



PROJECT DOCUMENT

**Project Title:** Resilient, Inclusive Markets in Moldova (RIM)

**Project Number:** 00139133/ 00128970

**Implementing Partner:** UNDP Moldova

**Start Date:** 01 January 2023 **End Date:** 31 December 2024 **PAC Meeting date:** 30 September 2022

**Brief Description**

Moldova’s economic transition has brought mixed results so far. While the economy has registered positive average growth rates in recent two decades, the growth has been volatile, jobless, regionally unequal and associated with a steady outmigration. Due to erosion of human capital, and loss of momentum of the initial factors driving the economy, the growth is clearly trending downwards. UNDP-SDC previous and ongoing efforts to address the positive impact of migration and engage migrants in local socio-economic development, along with design and piloting of local economic developments models and partnerships shaped a favorable enabling environment to expand the current work and take it to another level. In this context, Moldova has a number of comparative advantages that can be harnessed to steam up the growth, broaden its geography, and make it more socially inclusive. The role of the SMEs, including owned and led by migrants, is crucial, being potentially the most efficient transmission between the economic growth and welfare of the employed persons, particularly in the remote rural communities and small towns. Also new political and socio-economic development required new approaches, taking into consideration the need to build more resilient, inclusive, and innovative communities and local markets.

Hence, the strategic goal of the proposed Project is to enhance the SMEs-based sustainable economic development and promote equal access to decent work at the local and (micro)-regional levels, targeting both local populations, as well as returning migrants and refugees. It leverages the enhanced multi-stakeholder cooperation, improved business support services and complementary regulatory frameworks at the level of individual communities and micro-regions. The Project targets three interrelated Outcomes.

As part of Outcome 1, policy and institutional frameworks create an empowering environment for inclusive and sustainable economic development in the targeted economic sectors.

The Outcome 2 assumes that local/regional communities including private sector representatives, meaningfully cooperate in cluster formats to enhance value chains and improve their competitiveness.


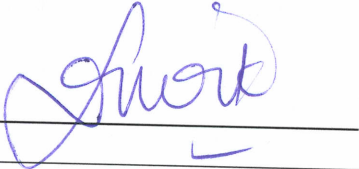
As part of Outcome 3, the people of Moldova, especially women, youth, returning migrants and refugees, will benefit from improved economic opportunities in the pilot micro-regions.

With an adapted holistic and innovative approach and aiming at scaling up the focus from local to micro-regional and at enhancing the SMART specialization of the micro-clusters and their value chain development, as well as attraction of investment and creation of jobs at local level, the Project is conceived to sustain and further multiply the results of previous SDC-supported efforts.

Contributing to UNDP CPD: Outcomes 1 and 3  
 Indicative Outputs with gender marker:  
 Output 1.1 (marker: GEN2);  
 Output 1.2 (marker: GEN2);  
 Output 3.1 (marker: GEN2);  
 Output 3.2 (marker: GEN2)

Total resources required:	4,000,000 USD	
Total resources allocated:	UNDP CPD:	25,400,000 USD
	Donor:	4,000,000 USD
	Other sources:	21,400,000 USD
	In-kind:	N/A
Unfunded:	N/A	

**Agreed by (signatures):**

<b>Government</b>	<b>UNDP</b>
<p data-bbox="320 376 794 495"><b>Dumitru Udrea</b> General Secretary Government of the Republic of Moldova</p> 	<p data-bbox="994 383 1283 501"><b>Dima Al-Khatib</b> Resident Representative UNDP Moldova</p> 

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## List of abbreviations

AA/DCFTA – Association Agreement/ Deep and Comprehensive Free Trade Area  
BRD – Diaspora Relations Bureau/ State Chancellery  
CALM – Congress of Local Authorities from Moldova  
CPAs – Central Public Authorities  
CPD – Country Programme Document  
CSO – Civil Society Organization  
DMD – Diaspora, Migration & Development  
EAC – Economic Advisory Council to the Prime Minister  
GDP – Gross Domestic Product  
GoM – Government of the Republic of Moldova  
HTA – Hometown Association  
HRBA – Human Right Based Approach  
ILO – International Labor Organization  
IMA – Invest Moldova Agency  
IOM – International Organization for Migration  
LPAs – Local Public Authorities  
LED – Local Economic Development  
MER – Ministry of Education and Research  
ME – Ministry of Economy  
MiDL – Migration and Local Development project  
MLSP – Ministry of Labour and Social Protection  
NEA – National Employment Agency  
NEET – Not in Education, Employment or Training  
NIM – National Implementing Partner  
ODA – Organization for Entrepreneurship Development  
PSC – Project Steering Committee  
RBMC – Results-based Management Cycle  
SC – State Chancellery  
SDC – Swiss Agency for Development and Cooperation  
SDG – Sustainable Development Goal  
SKATE – Skills, Knowledge, Attitude, Training and Experience  
SME – Small and Medium Enterprise  
SSC/TrC – South-South Cooperation/ Triangular Cooperation  
TEA – Territorial Employment Agency  
UNCT – United Nations Country Team  
UNDAF – United Nations Development Assistance Framework  
UNDP – United Nations Development Programme  
UNDS – United Nations Development System  
UNSDCF – United Nations Sustainable Development Cooperation Framework  
VET – Vocational Education and Training

## 1. Development Challenge

Moldova's tumultuous transition to a market-based socially oriented economy has brought mixed results so far. On the one hand, the incidence of poverty in Moldova declined from more than 70% in late 1990s to around 24% in 2020<sup>1</sup>, while the economy turned from the painful recession of the 1990s, expressed by an average -6.8% annual GDP growth rate, to an average of 4.4% in 2000-2021. Following the steady growth of per capita income from 373 USD in 1993 to 5,200 USD<sup>2</sup> in 2021, Moldova graduated from the group of low-income countries into the low-middle income ones. More recently, it has also improved its Human Development Index to 0.75 in 2019, ranking 90 out of 189 countries (compared to HDI 0.7 and rank of 112 in 2017).

On the other hand, development challenges continue to abound. Due to deeply entrenched vulnerabilities and unaccomplished reforms, the economic growth in Moldova has been volatile, jobless, and mainly urban-based. While in 1997 the number of wage earners employed in the economy was about 1.2 million persons<sup>3</sup>, in 2021 their number stood at only 0.7 million<sup>4</sup>. As one can infer from official statistical data on territorial distribution of jobs and wages, in the early 2000s two main urban areas of the country - Chisinau and Balti - generated around 40% of the GDP; in 2020, they contributed already 55%. When the value of HDI is discounted for inequality, it falls to 0.672, a loss of 10.4% due to unequal distribution of the indices.

As a result, rural-urban and outmigration have emerged as dominant socioeconomic models, including for youth. While providing escape from the lack of decent jobs domestically, migration erodes the human capital of the communities left behind, undermines labor supply, and worsens their overall competitiveness. Since 2014, the population with usual residence declined from 2.9 million to 2.6 million<sup>5</sup>. This is roughly equivalent to a net outflow of 100 people per day<sup>6</sup>, one of the highest emigration rates in the world, which makes the country's economic recovery even more challenging. If current trends persist, Moldova is likely to lose up to one fifth of its population by 2050, while the remaining will get much older. While this exodus has brought with it an inflow of remittances that are among the largest in Europe, these represent only short-term relief and cannot be depended on to sustain growth in coming decades<sup>7</sup>. As a side-effect of migration, the employment rate fell to internationally record lows (40% in 2019 vs EU average of 53%), while the wage reservation tends to exceed labor productivity. Low employment associates with high incidence of youth, women, or seniors remaining out of the labor force. Almost one third of the Moldovan youth are in the NEET group<sup>8</sup>, a phenomenon which is particularly acute among rural young women.

A major driver of outward migration and reluctance to return is the insufficiency of domestic economic opportunities, especially in small rural communities and towns. This emphasizes the close relationship between migration and development. Past and current actions to leverage remittances (that stand at \$1.6 billion/ 14% of GDP) remain small-scale and ineffective. Beyond that, the human and financial capital accumulated by Moldovan citizens abroad represent a strong development potential that can be further used to make a visible improvement in their communities of origin – provided that migrants decide to return and bring savings back home.

