed by local priorities, knowledge and capacities. It requires public institutions to be more closely aligned with the people they serve. Interventions should be co-designed with communities, across sectors and levels, grounded in local realities and focused on delivering sustainable, context-specific solutions. It also calls for a shift in mindset, moving beyond traditional, project-based and siloed approaches to embrace more integrated and adaptive pathways to change.



Community-Centered

Development portfolios shaped by municipal governments, communities, and regional actors



Collaborative

Bringing together diverse stakeholders to create sustainable solutions



Innovative

Embracing new ideas and technologies to reshape governance systems



Sustainable

Building resilient systems that can adapt to changing conditions

Locally led development, when understood as part of a broader governance transformation agenda, calls for a systemic approach. Instead of working through isolated interventions, there is a need for integrated frameworks that bring together diverse sectors, actors and knowledge systems. This implies rethinking governance as a dynamic ecosystem - where cross-sectoral planning, adaptive learning, institutional innovation and long-term vision are critical.

Innovation and co-creation emerge as central pillars in this process, not as stand-alone activities but as embedded ways of working that can unlock institutional flexibility and responsiveness. Co-designing solutions with local actors, authorities and citizens ensures that governance is not only more relevant but also more legitimate, accountable and resilient. Similarly, digitalisation presents both new opportunities and risks: it can amplify inclusion and transparency but also risks deepening inequalities if not pursued with safeguards and inclusive design.

System Transformation & Portfolio Approach

Tackling complex challenges through dynamic, cross-sectoral planning and continuous learning to generate solutions. This approach recognizes the interconnected nature of development challenges.

Innovation & Experimentation

Embracing new ideas, technologies, and adaptive approaches to reshape governance systems and solve local problems. This principle encourages creative thinking and calculated risk-taking.

Digitalization & Technology

Leveraging smart technologies for inclusive, efficient, and data-driven urban governance and service delivery. Digital tools can transform how citizens interact with government and access services.

Financing these transitions requires building synergies and strong collaboration between international, national and local actors - linking with financial institutions, mobilising domestic resources and exploring innovative financing models. Access to finance is crucial for effective local development and can be enhanced through a range of mechanisms including public-

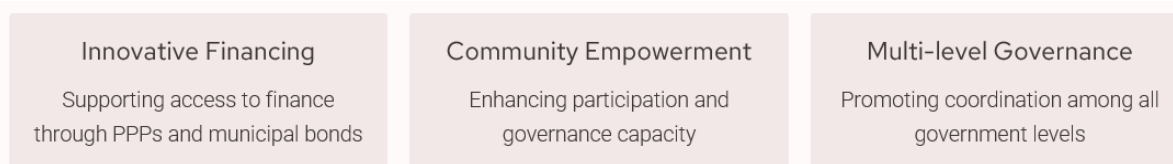


Team Europe Democracy (TED) Initiative

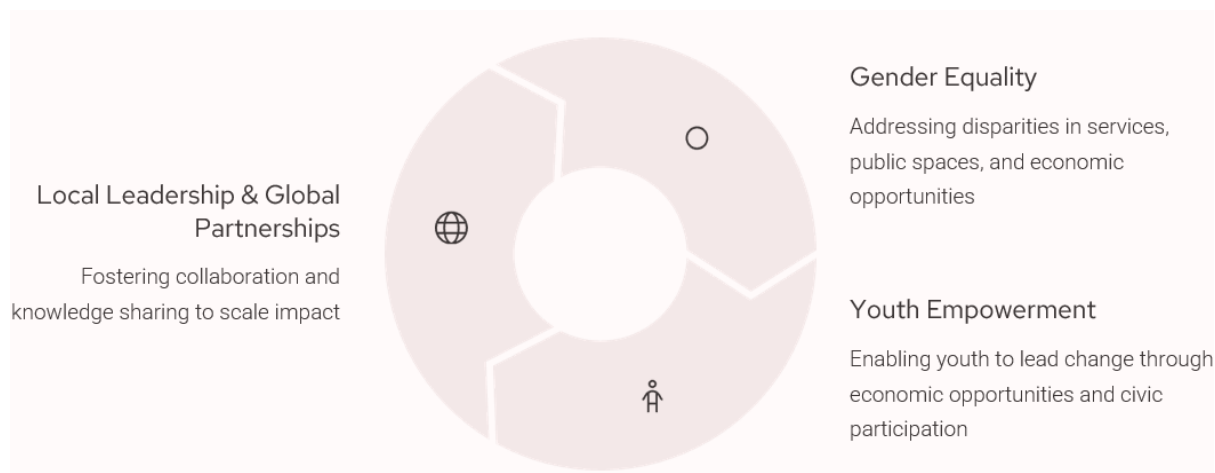
private partnerships (PPPs), , blended financing, results-based partnerships, municipal bonds and collaborative funding arrangements

For example, municipalities have successfully engaged in PPPs to expand infrastructure, issue municipal bonds to support urban services and use blended financing to implement climate and resilience projects. Collaborative mechanisms such as pooled funds, crowdfunding and crowdsourcing have also gained traction - enabling communities, private actors and development partners to jointly invest in local priorities. These approaches not only diversify funding sources but also strengthen transparency, ownership and civic trust in local governance.

Finally, strong coordination across all levels of government is essential to align priorities, avoid fragmentation and ensure coherent policy implementation.



Underlying these efforts are cross-cutting priorities that must remain non-negotiable. Gender equality and youth empowerment are not add-ons; they are essential components of resilient local governance. Youth are key drivers of democratic renewal, bringing new energy and perspectives to governance structures that often struggle to adapt. Equally, partnerships - both horizontal between local authorities and vertical between different levels of government - are critical for scaling and sustaining progress. Promoting peer learning, solidarity and exchange across geographies strengthens institutional resilience and encourages mutual accountability.



Taken together, these principles provide a strong foundation for reimagining how local governance can evolve to meet demands of democracy - not through replication but through rooted, inclusive and adaptive processes of change.