The series of crises that Moldova experienced since 2019 (economic and public-health crisis posed by the COVID-19 pandemic, the energy and food prices growth, the economic and humanitarian fallout of the war in Ukraine) have magnified country's vulnerabilities as it is struggling to modernize its economy and find its place in the Western markets. As evidenced by available research, in the recent two decades, the economic growth has trended downwards, because its initial driving factors – the reallocation of resources to labor-intensive albeit low-productive sectors based on cost advantages, the existing productive capacities and the market-seeking foreign investment – are losing their momentum<sup>9</sup>.

The development challenges get particularly intricate when zooming from national to regional and local levels. While significant results have been achieved in stabilizing the macroeconomic situation and

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<sup>1</sup> Measured against the national poverty lines. The figures are not directly comparable due to significant methodological changes adopted by the National Bureau of Statistics in measuring poverty indicators and underlying population.

<sup>2</sup> Expressed in current US dollars. Source: International Monetary Fund, "World Economic Outlook Database", accessed 18 of May 2022.

<sup>3</sup> Statistical Yearbook of the Republic of Moldova 1996, Department of Statistics of the Republic of Moldova, Chisinau, 1997.

<sup>4</sup> Statistical Yearbook of the Republic of Moldova 2021, National Bureau of Statistics of the Republic of Moldova, 2022.

<sup>5</sup> Statistical Databank of the National Bureau of Statistics of the Republic of Moldova accessed 18 of May 2022.

<sup>6</sup> National Bureau of Statistics/ <https://statistica.gov.md/newsview.php?l=ro&id=6695&idc=168>.

<sup>7</sup> World Bank, Moldova Country Economic Memorandum, 2019.

<sup>8</sup> ILO/ Labour market transitions of young women and men in the Republic of Moldova/ 2016.

<sup>9</sup> United Nations Economic Commission for Europe, "Innovation for Sustainable Development: Review of Moldova", UN, Geneva, 2021.

improving the business environment, the capacity of LPAs in promoting regional/ local economic development needs further strengthening and adjusting to the current new contexts, requiring systemic support from the Moldovan Government and development partners to develop/ scale up functional LED models and to enhance a more proactive engagement by local stakeholders.

The 2022, Russian Federation's invasion of Ukraine has made the economic situation even more uncertain. The war has forced over four million people<sup>10</sup>, mostly women and children, to migrate in neighboring countries. The Republic of Moldova has provided generous support to over 310 thousand refugees that crossed the border and to those 105 thousand that remained. In this context, an integrated support is required for (short to medium-term) integration of Ukrainian refugees and Moldovan returnees to Moldovan labor market, while ensuring resilience and social cohesion and keeping the economic mechanisms functional.

At the same time, the military aggression of Ukraine has produced significant disruptions on many regional supply chains and export channels. Overcoming them will require significant joint efforts at the national and local levels. This is a particularly daunting challenge for those rural employers who structurally are dependent on the Russian market (such as apple and plume producers).

UNDP-SDC previous and ongoing efforts to address the positive impact of migration and engage migrants in local socio-economic development, along with design and piloting of local economic developments models and partnerships shaped a favorable enabling environment to expand the current work and take it to another level., In this context, despite domestic economic difficulties, recurring and new external shocks, Moldova still enjoys a number of advantages that can be harnessed to steam up the growth, broaden its geography, and make it socially more equitable. These factors include geographic location, endowment with agricultural resources, trade integration with the EU, emerging local and regional specializations and specific competences and the increasingly more active Moldova diaspora and more competent returning migrants. If efficiently used, these factors can help reduce socioeconomic disparities in the less privileged communities and regions of Moldova.

The role of the SMEs is crucial from many standpoints. Compared to other country peers in Central and Eastern Europe, in Moldova the SMEs have unusually high shares in both value added and employment. In the rural areas, due to specific economic, social, and geographic features and dissolution of large employers, the SMEs are often the only promising organizational vehicle for achieving sustainable reduction in poverty and for economic inclusion of vulnerable groups. The most binding constraints for the SMEs development, especially for those located in remote rural and quasi-urban areas, remain their limited access to key inputs of production (finance, labor, knowledge, and technologies), near-range marketing and unprofitable niches, poor cooperation in the wider clusters and lack of product and supplier diversification. This results in low productivity, insufficient innovation, high economic vulnerability, and jobs fragility. As one can infer from the business demographic data, the 2-year survival rate of SMEs in the more peripheral regions is around 36%, compared with the 44% nationwide<sup>11</sup>.

Truly, since the bank crisis in 2013-2015, the Republic of Moldova has made some progress in developing a more conducive business environment for SMEs. Quite significant progresses have been assessed in the reduction of burdensome regulation, the implementation of regulatory impact analysis and the provision of business development services for SMEs<sup>12</sup>. Noteworthy reforms also include reinforced policy framework for entrepreneurial learning, start-up support for young entrepreneurs, an expansion of the credit guarantee scheme and broader e-government services.

Nonetheless, these progresses have only marginally touched upon the more peripheral regions. Moreover, at the policy level, Moldova should speed up its efforts of promoting a level playing field for SMEs, through more effective competition policy and a fully transparent, independent, and trustable judiciary. At the community- and firm-level, considerable work remains to be done to promote/ assimilate entrepreneurial learning, including meeting the specific skills requirements of SMEs, as well as further cultivating the cooperation and harnessing the existing and the potential local and regional supply chains. In this regard, the low degree of internationalization of Moldovan SMEs is a long-term challenge limiting access to the more stable and profitable global markets. Here, more emphasis needs to be placed on better using the potential of the Moldova-EU AA/DCFTA. In addition, Moldova could further support the innovation

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<sup>10</sup> UNHCR, 2022/ Operational data portal, available at: <https://data2.unhcr.org/en/situations/ukraine>.

<sup>11</sup> Based on the National Bureau of Statistics of the Republic of Moldova, "Business demography in 2020", 22 of December 2021.

<sup>12</sup> OECD, "SME Policy Index: Eastern Partner Countries 2020: Assessing the implementation of the Small Business Act for Europe", 2021.

activities of SMEs, their transition to the green economy and their technological upgrade. The war in Ukraine and the market access difficulties it has brought serves as both a warning signal and a strong impetus for the consolidation of the value chains.

One promising venue for action and support is consolidation and diversification of the value and supply chains at the level of individual communities and of multiple communities (the so-called micro-regions). SMEs do not operate in vacuum but rather are parts of broader networks composed of suppliers, competing companies, trade schools, local authorities, and other stakeholders. These networks usually transcend the boundaries of individual communities and usually span wider geographical areas, which can be cataloged as micro-regions. Most often, the micro-regions comprise several adjacent communities interlinked economically, by kinship and by labor movements. They share similar economic features, natural resources, geographic particularities, and cultural endowments. While playing diverse and often competing roles, the micro-regions' resident SMEs have a common interest to enhance the economic resilience of the micro-region from which they source their labor, capital, land, natural resources, and production inputs. This represents a promising and yet-to-be-exploited ground on which UNDP Moldova intends to build in order to support jobs-creating long-term economic growth of the communities in Moldova.

## 2. Strategy

### 2.1. Context

The Project's intervention strategy and the Theory of Change are fully in line with the principles of the results-based management cycle (RBMC). The RBMC builds on local context, relies on thorough situational analysis, and prioritizes strategically development interventions. With an adapted holistic and innovative approach aiming at scaling up the focus from local to micro-regional and at enhancing the SMART specialization of the micro-clusters and their value chain development, the Project is conceived to sustain and further multiply the results of previous SDC-supported efforts. The Project will continue building capacities, channeling resources, and catalyzing development processes of systemic impact, be it local or national, while at the same time adding innovative features emphasizing creation of sustainable and productive jobs and development of more vibrant SMEs and local/ regional economies and markets.

The selection of the clusters, value-chains, communities, and micro-regions will be rather flexible, so as to reflect the rapidly changing economic, financial, humanitarian, and international security conditions.