Round 1 - Harnessing Collective Intelligence: A Multi-Stakeholder Approach to Strengthening Governance and Improving Services.

In recent years, local governance systems have faced growing pressure to adapt, collaborate and innovate in response to rising citizen expectations, persistent inequalities and gaps in service delivery - particularly in decentralised and post-conflict contexts. Round 1 explored how institutional innovation and multi-stakeholder collaboration are reshaping the co-creation and delivery of local services. Drawing on country experiences from El Salvador and Costa Rica to Senegal and Bosnia and Herzegovina, the discussion highlighted how partnerships (or even redefine them) between local authorities, civil society, the private sector and academia can open new pathways for strengthening governance. The case studies illustrated not only the potential of integrated, participatory approaches but also the need for sustained, context-sensitive engagement to achieve collective impact, adaptive governance and as entry points for promoting peacebuilding and human rights.

Triangular Cooperation Advancing Human Rights (Basque Country, El Salvador and Costa Rica).

For more information:

- [AKUAL Programme](#)

The AKUAL programme (shortlisted for the PLATFORMAwards) exemplifies how decentralised cooperation can drive rights-based service delivery, advancing the human right to water, sanitation and hygiene (WASH) and directly contributing to the combined realisation of SDGs 6 (Clean Water and Sanitation), 11 (Sustainable Cities and Communities) and 17 (Partnerships for the Goals). It stands out as a model of triangular cooperation, connecting the **Basque Country (Spain), El Salvador and Costa Rica**. AKUAL's layered approach blends North-South collaboration between the Basque Country and Central American partners with South-South cooperation between El Salvador and Costa Rica, combining peer-to-peer technical exchanges with joint efforts to strengthen WASH infrastructure and management capacity through policy cooperation. Local public water companies from both regions - often distinct from city/municipal administrations - played a central role, driving service delivery while also creating opportunities for local private sector engagement and job creation.

The first phase of AKUAL (2018-2021) centred on capacity building of institutions, joint learning between the municipal water companies as to operational challenges so to co-develop proposals for service improvements. This set the foundation for the partnerships. Local European companies, for instance, also gained experience working in diverse, complex environments. From 2021, AKUAL moved from planning to action, delivering new infrastructure in several municipalities and jointly providing technical assistance for strategic, economic and policy planning at the local level - reinforcing both service delivery and governance. The third phase (2024-2027) expands the infrastructure investments to other municipalities while continuing capacity building and strategic support.

Focusing on tangible improvements in citizens' daily lives - through sectors like WASH where the impact is immediate - delivers not only practical benefits but also strengthens trust in local governments as credible as well as innovative service providers, thanks to the peer-to-peer learning and technical exchanges.

Several distinctive elements derived from AKUAL offer important lessons for decentralised cooperation.



Team Europe Democracy (TED) Initiative

- Gender mainstreaming was prioritised, with efforts to integrate gender perspectives into both service operations and municipal policymaking.
- Strong community engagement was another cornerstone, facilitating dialogue between service providers, municipal authorities and citizens to ensure that investments responded directly to local needs and expectations.
- Political engagement was actively promoted by involving elected officials such as mayors and councillors, strengthening political ownership and commitment to long-term service improvements.
- Ethical governance was also a key focus, emphasising transparency, accountability, ethical conduct and adherence to local and national regulations.
- Investment in capacity strengthening, building the technical, operational and administrative competencies of local actors through a blend of triangular (North-South and South-South) learning exchanges.

Peacebuilding and Service Innovation (Casamance Region, Senegal).

For more information:

- [Le Sénégal lance un projet de déminage en Casamance avec l'appui du PNUD et de l'Inde](#)
- [DECLIC | Senegal](#)

The post-conflict **Casamance region in Senegal** highlights a transformative process centred on landmine clearance and the inclusion of “*invisible builders of resilience: women, youth, returnees and local leaders*”- all crucial to sustaining local peacebuilding and stability. Collective local partnerships, including local governments, the Young Women Leaders Club of Kolda (Youth Centre), NGO Declic¹ and University of Ziguinchor, supported by UNDP, have played a role in driving local change and holding local governance accountable in post-conflict reconstruction efforts.

Multi-stakeholder dialogue platforms were established in the three regions of Casamance: Ziguinchor, Kolda and Sédhiou. These platforms brought together citizens, youth, academics, elected officials and women leaders to engage in constructive dialogue, co-create local development plans and ensure that the specific needs of each community were addressed in their development strategies. This dialogue also encouraged mediation of conflicts, raised awareness of peace and empowered civil society organisations (CSOs) to take an active role in monitoring public service delivery. This shift is particularly noteworthy in a region where such practices were previously rare, empowering local communities to ensure accountability and transparency in governance.

Importantly, these platforms are providing a space for those who had lost their voices during the conflict, particularly returnees, to be heard. Many returnees had lost their sense of belonging and, in some cases, their identity. Through these dialogue spaces, they can express their needs, such as obtaining identity documents or being included in local governance processes. By facilitating this form of civic engagement, the project has not only supported the return of displaced people but has also contributed to rebuilding their sense of ownership and dignity within their communities.

Interesting has been the integration of innovation as a tool for peacebuilding. Recognising that peace cannot remain confined to rural or traditional contexts in an increasingly digital world, working closely with the University of Ziguinchor young men and women gained support in

¹ [DECLIC | Senegal](#)



designing innovative solutions that harnessed innovation to strengthen governance. Through the development of digital platforms and other innovative engagement platforms, young people are encouraged to propose development projects to municipalities, monitor public service quality and signal community needs. This use of technology and innovation has not only helped streamline service delivery but is also allowing citizens again to hold local governments accountable, making actions more accessible and transparent. Nine municipalities are already facilitating dialogue to introduce these digital tools.