This Project is set to contribute to the promotion of integrated approaches to inclusive and sustainable local economic development and employment creation, in partnership with ILO and SDC, targeting both local populations, as well as returning migrants and refugees. In order to do so, UNDP Moldova is proposing to further advance the successful LED interventions by scaling up the focus from local to (micro)-regional, while at the same time leveraging revenue generation, strengthening business support services and value chains to increase the competitiveness of local economy, retention of human capital and facilitate local socio-economic development. Due to the ongoing war in Ukraine and uncertain post-conflict perspectives, the regional security environment is expected to remain turbulent even in the most optimistic scenarios, so the Project is intended to bring a valuable contribution to the triple humanitarian-development-peace nexus at the local/regional level.

The Project will enhance sustainability of the results from the previous efforts supported by the Swiss Government, shape them to new political and socio-economic developments, by embracing and promoting relevant policy and community-action innovations and by ensuring engagement of all relevant stakeholders in the design and implementation of local development solutions for building responsive institutions, inclusive economy, and resilient communities.

Based on the integrated approach to the LED and on the key role SMEs and jobs play in this process, the overall Theory of Change of the Project is that:

#### *if*

- regulatory and institutional frameworks influencing the SMEs development and their jobs creation process are strengthened; and
- the development of local and regional value chains and regional specialization is supported; and
- local labour force in selected value chains is available and has the required skills; and
- local and regional public authorities have the SKATE<sup>33</sup> to create a favorable ecosystem for sustainable economic opportunities through inter-community cooperation;

#### *then*

- local and regional socio-economic development will be enhanced through more resilient institutions and more inclusive local communities; and
- the fragilities<sup>34</sup> will be addressed through enhanced regional cooperation frameworks promoting innovative approaches;
- local population, as well as returning migrants and refugees will have access to jobs and income generating opportunities in target regions and local communities.

#### *because*

- communities, both individually and as part of micro-regions, will be able to attract an increased number of investments and preserve and develop their human capital; and

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<sup>33</sup> SKATE - Skills, Knowledge, Attitude, Training and Experience

<sup>34</sup> In the context of this concept, the term "fragility" is used as delineated by the OECD in its States of Fragility Report (2020), available at: <https://www.oecd.org/dac/states-of-fragility-fa5a6770-en.htm>, specifically: "the combination of exposure to risk and insufficient coping capacity of the state, systems and/or communities to manage, absorb or mitigate those risks".



- private sector representatives and jobseekers, including migrants and refugees, will benefit from enhanced business support and income-generating opportunities at the local and regional level.

## 2.2. Lessons learnt

Since the year 2015, in the framework of the Swiss-funded “Migration and Local Development” (MiDL) Project, UNDP Moldova has succeeded to conceptualize, pilot, and expand innovative models of proactive engagement of migrants in the development of their native communities, thus contributing to a meaningful socio-economic development of the Republic of Moldova, as well as to the post-COVID recovery.

In the MiDL project’s 1<sup>st</sup> phase (2015-2018), an authentic and tailor-made Diaspora, Migration and Development (DMD) model has been elaborated and piloted in 38 Moldovan communities. The results of this intervention and of its spill-over effects underline the crucial importance of pro-active partnerships in designing, driving, and implementing sustainable community initiatives. An important lesson is that most successful local development initiatives can emerge bottom-up, driven by synergy and efforts of local stakeholders in a context of mutual trust and cooperation.

In the MiDL’s 2<sup>nd</sup> phase (2019 – 2022), the Project pursued, among other goals, the strengthening of the national labor migration policy framework. Implemented amid more difficult social and economic conditions caused by the COVID-19 pandemics, the results of the 2<sup>nd</sup> phase have underlined the high priority that local communities give to sustainable economic interventions rather to one-off or short-living gains. During the MiDL’s 2<sup>nd</sup> phase, the local economic development interventions have amounted to \$5 M, of which 70% were co-financing. As a result, the local business environment in 25 localities has been enhanced and additional revenue opportunities have been created for local communities with a total population exceeding 175 thousand people.

A generic lesson of the previous projects is that interventions in the local economic development processes often require approaches and tools whose impact and scope exceeds the geographic boundary of one community. Many local SMEs serve markets covering a few of adjacent communities, while the labor is also sourced at an increasing geographic range. With improved telecommunications and transport infrastructure, the operating area of the SMEs is set to increase, and this factor should be accounted for in the local development policies and projects.

Building on the achievements of the phases I & II of the MiDL project, UNDP Moldova is proposing to upscale and promote its innovative approaches of pro-active community engagement (including of LPAs, private sector representatives, civil society, migrants) for local and regional development and thus, to continue contributing to the economic recovery and resilience of local and regional markets, as well as to an enhanced social cohesion in the Republic of Moldova.

## 2.3. Implementation approaches

The Project relies on the strategic and management approaches which have either been already successfully tested in previous phases or represent key directions of systemic change in the context of the 2030 Agenda and beyond the 2030 horizon.

The Project implementation strategy and operational arrangements will continue building on the following principles:

- Working with national and local public authorities and the private sector to shape the country’s sustainable development and facilitate its **structural transformation**, including green, inclusive, and digital transitions.
- Advancing **green transformation** by emphasizing the usage of renewable energy sources, the more responsible consumption of natural resources and the provision of environmentally sustainable services.
- Applying the **Human Rights Based** approach as key normative and conceptual basis, the Project will meaningfully involve beneficiaries and will address challenges of those facing multiple and intersecting forms of discrimination, enhancing participation, and building social cohesion.
- The **“Leave No One Behind”** principle will be applied to ensure that the choices and opportunities provided by the Project are available to a larger target group, including local community, migrants, refugees, women, youth, people with special needs and other vulnerable groups, in order to participate in and benefit from development progress.

- **Mainstreaming gender** in the development processes by ensuring a meaningful participation of women and men in all Project's activities and by securing an equitable gender distribution of Project's results.
- Building and enhancing **systemic resilience** by strengthening institutions and individuals' capacity to prevent, mitigate and respond to socio-economic shocks and crises, including to climate change, epidemics, and other unforeseeable risks.
- Applying the **Market System Development (MSD)** approach as one of its main implementation logics, the Project will focus on inclusive and participatory dialogue and skill development techniques, facilitating civic engagement and peer-to-peer learning. The Project's facilitative role will also be enforced via seed investment instruments (grants), looking to generate at least 30% local co-investment.
- Further testing and implementing **innovative approaches and tools** for local economic development and jobs-creation, where all local stakeholders are part of planning and development, and are empowered to provide expertise, skills and know-how and contribute financially, including through crowdfunding/ co-financing platforms, and other similar instruments. Innovation shall also be reflected in the employment service modernization efforts, adjusted to the needs of men and women beneficiaries, including the most vulnerable.

#### 2.4. Project Outcomes

The **strategic goal of the proposed Project** is to enhance the inclusive, competitive, and sustainable economic development, and promote equal access to decent work at the local and (micro)-regional levels, by leveraging the enhanced multi-stakeholder cooperation, improved business support services and complementary regulatory frameworks.

The Project pursues three interdependent development strategic Outcomes.

**Outcome 1:** Policy and institutional frameworks create an empowering environment for inclusive and sustainable economic development in the targeted economic sectors

**Outcome 2:** Local/regional communities including private sector representatives, meaningfully cooperate in cluster formats to enhance value chains and improve their economic opportunities.

**Outcome 3:** People of Moldova, especially women, youth, returning migrants and refugees, benefit from improved economic opportunities in the pilot micro-regions.

Each Outcome relies on dedicated theories of change, which are consistent with the overall Theory of Change.

#### Theory of change for Outcomes 1 and 3:

(1) Policy and institutional frameworks create an empowering environment for inclusive and sustainable economic development in the targeted economic sectors

(and)

(3) People of Moldova, especially women, youth, returning migrants and refugees, benefit from improved economic opportunities in the pilot micro-regions

**if**

- regulatory bottlenecks and gaps undermining SMEs growth in the identified value-chains/ clusters are identified and addressed at systemic level through policy advice and support services;
- appropriate incentives nudging entrepreneurial potential into the selected value chains are experimented, piloted, assessed and implemented; and
- capacities of the local and national key stakeholders (such as National Employment Agency) are enhanced to support implementation of a national-level program for (re)integration of returning migrants and refugees;

**then** the benefits of the economic growth will be shared among broader social groups, here including vulnerable people, such as women, youth, returning migrants and refugees;

**because** the underlying regulatory and institutional climate will lead to accelerated growth of SMEs and labor market re(insertion) of the vulnerable groups in selected micro-regions and beyond.

The Project's first and third Outcomes thus aim to extend the work from specific local conditions to the national policy level, so as to ensure lasting results at the community- and micro-region level. The interventions will target improvements in those policy domains which directly influence the entrepreneurial engagement, formal skills learning, business regulation and SMEs management. In addition, the Project's ambition is to further contribute to the internationalization of the Moldovan SMEs and thus to overcome a long-term challenge limiting their access to the more stable and profitable global markets. A stronger and more advantageous integration of the Moldovan SMEs in the international supply chains is expected to enhance their financial predictability and economic soundness and thus ensure resilience of the jobs they create.

In this regard, Outcomes 1 and 3 will emphasize the need for the Moldovan SMEs to make better use of the potential of Moldova's AA/DCFTA with the EU, as well as of other existing and forthcoming free trade agreements with other countries. In addition, the policy should further support the innovation activities of SMEs, their transition to the green economy and their technological upgrade.

### **Theory of change for Outcome 2:**

Local/regional communities, including private sector representatives, meaningfully cooperate in cluster formats to enhance value chains and improve their economic opportunities:

**if**

- local stakeholders, including LPAs, private sector representatives, CSOs, returning migrants and refugees are provided support, training and institutionalized leadership to cluster and cooperate to access finance, labor, markets, innovative technologies, and marketing tools;
- micro-regions' economic potential and value chains are well established, mapped, assessed against their effective and potential impact on SDGs and harnessed in economically viable ways (based on Market Development Systems); and
- local and micro-regions priorities and investment opportunities are coherently articulated and presented as part of more attractive investment offers;

**then** economic growth and jobs creation process of the value chains in the beneficiary communities and micro-regions will enhance;

**because** the more vibrant entrepreneurial skills, culture of cooperation and of joint engagement and adequately assessed potential for SMART specialization will improve communities' capacities to retain and attract jobs-creating investment from both local and external sources.

This theory of change essentially relies on the UNDP-promoted development paradigm of sustainable reduction of poverty and vulnerability by broader and more equitable inclusion of vulnerable groups in existing and potential value-chains at local and micro-regional levels. The value chains-based development proposition seeks to map out and strengthen the local and regional value chains with an aim to increase their productivity and domestic and international competitiveness for a more sustainable and a more inclusive economic growth.

Assistance provided as part of the Outcome 2 will focus on the growth and competitive improvement of local employers, especially SMEs, at different development and maturity stages and thus contributing to creation of decent jobs. This approach seeks to integrate small suppliers on (more) advantageous terms in existing or new value-chains and thus make more resilient the local and regional economy, increase sales and production, manage more efficiently operational costs, access new market outlets, harness more effectively local production factors, adopt more efficient management of customers, costs, and inventories.

The concrete value-chains given preference to during the Project's implementation should meet a number of development criteria, including, but not limited to: 1) their jobs-creation potential; 2) market growth potential; 3) socio-economic impact, with a special emphasis on their potential to alleviate poverty and vulnerability at local and micro-regional level; 4) company leadership (women, youth, migrant, refugee or other vulnerable group); 5) vulnerability/ resilience to climate change; 6) contribution to sustainable transition, including by their technological innovation and digitization potential.

## 2.5. Policy advocacy

The Project foresees using a dual track for influencing the policy. Directly, the local and national policy will be improved by deliberate analysis of the policy factors influencing SMEs and jobs growth and by promoting changes at strategic level to solve major legal, regulatory, and fiscal issues and so to enhance conditions leading to a more vibrant local economic development. It is important, in this regard, to emphasize that policy work will be done both at local and national level. Key partners in this pillar are the Ministry of Economy (ME), the Ministry of Labor and Social Protection (MLSP), the National Employment Agency (NEA) and the Organization for Entrepreneurship Development (ODA). Employment-related policies will be promoted in partnership with complementary SDC-financed interventions, drawing on partners' institutional advantages.

The Project is also expected to influence the policy in a more indirect manner, by consequence of embedding its outputs and results in the relevant national mechanisms. In particular, the Project will help improve the underlying conditions for SMEs operation by promoting the wider use of the innovative tools and measures developed for value-chains assessment and their successful internationalization in the national SMEs support mechanisms. In this regard, the value-chains toolkit to be developed as part of the Project can be viewed as experimental policy work that can be useful to further revamp business models of the Moldovan SMEs and improve their productive capacities and links with the market, boost their digital adaptation/ transformation, improve their financial, managerial and production skills and build stronger relationship between lead companies and their suppliers/ customers in the identified clusters and micro-regions.

## 3. Results and Partnerships

### 3.1. Expected results

The Project will address, through multi-stakeholder partnerships, the further expansion, and upscale of the piloted Local Economic Development interventions, by:

- scaling up the focus from local to regional, and (strategic level results)
- enhancing the SMART<sup>15</sup> specialization, micro-cluster, and value chain development approaches in three pilot areas, comprising at least 15 local communities (operational results).

At the strategic level, building upon the meaningful community cooperation and diaspora engagement framework established in previous interventions, the Project will continue investing (at an individual and regional level) to support local communities to further advance entrepreneurial culture and attract investments (local, regional, national and/or foreign), while also continuing to mainstream the economic dimensions of migrants' engagement in local development, aimed at generating sustainable businesses and decent employment opportunities at the local level.

Complementarily, the Project will also work to advance productive employment, with a particular emphasis on women and youth inclusion, skills validation and foresight of future skills required to facilitate (green and digital) structural transformation, as well as support for sustainable (re)integration of migrants and refugees.

The Project's direct beneficiaries will include relevant line ministries and agencies, local public authorities, community associations, innovation-oriented businesses, as well as migrants (including diaspora members, returnees, and refugees) and their native/host communities. The Project will contribute to the acceleration of progress under multiple SDGs and associated nationalized targets, primarily 8.2, 8.3, 10.7, and 11.a (with multiplier effect and co-benefits on 4.4, 5.5, 10.2, and 13.3).

The Project stems from UNDP Moldova's Country Programme Document (CPD) for 2023-2027 and supports the attainment of SDC's economic development and employment-related objectives in Moldova<sup>16</sup>. The Project is part of a programmatic approach on local development and employment, in partnership with ILO, and contributes to the realization of the UNSDCF (for the period 2023-2027) in support of the UNDS Reform. It will complement and synergize with several ongoing initiatives (including led by UN and/or SDC-funded) focused on local governance, economic development, and productive employment.

Furthermore, the current proposal is inherently linked with and operationalizes the UNDP-IOM Multi-Year Roadmap for Cooperation on Migration and Sustainable Development in Moldova (launched in June 2021), which aims at enhancing coordination, cooperation, and joint interventions focused on the post-pandemic socio-economic recovery and overall sustainable development of the country.

In the more specific operational terms of results for direct beneficiaries, the Project will ensure that:

- 4 system changes contribute to improved economic opportunities at the local level;
- 15 communities from the Republic of Moldova will improve their local business support services and will offer more complex and adapted revenue opportunities via regional development initiatives engaging the private sector and community members, including the diaspora and refugees;
- Three regional micro-clusters will develop with the Project direct support, full-fledged investment attraction packages and implement innovative business development initiatives (such as SMART specialization, structural transformation, and value chain upgrade);
- At least 105 LPA representatives and private sector stakeholders will benefit from improved SKATE on integrated local development, regional specialization, access to finance, and local investment attraction;
- At least 360 Moldovan citizens and residents (of which at least 50% women, 30% youth and 25% returning migrants) will have new or better employment at the local level;
- At least 18,750 Moldovan citizens and residents (of which at least 50% women) will benefit from increased living conditions, as a result of the Project's LED and policy-level interventions.

<sup>15</sup> SMART specialization/ definition available at: <https://www.oecd.org/sti/inno/smartspecialisation.htm>

<sup>16</sup> 2018-2021-cooperation-strategy-moldova\_EN.pdf (admin.ch)

## Project Outputs and indicative activities

Following the thorough analysis of the conditions influencing LED and the mapping out of the existing commitments and engagements of the Moldova's international development partners, the Project identifies three priority Outcomes. For reasons of consistent planning, each Outcome is further decomposed in a relevant Outputs and activities (which pertain and are numbered according) to the SDC Economic Development Programme's Results Framework.