One of the most significant outcomes has been the work of the National Mine Action Centre, which has cleared over 2 million square metres of land from mines in the first phase of the support, allowing the return of 5,600 households to their villages. The second phase of the initiative was launched in May 2025. This is helping restore vital agricultural land that had been rendered inaccessible due to landmines, reactivating the region's agricultural and economic potential, offering families a chance to rebuild their livelihoods. In total, 197 villages have benefited from the landmine clearance, reviving a critical part of the region's infrastructure and sparking a renewed sense of optimism but also responsibility among local communities.

The core focus is not only on recovery and rebuilding infrastructure, but also on re-building trust and creating inclusive, accountable governance, with an emphasis on community-led reconstruction and local economic development.

Bottom-Up Governance Reform (Bosnia and Herzegovina, Water Sector).

For more information:

- [UNDP - Municipal Environmental Governance Project \(MEG II\)](#)

The UNDP Municipal Environmental Governance (MEG, now phase II)² project in **Bosnia and Herzegovina** shows how sustained, systemic engagement at the local level can drive national-level institutional reform. Focussing on water and wastewater services - an area of fragmented jurisdiction and inefficiency due to the division of responsibilities across multiple levels of government, from local to national - the project worked with municipalities, relevant government institutions, CSOs, association of cities and water utilities to strengthen local service provision and financial sustainability.

A bottom-up methodology was adopted, with the collective learning from these local-level initiatives compiled and presented to higher government levels to advocate for the necessary changes to the national legal and regulatory framework. While challenging, this approach has led to significant progress, including the inclusion of water sector reforms in the government's 2022-2026 strategic reform programme, which outlines who is responsible for what and by when. This successful integration into official government action plans illustrated how coordinated, evidence-based local work can catalyse top-down legal and institutional change.

Additionally, the project facilitated the creation of a "Water Alliance," bringing together international donors - Switzerland, Sweden and Czech Republic - and financial institutions - World Bank, European Investment Bank and European Bank for Reconstruction and Development and the EU Delegation. This collaboration aligned external funding with reform conditions, creating a performance-based incentive system that links future investments in the water sector to the successful implementation of reforms and the adoption of (new) legal and institutional frameworks. *"Now we have [the carrot] in our hands - we link future financing to the adoption of reforms and so far, this has proven very efficient."*

² [MEG II Project | United Nations Development Programme](#)

A key challenge remains the pace at which administrative actors move to implement these reforms. To address this, maintaining close collaboration with government stakeholders is important, providing continuous technical support and open lines of communication mitigate these barriers.

The dual approach - *“working vertically with government ministries and horizontally with associations, municipalities, CSOs and utilities, everyone who has a say in the process”* - is critical to creating a sustainable framework for good local governance and public service delivery. It not only focuses on improving the management of (existing) infrastructure and public services but also empowers local governments to take on performance-based commitments and secure additional debt for future investments, thereby ensuring long-term financial sustainability.

Emerging Lessons, Messages and Opportunities.

For more information:

- [Palestine - Enabel - Belgian Agency for International Cooperation](#)
 - [Local Government Reform and Development Programme \(LGRDP\)](#)
 - [Other projects](#)
- [UNDP - Social Innovation Platforms \(SIP\)](#) (Asia-Pacific: Thailand, Indonesia, Pakistan, Laos, Maldives and Bangladesh)
- [Digital Impact Alliance – Rwanda Case Study](#)

The key takeaway from the case studies exchanged on, was that sustainable change in local interventions is best achieved through joint alliances that unite multiple stakeholders -such as local authorities, citizens, vulnerable groups and CSOs - rather than relying on unilateral approaches.

Participatory exercises reveal a pooling of needs, resources, good practices but also common frustrations - such as lack of funding, capacity, *meaningful* participation and corruption. Despite the unique proximity of local governments to their communities, there is also often a disconnect due to unclear roles and competition from entrenched top-down governance structures (e.g. central level) and poor communication, which leads to confusion and disengagement among citizens and local authorities alike.

Building on these challenges, the exercise moves towards ideation, encouraging participants to propose and co-create solutions. For instance, focus on joint capacity development - strengthening the skills, awareness of participatory and knowledge-sharing practices of citizens, civil society and local governments alike. This includes mechanisms such as household surveys to capture the needs and setting up sector-focussed community committees (e.g. water, food security, environment) and [Social Innovation Platforms \(Asia-Pacific - Thailand, Indonesia, Pakistan, Laos, Maldives and Bangladesh\)](#), both engaging stakeholders in listening, sensemaking, real-time data collection, identifying priorities, the (best) location and design of public infrastructures and services. It reinforces shared responsibility, local narratives and public accountability. This can also be applied to the design of development/international cooperation projects (like the Global Gateway) to be more context-responsive when working at the local level.

Notably, a range of digital tools and platforms also emerged as popular solutions, including online town hall meetings, citizen-government communication platforms and real-time feedback mechanisms. Hence, the importance of bringing government representatives to the



citizens, rather than waiting for citizens to come to them. The success of "E-Citizen" platforms (connecting citizens directly to local governments/mayors/councils) have enhanced participation in rural areas, but access issues and the high costs of data continue to be barriers. Innovative solutions have been introduced in **Rwanda**, such as equipping local shops and community spaces (e.g. [Digital Impact Alliance – Rwanda Case Study](#): solar-powered water collection stations, markets, schools) with digital/internet terminals and USB charging ports, establishing them as Wi-Fi hubs. Interesting is the deployment of "travelling smartphones/tablets" delivered by motorbikes, which travel from one remote community to another to collect information and provide access in **South Asia and India**. A bonus is the creation of new local business opportunities, job creation and revenues. Linking these innovative approaches to public service delivery, while simultaneously increasing awareness of a community's role in local governance processes, helps bridge the digital divide and strengthen technology corridors in rural areas.

However, digital tools alone cannot address all challenges.

In **Uganda**, for example, it was reminded that local governments have shown resistance to adopting new technologies, not because they don't see the benefits but rather citing the time and resources required to transition from traditional methods. Additionally, communities - particularly elders, women and local leaders - may prefer in-person sessions, as these also provide opportunities for social interactions. A *"mental switch [is needed] which takes time."* In **Ukraine**, while young people are highly active on social media, local authorities often struggle to meet them where they are. *"Local governments must go to where young people are, speak their language and use their platforms, or risk losing them."* To address this, initiatives have focused on helping local governments adapt their communication strategies to the platforms and language that resonate with youth. By simplifying the message and using channels that young people are familiar with, authorities can bridge the disconnect and encourage engagement.