**OUTCOME 1:** Policy and institutional frameworks create an empowering environment for inclusive and sustainable economic development in the targeted economic sectors.

**Output 1:** Environment for accelerated growth of local businesses in the selected micro-regions improved

Complementing its local interventions, the Project will work at a strategic level on identifying and solving the major legal and regulatory issues, as to improve the local/ regional business environment.

These interventions will have a vertical approach, deriving from the LED support provided in the Project's second Outcome, and shall be coordinated with the ILO prior to institutional stakeholders' engagement – to ensure the required co-benefits and synergy of expertise/ scope within the SDC Programme. A distinct emphasis will be put on facilitation of local income generation (*in target micro-regions*) for returning migrants and/or refugees, particularly relevant in the context of the military aggression in the neighboring Ukraine.

Planned interventions under Output 1:

**Activity 1.1.** Support the conceptualization, in partnership with the Ministry of Economy and the Economic Advisory Council to the Prime Minister, of feasible mechanisms for SME to facilitate the access to finance and diaspora financial engagement in national/local economic development.

SMEs' low access to traditional financing mechanisms in Moldova (mainly commercial banks and non-bank crediting organizations) as well as high associated costs are binding constraints to the SMEs development and to jobs stability and jobs creation. To address this problem, the Project will adopt a dual approach.

On the one hand, relevant capacities (such as strategic management, business planning, financial management) of the SMEs will be strengthened for them to become more self-confident to access/ blend finances from traditional sources (such as banks or state programs run by the Organization for SMEs Development).

At the same time, the more traditional financing mechanisms generate moderate returns for institutional lenders (commercial banks) and are appropriate for low-to-moderate risk profiles of debtors. They are conceived to typically sustain ordinary and short-term needs of those SMEs that feature stable cash flows, predictable growth rates, tested business models, and access to collateral or guarantees. SMEs in the more rural regions often do not meet these criteria and need access to alternative instruments. One of the Project's aims is to contribute to the further development of these alternative financing mechanisms, which may include crowdfunding, venture capital, etc. Diaspora will have key roles both as potential contributors to and beneficiaries of the alternative funding mechanisms. Here, the Project will build on the positive experience of the HTAs, and other successful models tested at previous stages.

Two specific actions are planned as part of this activity:

- a) Provide support for the conceptualization/ enhancement of feasible mechanisms for SME to facilitate their access to finance.
- b) Provide support for the conceptualization/ enhancement of feasible mechanisms for diaspora engagement in national/ local economic development.

**Activity 1.2.** Identify and support addressing, in partnership with the Ministry of Economy and Ministry of Labour and Social Protection, sectoral regulatory gaps related to the targeted value chains through advisory support and expertise (particularly in the field of SME development and informal employment), following the MSD approach;

MSD is an international body of knowledge, guidance, good practices, and lessons learned from the experience of delivering aid and implementing development activities. MSD seeks to develop market systems so that they function more effectively, sustainably, and beneficially for poor people, building their

capacities and offering them the opportunity to enhance their lives. The Project's MSD-based approach to the SMEs regulatory gaps and bottlenecks is defined by the key features of the MSD. These features include the following<sup>17</sup>:

- **Adopting the systems perspective:** MSD recognizes that market actors such as businesses, functions such as policies and regulations, and rules such as cultural norms do not operate in isolation of each other but are part of an interacting system. The Project will need to understand and respond to such systems in concrete communities and micro-regions for its results to be effective and lasting.
- **Pursuing large scale/ systemic change:** throughout an MSD program, the focus is on the markets surrounding the poor that have potential to improve the lives of many. MSD programs aim to develop a strategic set of interventions that change the way industries and whole sectors of the economy work for the poor. While the Project expect that some interventions will start small, grounded in market issues and targeting specific market actors, they nonetheless will be part of a broader strategy to make markets work better for a large number of poor or vulnerable people in the beneficiary communities.
- **Sustainability:** in line with the MSD prescriptions, the Project focus is on the continuation of market services to the poor or ensuring their access to the market rather than just the sustainability of individual market actors within that market system.
- **Facilitation:** rather than targeting the traditional direct delivery as response to market failures, the MSD aims to facilitate change that improves the way markets work for the poor. More specifically, the MSD-based measures aim to stimulate change in the market system without becoming part of it and thus without interfering with the market mechanisms.
- **Adaptive Management:** market systems are complex and do not always respond as expected. MSD programs monitor their interventions closely and measure results frequently. Based on the concrete findings at the level of beneficiary communities, the Project will refine and adapt its vision for market system change, will improve the strategic approach and adjust the interventions. The aim is to be pragmatic, building on what works and changing what does not so that the Project maximizes long term results with the time and money available.

Following this approach, the Project will:

- a) Identify major sectoral regulatory gaps and bottlenecks in the targeted value chains.
- b) Provide support (advisory and expertise) to the GoM in addressing the identified sectoral gaps and bottlenecks via amendments to the regulatory framework and SME support schemes.

**OUTCOME 2:** Local/regional communities including private sector representatives, meaningfully cooperate in cluster formats to enhance value chains and improve their economic opportunities.

**Output 2.** Community engagement and entrepreneurial culture and capacity in the target micro-regions advanced

In the Republic of Moldova, a widely spread belief prevails that entrepreneurial competence is an innate rather than a learnable competence. As a result, many communities are inclined towards explaining their low economic performances through "an insufficient local entrepreneurial spirit", which is considered to be "a historical and unchangeable feature of the local mentality".

When one attributes behavior to "mentality" rather than system structure, the focus of management becomes scapegoating and blame rather than the design of organizations and processes in which ordinary people can achieve extraordinary results<sup>18</sup>.

Such an approach is motivating the self-perpetuation of passivity, discouragement, inactiveness, and is seriously undermining the LED support interventions of development partners. In this regard, the Project will, *inter alia*, develop and promote an adapted yet comprehensive entrepreneurial package for awareness-raising and empowerment of local stakeholders to embrace a more proactive approach towards understanding, evaluating, and improving their entrepreneurial competencies, which will be based on the EU EntreComp Framework<sup>19</sup>.

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<sup>17</sup> Based on Australian Government, Department of Foreign Affairs and Trade "Market Systems Development. Operational Guidance Note", June 2017.

<sup>18</sup> John D. Sterman, "Business Dynamics. Systems Thinking and Modelling for Complex World", MIT, 2000.

<sup>19</sup> The European Entrepreneurship Competence Framework (EntreComp) is a standardized toolkit developed and launched by the European Commission in 2015 to foster and streamline the entrepreneurial learning in Europe, aiming to support its citizens to better integrate on the job

Planned interventions under Output 2:

**Activity 2.1.** Develop and implement a thematic entrepreneurial education program for LPA and local private sector representatives, based on the EU EntreComp Framework.

The package will be designed following an initial assessment of the needs and gaps. The choice of the EntreComp framework has been determined by the fact that this is a free and flexible reference framework that can be easily adapted to support the development and understanding of entrepreneurial competence.

In the context of the Republic of Moldova the use of EntreComp is also in line with the European choice of the country and its potential forthcoming recognition as a candidate country for joining the EU. The EntreComp has assessed potential to be used in a variety of ways including for:

- supporting policy and practice to develop entrepreneurial skills;
- assessing entrepreneurial skills;
- supporting training of educators, trainers, and teachers to deliver entrepreneurial skills;
- design programmes and learning opportunities;
- recognize and certify skills.

EntreComp can be used across sectors, and throughout the Project's implementation will be a key support for collaboration and development work by effective and potential entrepreneurs, business-trainers, employers, professional bodies, and policymakers.

Concrete actions to be implemented as part of this activity include:

- a) Develop and implement a thematic entrepreneurial education program for private sector representatives from the selected micro-regions.
- b) Develop and implement a thematic entrepreneurial education program for public sector representatives from the selected micro-regions.

**Activity 2.2.** Facilitate peer-to-peer learning and experience exchange among local and diaspora stakeholders on investment opportunities, access to finance and structural transformation (including green and digital).