Therefore, a balance is needed between integrating and understanding, new technologies, maintaining traditional approaches and building the capacity of both these mechanisms to ensure inclusivity across different demographic groups. *"Innovative approaches must be layered with traditional systems, so no one is left behind."*

In addition to technological considerations and a heightened awareness of the right to be heard and participate, citizens' trust in both government institutions and the participatory approach itself is needed. They need to feel that their involvement leads to tangible outcomes. In many parts of Latin America, including **Argentina**, citizens initially embraced participatory processes with enthusiasm. However, over time, as the number of participatory platforms and opportunities grew, disillusionment set in due to a lack of visible results. *"Participation for participation's sake, without results, destroys trust. People stop believing and then they stop participating."* There was a sense of "participation fatigue." Participation cannot be reduced to a token gesture or merely a box to tick off as disenfranchisement can undermine the potential of the approach. Local governments, but also CSOs, must not only support spaces for engagement but also demonstrate (prove) that citizens' input is valued and acted upon. A continuous feedback loop (e.g. Annual Satisfaction Surveys in Local Governments) is vital, where citizens' needs or complaints trigger concrete actions.

A key response is the integration of citizens' feedback and needs into local development or adaptation plans (LDP/LAPs). By incorporating this input into local planning and budgeting for public services and infrastructure, participation not only becomes more meaningful but also enables citizens to hold implementers accountable for the execution of these plans. Donors

can further reinforce this by attaching performance-based incentives (e.g. top-ups) to local governments, ensuring that they prioritise this integration and effective execution, in their planning processes.

In **Palestine**, community involvement even extended beyond the planning stages to include the implementation but also the supervision and monitoring of the projects and investments. An additional bonus is the job creation - during the construction as well as maintenance of public infrastructures. This is also relevant for large-scale flagships, like the Global Gateway. It is not enough to simply invite citizens to participate; there needs to be a clear strategy for engaging them, ensuring that their feedback is meaningfully incorporated into the decision-making process. Hence, engaging citizens throughout all stages - from identifying needs to execution and oversight - helps cultivate a strong sense of inclusion, ownership, strengthened sustainability of/belief in the interventions (e.g. engaging youth and women in “green portfolios” to identify, locate, design, supervise and maintain green public spaces) but also reinforced the credibility of local authorities and flagship initiatives (e.g. [Local Government Reform and Development Programme](#) (LGRDP) “Ownership and sustainability come when people see themselves in the interventions, not just as beneficiaries but as the drivers.”

Throughout it's important to recognise that the effectiveness of participatory approaches in democratic governance varies greatly across regions, shaped by local political climates, cultural norms and socio-economic realities. In contexts where civic space is shrinking, freedom of expression is restricted and political repression is present, citizens, especially vulnerable groups, may hesitate to engage due to concerns over personal safety, cultural norms, exposure and potential repercussions. Similar concerns apply in the digital sphere. As governments increasingly use digital tools to engage citizens, there must be a careful balance between enabling participation, advancing technological innovation and safeguarding privacy/data. Citizens must be empowered through these tools without being exposed to misuse, disinformation or exploitation of their personal information. Support for protective measures, including strong safeguards, secure data practices and the creation of "safe spaces" - such as the use of encryption when working in digital environments - is essential. Ultimately, the design of participatory processes must carefully consider the relationship between civic space, personal freedoms and security, ensuring that participation remains both inclusive and safe.

Concluding Thoughts.

The experiences and reflections shared throughout the session reaffirm that sustainable governance reform and improved public service delivery cannot be achieved through isolated efforts. They require alliances, collective intelligence, inclusive dialogue, trust-building and a sustained commitment to empower local actors. Whether through triangular cooperation, community-driven peacebuilding, bottom-up policy reform, or the innovative use of technology, the case studies underline a common thread: *genuine/meaningful* participation, adapted to context and protected by safeguards, is central to strengthening governance, ownership, promoting rights and (re)building trust between citizens and (local) institutions. As contexts and challenges continue to evolve, so too must approaches - remaining anchored in inclusivity, accountability, resilience, performance-based and a continuous feedback loop that ensures participation leads to visible results.

Identified Key PRINCIPLES and RECOMMENDATIONS for Harnessing Collective Intelligence and a Multi-Stakeholder Approach.



- **Engage communities from the start to ensure inclusive participation and local ownership.**
 - Support models where citizens and local actors lead decision-making and fund targeted outreach strategies to enable meaningful engagement from all groups.
 - Mandate early and continuous involvement of local governments, CSOs, businesses, academia and actively engage with underrepresented groups - including women, youth, returnees and marginalised populations - in the design, budgeting and implementation of public services and development programmes.
 - Require budget lines and performance indicators for inclusive citizen engagement (such as participatory budgeting), including digital (e-platforms, mobile surveys) and offline mechanisms (town halls, focus groups) and ensure tools, to reach those facing digital divides, literacy barriers, or accessibility challenges.
- **Adapt interventions to local contexts and conflict sensitivity.**
 - In fragile or post-conflict settings, recognise the crucial need to ensure safe entry points through local actors incorporating safeguards to protect civic space.
 - Support context sensitive funding by tailoring public service delivery to local, social and political dynamics.
- **Co-create solutions through peer learning and partnerships.**
 - Allocate funding for South-South, triangular and peer-to-peer exchanges, enabling local governments to share practical solutions and reforms which are co-owned and co-designed by those directly impacted.
 - Embed collective learning cycles in reform programmes and budget support facilities to ensure long term sustainability, continuity and replicability.
- **Modernise institutions by leveraging smart technologies.**
 - Support institutional reforms that invest in digital tools (e.g. AI, blockchain, mobile platforms) to improve transparency, service delivery and civic participation - ensuring these are inclusive and secure engendering cross-sectoral and multi-level collaboration.
- **Link financing to inclusive practices which demonstrate impact and build trust.**
 - Provide the adequate foundations and capacities to tie funding disbursements to visible improvements in service delivery or infrastructure, especially those that emerged from participatory processes.
 - Use these quick wins to build trust in institutions and encourage long-term civic engagement.
 - Design fiscal transfers, grants and budget support to reward inclusive governance, transparency and reform outcomes.
 - Encourage use of co-financing, performance-based funding, quadratic or community-matching models to enhance accountability.
- **Uphold transparency, ethical standards and digital safeguards.**
 - Integrate data protection, role clarity and civic safeguards as core components of digital engagement and service platforms.

- Require ethical governance practices in all public sector innovation initiatives.
- **Build multi-Stakeholder and multi-level alliances.**
 - Incentivise strategic alliances across government tiers and between sectors - public, private and civil society.
 - Prioritise pooled financing, joint planning and shared infrastructure to scale successful local governance models.

Round 2 - Reimagining Local Governance, Economic Development and Public Services: Building People-Centred Solutions.

Enhancing public service and economic development delivery through institutional innovation (e.g. AI use to simplify workload) that encourages transparency, inclusivity and citizen engagement. Round 2 explores strategies to improve service accessibility, prioritise underserved communities and link public service delivery to broader local economic development goals through inclusive governance (people-centred, gender and youth responsive). Case study presentations and structured inputs from Ukraine on Urban Imaginaries and Croatia on Quadratic Funding helped ground the discussions in practical experiences, look to the whole systemic approach and actionable ideas.

People-Centred Innovation in Redefining Inclusive Governance, Local Growth and Stability (Ukraine).

For more information:

- [Lviv: A city embraces innovation, even amidst war by United Nations Development Programme - United Nations Development Programme | UNDP - Exposure](#)
- [Mayors for Economic Growth \(M4EG\) | United Nations Development Programme](#)
- Lviv-Ukraine: [City Institute](#)

Lviv, a city in **Ukraine**, has emerged as a frontrunner in innovative local governance, successfully linking local economic development with inclusive stakeholder participation. By embedding local development organisations within the municipality, it draws on these organisations' expertise and proximity to communities. This approach enables the delivery of public services that are better attuned to the needs of its citizens and internally displaced persons' (IDP). Beyond public service delivery, these organisations act as bridges, tapping into diverse sectors and forming collaborative clusters with different stakeholders to co-design strategies for sustaining local economic growth and stability, even amid the challenges of ongoing conflict. *"Citizen engagement is at the heart of our model - we co-create policies, solutions and services directly with end users."*

An example of this model is the transformation of economic collaboration. Lviv has moved beyond the traditional model of isolated interactions between businesses and local governments, expanding partnerships to include cross-departmental municipal actors, universities/academia, citizens and local CSOs. This broad-based **economic and public-private clustering** explores collaboration around shared economic goals and strategies. By presenting initiatives as cohesive clusters, the city can respond more comprehensively to community needs while leveraging technical expertise at all levels of local governance - not just via the leadership, but also departmental specialists. This clustering approach promotes specialisation, innovation and harmonisation, reducing redundancies in service delivery. In



doing so, Lviv fills capacity gaps within governance systems, reinforcing a more inclusive, diverse and resilient model of local economic development.

Another significant area of innovation has been the **rethinking of urban mobility**. Many municipalities, including in the rural areas, are transitioning from a narrow focus on traditional transport infrastructure to a more holistic model of mobility planning. A people-centred perspective now drives these changes, with new structures such as Lviv's Mobility Department prioritising pedestrians, cyclists, electric alternatives, green spaces over car-centric development. These adaptations are not only more responsive to evolving community expectations and business innovations, such as the rise of alternative energy and relocated businesses/industries (from conflict-affected areas), but also reflect technical insights linked to climate resilience and adaptation. As a result, cities like Lviv are regaining their attractiveness, reversing outmigration trends by drawing back young professionals, graduates and talent who seek dynamic, liveable environments with prospects.

Hence the importance of **youth engagement** in inclusive local decision making. The establishment of, a safe, youth centre in 2018 marked a major shift from youth policies primarily focused on sport. Instead, the city now focuses on addressing the “real” and pressing concerns of young people, including education, jobs, environmental issues and the ongoing conflict. The youth centres act as a bridge connecting young people with local representatives and businesses, including those relocated due to conflict. This provides pathways for job creation and political participation. By empowering youth as key drivers of societal change and innovation, Lviv has not only strengthened its local governance but also achieved international recognition, as the European Youth Capital for 2025.

One of the most notable examples of public service innovation in Lviv, has been around **adult/vocational education and libraries**. Traditionally, these institutions were remnants of the Soviet era, disconnected from key municipal departments such as Education and Culture and largely underutilised by the community. By introducing citizen-CSO-driven educational courses and digitalisation, Lviv reimagined libraries as dynamic community learning and innovation hubs. This transformation has significantly increased adult participation, not only in lifelong learning but also in local governance, as citizens gained a better understanding of their rights and civic responsibilities.

The city's adaptability became even more evident in response to the ongoing war and the arrival of IDPs. Recognising emerging needs, Lviv integrated mental health and employment support into its public services. Libraries, initially revitalised as learning spaces, expanded their role to offer mental health support, information and job placement services - also responding to the relocation of over 90 companies to Lviv from conflict-affected areas. *“Libraries were reimagined as learning and mental health hubs, responding directly to community needs uncovered through citizen research.”* This evolution was made possible through partnerships with mental health centres, educational institutions and the State Employment Centre. Today, up to 10 centres, including libraries and education hubs, are providing critical support, reaching over 2,000 beneficiaries.

By leveraging people-centred, sectorally linked participatory and clustering approaches, Lviv has been able to rapidly expand and adapt its services (e.g. the libraries) to meet the needs of its citizens, the IDPs and businesses. The success of this model is now inspiring replication across other cities and municipalities, helping to sustain stability and resilience in challenging circumstances.