This peer-to-peer learning is a potentially very powerful way of sharing knowledge about issues of joint interest among people sharing similar experiences, backgrounds, and goals. The peer learning is especially efficient in facilitating the transfer of tacit knowledge about the softer dimensions of knowledge (including entrepreneurship), i.e. on aspects which are more difficult to codify and present in a structured way.

Considering the peculiarities of topics of high priority for local communities (finance, investment, structural transition) there is no common recipe for peer learning and experience exchange. We do not expect the peer-to-peer learning and exchange of experience to take place in similar fashion in all communities/ micro-regions. However, the Project will ensure that common conceptual stages are yet respected and involved in the peer learning processes. These stages combine into a logical peer learning process and broadly involve:

- a pre-foundational engagement/ commitment where consideration is given to basic questions and topics about peer engagement;
- a foundational (triggering) local or micro-regional event;
- a period whereby peer engagement is sustained by the Project over time with the purpose of building trust, sharing and commitment);
- reaching structured/ institutionalized engagements at local level to actually foster relevant learning Outcomes; and
- a period during which the learning is systematized and diffused from individuals to relevant local, regional, and national organizations to foster impact.

Specific actions to be performed as part of this activity include the following:

- a) Conduct 2 external benchmarking study visits to facilitate experience exchange on investment opportunities, access to finance and structural transformation.
- b) Conduct 16 internal study visits for peer-to-peer learning among local stakeholders and partnership building opportunities.

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market, to start value-creating initiatives, as well as to participate more proactively in public life. EntreComp embraces not only the commercial, but also social, green, digital, and cultural entrepreneurship. More details are available at: <https://ec.europa.eu/social/main.jsp?catId=1317&langId=en>



**Activity 2.3.** Establish, in coordination with and in synergy with ILO interventions, a National Employment and Economic Development (NEED) Network, to facilitate joint planning and the coordination of capacity building activities in the area of local development and private sector engagement.

The NEED Network is envisaged as an informal arrangement supporting an orderly analytical, planning and evaluation process for the two agencies (UNDP and ILO) and their local partners and stakeholders.

The coordination of the capacities building exercises will involve examining the initiatives in the area of employment and local economic development; designing and assessing agreed modalities for joint actions; selecting optimal institutional engagements; committing resources; producing coordinated plans; conducting coordinated monitoring and evaluation.

As concrete action the Project will support the implementation of joint ILO-UNDP capacity building interventions for local stakeholders, conceptualized in the framework of the Employment and Economic Development Network.

### **Output 3. Micro-regional SMART specialization and value chains enhanced**

The Project will support in its current phase the conceptualization and advancement of a SMART specialization approach in three pilot micro-regional areas (*representing all development regions of the country*), by addressing the competitiveness enhancement of most prominent value chains and promotion of micro-regional clustering interventions.

Planned interventions under Output 3:

**Activity 3.1.** Support three pilot micro-regions (comprising at least 15 communities) in assessing their competitiveness and regional advantages for SMART specialization.

The SMART specialization' approach combines industrial, educational and innovation policies to suggest that regions or communities identify and select a limited number of priority areas for knowledge-based investments, focusing on their strengths and comparative advantages<sup>20</sup>. This entails a number of principles, such as:

- more effective spending of public resources, concentrating on certain domains of knowledge or expertise;
- creation of synergies between public support mechanisms for innovation, industrial promotion, and training;
- elimination of fragmentation and duplication of policy interventions that may result in a waste of public resources;
- identification of the strongest or promising domains for entrepreneurship and growth through a careful analysis of the existing capabilities, assets, competences, competitive advantages in a city, region, or country;
- design of mechanisms to enable strategic development based on multi-faceted and multi-governance interactions;
- mapping and benchmarking of local and regional clusters including analyses of the role and influence of key players; and
- evidence-based monitoring and evaluation systems to select the knowledge domains and innovation projects.

There are multiple specific methods and techniques for assessing the niches for SMART specializations. The general approach that the Project will apply includes:

- adequate delineation/ definition of the local/ micro-regional ecosystem and its boundaries;
- assessment of its key features leading to cluster formation;
- definition of necessary policies, measures, and gaps for prioritization of the cluster;
- foresight/ forecast of the future developments likely to affect the development of the cluster, as well as their implications for jobs; and
- designing a plan of specific actions for operationalization of the cluster potential.

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<sup>20</sup> OECD, "Innovation-driven growth in regions: the role of SMART specialization", 2013.

In order to implement this activity, the Project will:

- a) Carry out a nationwide selection process for the selection of three micro-regions (comprising of a minimum of 15 communities in total) for piloting the Project interventions.
- b) Support local stakeholders from the three micro-regions to jointly assess their local competitive advantages for further advancement of the SMART specialization roadmap.

**Activity 3.2.** Identify the most prominent (and SMART) value chain(s) in each targeted pilot micro-region for further assessment and upgrade.

Selection of pilot micro-regions will be coordinated with the donor with the view to avoid overlaps and ensure synergies and complementarity of actions in the field. Particular emphasis will be put on value chains that are labor intensive and future-proof, as to build “forward-looking” productive capacities with better chances/ more competitive on national and regional markets.

Following the UNDP internationally tested approach for the value chains-based interventions, a non-exclusive set of criteria against which decision should be made includes the following:

- jobs-creation potential;
- market growth potential;
- socio-economic impact, with a special emphasis on their potential to alleviate poverty and vulnerability at local and micro-regional level;
- company leadership (women, youth, migrant, refugee, or representative of another vulnerable group);
- sector vulnerability/ resilience to climate change;
- contribution to sustainable transition, including by their technological innovation and digitization potential.

The concrete actions to be implemented include:

- a) Support the in-depth conceptualization of the most prominent (and SMART) value chains in each of the three targeted micro-regions.
- b) Conduct a comprehensive stakeholder analysis in each of the targeted micro-regions for further clustering.

**Activity 3.3.** Support LPAs, private sector representatives, and development/innovation entities from the targeted value chains to jointly assess their competitive advantages and define tailored development roadmaps.

It is estimated that the development roadmaps will provide additional opportunities to look at complementary supply chains (e.g. raw materials, semi-products) from the perspective of formalization opportunities and future phase programming.

Value-chains analysis will be applied as strategic tool for assessing various aspects affecting in long-term the SMEs development, including its most crucial component - customers’ perceived value. Adopting the customers perspective is essential because the competitive advantage for an SME means not just surpassing what competitors can do, but also discovering what domestic and foreign customers want and profitably meeting their expectations. This is also a key prerequisite for jobs and productivity continuous growth. While classical value-chains analysis targets firm level, including core business and support activities, the Project will adopt a wider and more comprehensive approach to the value chain, and concentrate on the whole-community/ micro-region rather than individual company. Essentially, this approach will allow identifying the factors of local/ regional competitiveness from an economically sound perspective, their policy implications, and consequences for local/ regional/ national policy. The results will take the form of local/ regional competitiveness development maps.

The activity will be implemented through the following specific actions:

- a) Conduct a value chain mapping exercise and ensure the assessment of the local competitiveness in targeted micro-regions.
- b) Support local stakeholders from each targeted micro-region to jointly elaborate an economic development roadmap (short- and mid-term), based on the competitive advantages of local economic ecosystems.

**Activity 3.4.** Increase local economic opportunities via inherently embedded digital transformation solutions (e.g. business and inventory management, logistics, e-commerce, improved supply chains, etc.).

This Project intervention hinges on the assumption that digital transformation involves the integration of digital technology into all areas of a business rather than fragmented and marginal improvements. Going digital fundamentally changes how the company operates and delivers value to customers. More than being a technological twist, the digital transformation represents a cultural change that requires organizations to continually challenge the status quo, experiment, and adapt to new realities. As shown by the COVID-19 pandemics and the economic fallout of the war in Ukraine, these realities can change in a swift manner, literally in a matter of days.

As with any paradigm transformation, digital transformation is difficult and risky. To minimize the associated risks and maximize the developmental impact of the proposed digital solutions, the Project will deliberately select beneficiaries meeting the following criteria:

- having open-minded and/ or digital-savvy leadership in place, with a right gender balance;
- commitment to build capacities for the workforce in long-term;
- empowering the personnel to work in new ways and depart from traditional rigid hierarchical schemes;
- enhancing the information flow across the firm; e) adopting appropriate standard operating protocols; and
- increasing the efficiency of communication.