Innovative Funding for Citizen-Led Governance (Croatia).

For more information:

- [Quadratic Funding](#)
- [Municipal Quadratic Funding Initiative](#)
- [Zazelenimo Project \(Split, Croatia\)](#)

Recent innovations emerging from the Ethereum open-source blockchain community offer new opportunities to strengthen local democratic governance and citizen-driven local economic development. Unlike Bitcoin, which is primarily a cryptocurrency, Ethereum in creating and executing smart contracts, is designed to be a platform that allows for more complex transactions and applications (has “Ether” as its native cryptocurrency). Ethereum's underlying blockchain technology allows for transparency, security and trust, with transactions being publicly verifiable. *“Blockchain offers better transparency than regular participatory budgeting: every transaction can be verified publicly.”* This makes it suitable for a wide range of cases beyond just financial transactions, such as voting systems, supply chain management, identity verification and public sector governance. One particularly promising model is **quadratic funding and voting**, a participatory financing mechanism designed to decentralise decision-making, broaden civic participation and improve the (allocation of) funding of public goods and services.

Traditionally, participatory budgeting has often been constrained by limited options - such as choosing between large, government-designed projects - which can limit citizen engagement and exclude diverse local priorities. Quadratic funding and voting offer a different approach. Instead of concentrating decisions within a central committee, it allows citizens to directly vote for and fund a variety of small-scale, citizen-proposed initiatives through individual contributions. Hence resources and decisions reflect the **intensity of people's preferences** rather than just the number of people who support a particular option. *“Quadratic funding empowers citizens to fund what matters most to them, not just what top-down planners decide.”* A mathematical formula ensures that initiatives with broad-based community support/passion receive a greater share of matching funds rather than initiatives that rely on a few large donors. The quadratic formula determines how much funding each proposal gets based on the number of votes and contributions. Meaning the cost of casting additional votes for a particular option increases quadratically (the cost of 2 votes is 4 credits, 3 votes is 9 credits etc). This also discourages individuals or organisations with a lot of resources from overpowering the voting process and ensures that smaller but more intense preferences have more influence. In this way, it protects against elite capture and promotes collective priority setting. Also *“small, citizen-driven interventions are easier to prioritise and fund locally, building community trust and quick wins.”*

Crucially, this model shifts power horizontally. Citizens are not merely consulted but become active allocators of resources, enabling a dynamic ecosystem of local organisations - from neighbourhood groups to informal associations (e.g. football, book, gardening clubs) - to propose, fund and implement initiatives. Local decision making is more nuanced. Such an approach reinforces what research has long shown: that democracies are stronger, fair and more resilient where local communities are vibrant, diverse and empowered through multiple, horizontal channels of engagement.

In **Croatia**, this model ([Zazelenimo Project](#)) is already being piloted through a new open-source participatory budgeting platform developed in partnership with the city of Split. Early implementation focuses on small urban improvement projects, such as public space maintenance and local infrastructure repairs, offering accessible entry points for citizen



involvement without the need for major policy shifts. Citizens can propose and prioritise these small interventions, ensuring that resources respond to tangible, immediate community needs, a key driver of local economic development and public trust in governance.

Blockchain technology further strengthens transparency and accountability. Every donation and funding decision is recorded publicly, allowing any citizen to verify that resources have been allocated according to community choices. This promotes mutual trust between citizens and local authorities while building a dataset on citizen preferences and priorities that can inform longer-term urban development strategies.

By linking quadratic funding to participatory governance processes, cities and municipalities can unlock new pathways to revitalise civic life, stimulate inclusive local economies and build resilient, citizen-centred governance. As this model expands across Europe and possibly partner countries, it holds significant potential for reshaping how public goods and services are funded and how communities co-create their future.

Concluding Thoughts.

This session underlined the importance of making performance-based reviews a routine part of local governance to strengthen transparency, accountability and citizen engagement. Regular feedback loops provide local governments with inputs and direction, on what is working, where improvements are needed and how to better align actions with citizens' priorities (e.g. working in clusters as to local economic development initiatives). A change in mindset (be people-centred) is needed, with both local governments and citizens, embracing openness, learning and cross-sector and multi-stakeholder collaboration. Digital tools, including AI, offer opportunities for civic platforms and make services more efficient, but must be used wisely, ensuring equitable access, digital skills development, safeguarding citizen rights and cybersecurity protections. Building trust and partnerships across communities, civil society, academia, businesses and governments was highlighted as key to lasting solutions, alongside rethinking local funding and type of public services (e.g. mobility planning, mental health centres via libraries). Hence, *"trust is not just about citizens trusting governments - it's about building mutual institutional trust, following up on actions and staying responsive to changing needs...Otherwise, actions risk becoming hollow gestures."*

Innovative models such as participatory budgeting, blended finance and quadratic funding can help local governments spend more fairly and transparently, rooted in the principles of local democracy. Important given the challenging financial landscape and decreasing funds for development cooperation.

In closing, while local governments face significant challenges, their shared commitment to inclusive public service delivery, citizen participation and transparent governance offers a pathway to meaningful progress. However, sustained support is essential - not only through capacity building, peer-to-peer technical exchanges and resources, but also by recognising and strengthening local governments' ability as they can create enabling environments. This is key to ensuring that tools for inclusion and participation are applied effectively and responsively, with clear relevance for flagship initiatives such as the Global Gateway and working in fragile situations.

"Real transformation happens when trust, inclusivity and responsiveness are not buzzwords but are built into every part of [governance] and delivery of services, at every level, with every citizen."



Identified Key PRINCIPLES and RECOMMENDATIONS for Reimagining Local Governance, Economic Development and Public Services.

- **Link public services to jobs and local markets empowering local development organisations as economic enablers.**
 - Integrate employment, skills and business support into core services - e.g. reimagining libraries as training and job hubs, aligning transport with commercial zones or service access points.
 - Position CSOs and community actors within local governments to engage excluded groups, manage Local Economic Development (LED) clusters and co-lead local recovery and development strategies.
- **Activate urban spaces for inclusive growth and repurpose idle spaces.**
 - In urban areas, invest in walkable, mixed-use and poly-functional infrastructure that supports micro-enterprises, social businesses and green start-ups.
 - Use zoning to enable inclusive, sustainable investment.
 - Transform vacant public buildings or land into co-working areas, learning centres or repair cafés through transparent leasing, pop-up permits and community-managed models.
- **Promote public-private-civic clusters.**
 - Connect municipalities, CSOs, businesses and academia in sector-specific clusters - e.g. around green construction, circular economy or agri-tech to co-design solutions and scale innovation.
- **Use participatory budgeting and innovative finance.**
 - Apply tools like quadratic funding, community grants, digital wallets or crowdfunding to prioritise citizen-led projects with real economic impact.
- **Advance green and digital transitions.**
 - Leverage AI, mobile platforms and smart infrastructure to improve services and create green jobs - e.g. through renewable energy, circular economy or e-mobility systems in urban and rural areas.

Conclusion.

During the LAB 2, a unifying message emerged: inclusive, accountable and locally anchored governance is key to sustaining democratic resilience, delivering essential services and driving local development, especially in complex or evolving contexts.

From community-driven peacebuilding and co-designed policy reforms to AI-enabled service delivery and blockchain-based funding models, the case studies underlined that meaningful participation - adapted to local realities and backed by safeguards - is central to rebuilding trust, strengthening ownership and making governance work in practice. This applies in both stable and situations of fragility.



Team Europe Democracy (TED) Initiative

Efficient Governance Systems

Strengthening institutions and multi-level coordination for better service delivery. This creates the foundation for effective local development by ensuring that governance structures work efficiently.

Empowered Communities

Promoting participatory governance and rebuilding public trust. When communities are engaged in decision-making processes, development outcomes are more sustainable and equitable.

Sustainable Local Finance

Securing long-term, reliable funding for local development and SDG implementation. Financial sustainability is crucial for municipalities to deliver on development goals.



Accessible Public Services

Expanding and improving services for all, especially vulnerable groups



Dynamic Development

Supporting balanced local, regional, and urban-rural growth through innovation



Antifragility & Resilience

Boosting local capacities for crisis response, climate adaptation, and resource sustainability

Trust-building, inclusive dialogue and sustained commitment to empowering local stakeholders must be treated not as add-ons, or box checking, but as core elements of effective local governance, including initiatives like the Global Gateway. Case studies illustrated how collaboration across sector-actors such as municipal departments, civil society, academia and businesses can guide, and deliver, better, context and people-centred public services.

Embedding local development actors within institutions, co-designing policies with citizens, or using tools such as quadratic funding and blockchain technologies to increase transparency, all point to a broader shift: from linear, top-down approaches to adaptive, horizontal and participatory systems of governance. It must also be driven by regular feedback and learning.

This transition requires a change in mindset. Local governance must evolve from static planning to dynamic, performance-based cycles that remain anchored in accountability, equity and resilience. Citizen engagement should move beyond consultation to meaningful influence, supported by safeguards to protect participation from elite capture, digital abuse or exclusion.

Digital and technological innovation, such as AI or smart contracts, offers promising tools to support these goals, but must be implemented with care, ensuring accessibility, equity, data protection and alignment with public interest. At the same time, local public services - ranging from mobility to mental health and adult education - must be reimagined not only as delivery points, but as platforms for democratic renewal and inclusive development.

Finally, local governments need more than encouragement - they require sustained support, resources and recognition. Their ability to lead on democratic innovation, inclusive service delivery and local economic development must be leveraged and strengthened through capacity building, technical exchange (peer-to-peer) and partnerships. They are central to creating an enabling environment. This is especially relevant for flagship initiatives like the Global Gateway and for engagement in situations of fragility, where local governance plays a decisive role in both immediate recovery, long-term resilience and investment stability.

Identified Key RECOMMENDATIONS for Breaking Silos and Embedding Good Governance in Local Governance and Public Services.

- **Participation and trust must be core operating principles.** Rebuilding trust in institutions begins with treating inclusive participation as a foundational practice,



not a formality. This means embedding citizen engagement - especially of women, youth, IDPs and marginalised groups - across all phases of local governance and service delivery. When communities have real influence, not just consultation, governance becomes more legitimate, effective and resilient.

- **From service delivery to platforms for inclusive development.** Local public services - from mobility to mental health and adult education - must be reimagined as platforms for democratic renewal and local economic development. This shift turns services into engines of participation, skills-building and job creation. Embedding local development actors, co-designing policies and upgrading spaces for public use all help anchor services in lived realities.
- **Adaptive, participatory local finance is the future.** Rigid, top-down budgeting approaches are no longer fit for purpose. Local finance must become more flexible, transparent and citizen-driven; guided by regular performance reviews, open data and participatory tools. Innovative mechanisms like quadratic funding, micro-match funding, blockchain-based smart contracts and social bonds allow citizens to directly shape priorities and co-invest in local development. This encourages accountability, unlocks local capital and ensures public spending aligns with evolving community needs.
- **Technology can be a catalyst – if used wisely.** Digital innovation - AI, blockchain, mobile platforms - offers transformative opportunities for local governance and service delivery. But without equity, digital access, cybersecurity safeguards and alignment with the public good, these tools risk deepening exclusion. Technology should be an enabler of rights, transparency and citizen empowerment; not just efficiency.
- **Local governments are essential democratic actors.** Municipalities and local institutions are not mere implementers - they are strategic drivers of inclusive development, recovery and resilience. To fulfil this role, they require sustained investment, recognition and support. Flagship initiatives like the Global Gateway must fully integrate local governance, participation and democratic values as core to effective delivery, especially in fragile or evolving contexts.