The Project will undertake two specific actions:

- a) Identify the most feasible opportunities for digital transformation within the targeted three micro-regions (based on the selected value chains).
- b) Support the implementation, by local stakeholders, of the conceptualized digital transformation solutions as to increase/ upgrade local economic opportunities.

**Activity 3.5.** Support local stakeholders from the targeted value chains to establish and institutionalize economic micro-clusters and provide financial (via seed investment) or/and technical assistance to advance their competitiveness development roadmaps, as well as overcome the economic disruptions of supply chains caused by the military conflict in the neighboring Ukraine.

This activity involves the deployment of technical and financial means for the implementation of the competitiveness development maps developed as part of activity 3.3 above.

An insight from the previous development projects and initiatives is the need to institutionalize the responsibility for the implementation of the competitiveness roadmap rather than dilute the executive responsibility across many agencies/ institutions. Being represented in such an institutionalized cluster, the local SMEs, and other relevant agencies (VET schools, business support organizations, LPAs etc.) will enhance their capacities to speak a common language with external stakeholders and promote more effectively the necessary policy changes.

Moreover, following the economic disruptions of the supply chains caused by the ongoing war in Ukraine, many Moldovan SMEs have lost access either to export markets or to critical inputs sourced from Ukraine, Russia, and Belarus (such as fertilizers, spare parts, and others). Adapting to the new economic reality involves identifying new suppliers and customers, a task which is considerably easier done in a cooperative rather than competitive format.

In terms of operational actions, the Project will:

- a) Support the institutionalization of business clusters in the target micro-regions.
- b) Support in the implementation of the business clusters' development priorities (jointly identified by local stakeholders).

**Output 4.** Local public and private stakeholders' capacity to attract investments in the target micro-regions enhanced via stronger partnerships)

Complementing the SMART specialization interventions, the Project will support the pilot micro-regions and partner communities to elaborate and promote sound investment promotion offers, aimed at

strengthening the competitiveness of the targeted micro-clusters and value chains, as well as creating job retention opportunities and increase local livelihoods.

Planned interventions under Output 4:

**Activity 4.1.** Map out and assess local investment priorities aimed at enhancing the competitiveness of the economic micro-clusters.

The local public investment priorities for enhancing competitiveness of the economic micro-clusters are expected to span a relatively narrow range of subjects, including roads, bridges, water, and sewage systems. As needs are likely to exceed the envelope of available resources, the Project will steer local stakeholders to make strategic evidence-based and good governance-based decisions. Priority should be given to investment projects that entail the following:

- broadening the public access to local infrastructure services, including for vulnerable groups;
- support community/ micro-region integration in the wider economy (regional, national, global);
- leverages the participation of local communities and diaspora;
- promotes technical solutions which are environmentally, socially, and economically sustainable; and
- minimizes governance-related risks (such as corruption, dilapidation, and poor management).

Concrete actions to be performed in the selected communities include:

- a) Facilitate the selection of prominent and most feasible public interventions for enhancing the competitiveness of the local business clusters.
- b) Support local stakeholders to promote local public-private partnership (PPP) initiatives aiming at enhancing the competitiveness of the local business clusters and livelihoods.

**Activity 4.2.** Facilitate mutually beneficial business partnerships (win-win) within and among micro-clusters.

Being part of a network is a key ingredient for business success, especially amid the more turbulent economic conditions nowadays. This activity essentially aims at cultivating and fostering a more modern business culture among the beneficiary SMEs, as a way of augmenting their productivity, acquiring new customers, and making local/ regional communities socially more diverse and vibrant.

While elements of the modern business culture are embedded in other activities of the Project, this one will deliberately target training the relevant skills for establishing such partnerships. The trained skills will include business communication, effective public presentation, due diligence basics and other relevant subjects as evidenced by initial scoping exercise.

As part of this activity, the Project will:

- a) Identify the most appropriate private-private cooperation opportunities within and among the target micro-clusters.
- b) Provide support to local private stakeholders in establishing viable business partnerships (on a win-win basis).

**Activity 4.3.** Support the development of fully-fledged local investment and recruitment offers.

Mapping and assessing local/ micro-regional capacities and opportunities for place-based impact investing is one of the most essential components of the proposed Project. In this regard, the mapping refers both to investment opportunities (sites, projects, etc.), but also to potential investors.

Developing fully-fledged investment and recruitment offers entails the following sequence of actions:

- clear understanding of local priorities and needs,
- gaps analysis,
- preliminary analyses of the investment perspectives (rate of return, return period, potential public-private partnership etc.),
- technical assessment of existing infrastructure,
- labor force availability and locally provided resources.

The activity will be detailed in the following actions:

- a) Map the most prominent investment attraction opportunities from each of the targeted micro-clusters.
- b) Develop and promote fully-fledged investment and recruitment offers for each of the micro-clusters.

**Activity 4.4.** Provide support for the continuous promotion of the local investment offers among domestic and foreign investors, including diaspora business representatives.

This activity stems from the activity 4.3. above, during which potential investors should be clarified. The Project will provide support for organization of local/ regional investment fares/ forums, layout of presentations and related materials and public presentation skills formation, as well as promotion of the Project beneficiaries proposals in the relevant larger-scale national and regional investment attraction platforms. Support will also be provided for development of investment promotion materials as may be required by the standards of the Invest Moldova Agency (IMA). The Project will establish partnership with IMA in order to integrate the local investment promotion materials in IMA's working plans, events, fares and so on.

The list of targeted actions consists of:

- a) Support and facilitate the implementation of the micro-clusters' investment promotion agenda among domestic investors.
- b) Facilitate the implementation of the micro-clusters' investment promotion agenda among foreign investors.

**OUTCOME 3.** People of Moldova, especially women, youth, returning migrants and refugees, benefit from improved economic opportunities in the pilot micro-regions

**Output 5:** Economic (re)integration opportunities in the selected micro-regions enhanced

In the area of policy support, the Project will seek to enable the reintegration of skilled migrants within the targeted value chains, through local interventions based on the National Programme for Reintegration of Returning Migrants and their Families (2022 – 2026).

The Project will pilot interventions for providing skilled workforce for the prioritized value chains. RIM (phase I) will facilitate a specialized training of labour force, particularly unemployed jobseekers, returned migrants, in the sectors relevant to the targeted micro-regions and enhance the cooperation between the LPAs, business community and territorial employment offices. These activities will seek to support skills matching in the selected value chains, thus facilitating sustainable job retention at the local level.

Planned interventions under Output 5:

**Activity 5.1.** Pilot a facilitation/incentives mechanism for boosting employment potential of the private sector in the selected value chains (particularly of women, returning migrants and refugees, NEET from target communities).

Jobs can be in short supply either due to market failure or to governmental policy failure. Facilitation mechanisms can thus involve either strengthening positive incentives for the employers and employees to enter labor relationships or elimination of the policy barriers undermining the relationship. The Project will assess both potential explanations by adopting a targeted approach to each value chain and each vulnerable group. The design of incentives for the employment of the targeted groups will carefully take into account the motivations and constraints facing the local SMEs that are expected to participate. In devising and implementing partnerships between LPAs, employers, local CSOs, and others, best practices from experiences around the world should be drawn upon during the entire Project period.

Besides, the private sector can be "lured" into creating more jobs for vulnerable groups if formal and informal training programs incorporate substantial engagement of employers in their design and operation (including through consultation, co-design, internships, and apprenticeships). As soft as it may look, the importance of such engagement to ensure the labor market relevance of training is beyond any doubt.

In addition, in order to enhance on-the-job training by SMEs, the Project will analyze and assess alternative policy options, such as systems based on providing employers with rebates from payroll taxes or levies (which are highly relevant to the formal employers only) as opposed with direct payments from general

budgetary revenues, such as reimbursement, matching payments, or vouchers, which are easier amenable for formats that can help informal employers not paying payroll taxes to benefit from the subsidies.