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ANNEX: Mentimeter Results



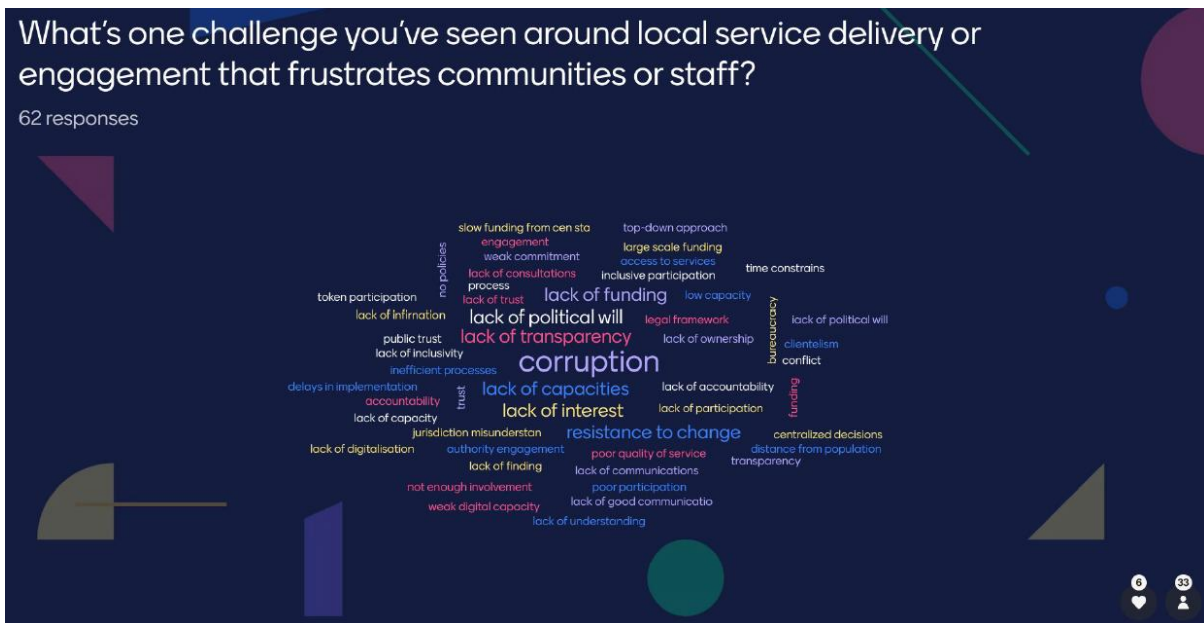
Co-Design Exercise 1

A small-scale, participatory intervention to:

- Address a service delivery challenge, and
- Enhance local governance.

What's one challenge you've seen around local service delivery or engagement that frustrates communities or staff?

62 responses



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What small participatory interventions could help address this kind of challenge?

Participatory spatial planning

public hearing and engaging local communities' comments or concerns in order to co-create plans and implementing them

Transparency and accountability is key

participative democracy

Empowering community groups to engage with local governments

It is important that participation has a result. That is the most important intervention.

citizen voting/engagement initiatives

Leave space for a joint decision making



What small participatory interventions could help address this kind of challenge?

Advocacy towards central Gov for funding availability

Genuine deliberative process to design the project / service with population and ensure the accountability of the exercise

Put in place a digitalisation for accessibility of service

Public private partnerships with smaller volets for funding which can be adapted to municipal capacities

Public consultations, forums, clear communication, participatory budget, digital tools

Monitoring service delivery through social accountability tools such as community score cards

round tables

communications, awareness



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What small participatory interventions could help address this kind of challenge?

Open townhall dialogues

Establish a dedicated office/ team to work on gathering real-time perceptions, suggestions from local communities, consolidate information to submit to higher level decision makers.

Digital applications

A clear channel of communication between people living in a town and the people managing this town. Covering issue by issue, accountable and transparent. Online or offline - any mode that would work

Canvassing, meeting people in person

Incentivate citizens to participate. We assume that all participate and it is not always like that



Co-Design Exercise 2

a small-scale, people-centred intervention to:

- Enhance inclusive service delivery.



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What new ideas, tools or policies could make a service more inclusive for a specific groups like elderly, youth, migrants, persons with disabilities?

engagements,
adaptability

Availability in different
languages, online and
offline availability

Sounding boards

Crowdfunding, open
budget portals,
community
forums/listening

Mobile services

Engage with appropriate
mechanisms tailored to
target group. Advertise
availability of service

Concrete engagements

Creativity



What new ideas, tools or policies could make a service more inclusive for a specific groups like elderly, youth, migrants, persons with disabilities?

Open council sessions

Responsive to popular
initiatives

Municipal long term plans
with dedicated budget and
teams to follow up and
connect with communities
representatives

Focus group to feel safe

Old style 'politics'. Go to the
markets, streets, canvassing,
events, meetings, get in
touch with people
personally.

Using visual queues bridges
communication and
education levels, also
updating communication to
fit the current populations

adapted to audience

Concrete proposals and
requests with actionable
results



Team Europe Democracy (TED) Initiative

What new ideas, tools or policies could make a service more inclusive for a specific groups like elderly, youth, migrants, persons with disabilities?

Online platforms

Performance review meetings with stakeholders to identify challenges, solutions, areas of collaboration etc

Community listening

Universal design solutions, gender-sensitivity, pilots and adaptation, focus groups.

multiple ways to engage - anonymous, in-person, online, etc

Civil society engagement to services provision

Bring services to the people

based on peer-to-peer groups



What new ideas, tools or policies could make a service more inclusive for a specific groups like elderly, youth, migrants, persons with disabilities?

services designed by each specific group: Molostrategy (Youth Strategy in Lviv developed by young people), street infrastructure co-created with and checked by persons with disabilities

Actual (true) implementation of service charters

ownership of the project

Automated services, AI inclusion

Awariness raising campaigns and school education from young age.

Diverse people part of local and regional governments. The design is more inclusive when those to create are more diverse.

Reasonable accomodation, sign language and AAC included, to be in line with web content accessibility guidilens (for all digital tools).

make clear, simple and concrete what interest these groups have in the new tool or policy