The relevance of such policy analysis is suggested by the lessons of the COVID-19 measures, when the prevalence of informal work arrangements was a significant barrier precluding SMEs from accessing financial support measures.

The Project plans for the following specific actions:

- a) Design a facilitation/incentives mechanism for the private sector within the selected value chains.
- b) Implement the facilitation/ incentives mechanism in the selected micro-regions.

#### **Activity 5.2. Facilitate the implementation (via thematic interventions at the local level) of the National Program for the Reintegration of Returning Migrants and their Families.**

The Government of the Republic of Moldova has drafted a National Program for stimulation of return and facilitation of the (re)integration of the citizens of the Republic of Moldova for the period 2022-2026. The Program is in its final stages of consultation and formal approval. The National Program proposes an ambitious set of four development objectives, including:

- strengthen the institutional and policy framework through streamlined coordination and cooperation mechanisms at local and national level in the field of return and (re) integration;
- ensure respect for social rights and promote integration into the community of returnees and their families through ensuring access to education, health, and other public services;
- facilitate reintegration and increase economic opportunities of people returning from abroad, by attracting investment, development entrepreneurship and new skills, employment, and creation of new support programs;
- ensure access of returned migrants and their families to effective mechanisms for information, communication, and participation in public life at national/ local level by organizing campaigns information on various current topics.

Among the National Program's quantitative targets to which the Project will directly contribute one can find the following:

- 50% of town halls know and distribute information to citizens returning from abroad and to their families;
- Annual increase by 5% in the number of persons employed, from among returnees from abroad and registered with the National Employment Agency, including returned women;
- The volume of investments made in the economy by migrants and relatives of first degree within ODA's remittance attraction programs (e.g. PARE) grows by 10% annually;
- Number of businesses launched by returned migrants and first-degree relatives increases by 10% annually;
- Number of agricultural and non-agricultural businesses in rural areas co-financed from remittances or from national support programs increase by 5% annually;
- Carry out studies and mapping business/ investment opportunities in regions and promoting the findings and offers among migrants/ diaspora members;
- Develop tools for attracting and harnessing investment innovation potential of returned migrants for the national economy (skills, abilities, networks, know-how).

The Project will undertake thematic interventions supporting these goals and quantitative targets. The interventions planned respond to the Program's stated priorities and targets. For the sake of flexibility and relevance, the concrete interventions will be decided as part of the communities selecting process.

A tentative list of actions includes the following:

- a) Identify, jointly with the Diaspora Relations Bureau, interventions relevant to the National Program for the Reintegration of Returning Migrants and their Families, that are feasible in the context of the selected micro-regions.
- b) Implement the thematic interventions for economic (re)integration in the selected micro-regions.

**Activity 5.3.** Enhance the capacities of the National Employment Agency to increase the accessibility and visibility of their services to individuals and private sector at the local level (in the targeted micro-regions, via its territorial offices), including to returning migrants and refugees.

National Employment Agency services should be further improved and expanded. Services need to be evaluated against the needs of the users, in order to be customs-tailored and cost-effective. Their geographical and online reach needs to be expanded to allow more women, youth, migrants, and refugees to be served— as well as employers (including informal employers).

The portfolio of services of the National Employment Agency has to be reoriented towards being more of a partnership with employers as opposed to simply a means for posting of vacancies announcements. The Project adopts a partnership approach to closely engage with National Employment Agency, employers, employees, and VET schools to help the entire ecosystem better identify and articulate its needs.

Actions to be implemented as part of this broader activity are the following:

- a) Provide support to the National Employment Agency in increasing the professional capacities of the representatives of their territorial offices (from the selected micro-regions) to provide better services to local jobseekers, including returnees and refugees.
- b) Provide support to the National Employment Agency to increase the accessibility and visibility of their services (including by organizing communication campaigns) to individuals and private sector from the targeted micro-regions.

**Activity 5.4.** Support the specialized training of local individuals in the areas pertaining to the selected value chains, including by facilitating the recognition of prior learning and conducting the required professional training programs.

On the one hand, the selection of value chains is conditional upon existing labor supply and the skills of the potential employees. On the other hand, a perfect match of value chains against available skills is not realistic, and the local people will likely need additional training in many areas pertaining to the selected value chains. Extending certifications of skills to informal training is particularly challenging but important in contexts of Moldova which very much depend on migrants for which such training is significant. The Project will engage informal employers, employer associations, employees, specialized CSOs, as well as relevant district-level and national education policy authorities closely for this purpose.

The required training will be performed as part of Project-delivered training programs. While a part of the training will deal with core (technological) competences, it may turn out that soft skills, such as communication, labor culture, time management, and general cognitive skills, are also important to local SMEs, even though normally they do not engage in providing training of such skills. The Project therefore will consider supporting their provision as part of training processes in the public sector or private sector (VET, specialized CSOs).

As part of this activity, the Project will:

- a) Provide support to relevant stakeholders for the development of occupational and qualification standards for professions relevant to the selected value chains (jointly with the initial and continuous training programs).
- b) Carry out a fast-track training and prior learning recognition program for local individuals in the areas pertaining to selected value chains.

### 3.2. Resources required

The scope and ambition of the Project requires a management structure with sufficient human resources to handle operational delivery. Cooperation with so many different partners will also require dedicated attention from Project staff, particularly at local level and/or conceptualization stage. For these reasons, besides the Project team expertise, additional national and local experts (and specific contractual services) will be embedded to achieve set results.

UNDP will use structures already in place (e.g. Moldova Country Office) for the implementation of the Project, while the current structure of the Project team is designed to cover all intervention areas, under all three Outcomes.

To support all Project activities office rent and utility costs, office furniture, equipment, software, maintenance, repair, communication, and internet services will be required.

The total required funding for activities proposed under this Project amounts to 4,000,000 USD. In order to preserve maximum flexibility, the Project will operate an activity-based budget, of which 1,200,000 USD will consist of grant-based support to local stakeholders from the targeted value chains to establish and institutionalize economic micro-clusters (three grants at 400,000 USD each).

For cost effectiveness, UNDP will build upon and synergize (wherever possible) with ongoing initiatives (including led by UN and/or SDC-funded) focused on local governance, economic development, and productive employment, while also leveraging in-house resources for conflict resolution and community development.

### 3.3. Risks and assumptions

Key risks that might preclude or significantly alter the implementation of the Project include the following:

1. Divergent views concerning local development priorities amid the political circumstances determined by the general local elections in 2023;
2. Worsening of the local economic conditions (as a consequence of a protracted war in Ukraine) to the point impeding the mobilization of local resources/ contributions;
3. Further territorial extension and intensification of the war in Ukraine, leading to a number of refugees beyond the management capacities of the Moldovan local and national authorities;
4. A significant reshuffle of the domestic political conditions following accumulation of social dissatisfaction caused by rising prices and falling real income of the population.

At the same time, given that the proposed intervention will further build on current local initiatives and lessons learnt, the Project will consider the specific political context existing at the moment of implementation, and will plan the activities with caution, including timing, feasibility, and local political sensibilities. Last but not least, the proposed intervention will envisage a cautious planning of the selection process of target communities and micro-regions and will avoid interfering with the political process caused by local elections to take place in mid-2023.

If necessary and as determined by time constraints, the Project may also include a dedicated set of capacity building activities for newly elected officials according to previous UNDP best practices at local level which proved an effective risk-management tool. Throughout the implementation period of time, the Project shall also maintain an apolitical focus, to ensure the possibility of continuing the operation and interaction with all the stakeholders during and after the politically charged local elections period.

The Project Risk Log shall be maintained throughout the Project implementation to capture potential risks to the Project and associated mitigation measures. The detailed Project Risk Matrix is included in Annex 3.

Assumptions underpinning the current Project are largely similar to the set of assumptions that previous SDC-supported projects hinged upon. A number of new items however have been included in the list of assumptions to reflect the more worrisome economic and security situation. The Project assumptions including the following:

1. Political and economic context is stable in Moldova and enables Project's interventions throughout Project cycle;
2. The Government of Moldova stays committed to develop and support the enforcement of a new/upgraded institutional, policy and regulatory framework on SMEs development and jobs creation;
3. National Employment Agency remains open to and engaged in improving quality and access of, including by re-designing in a user-friendly manner, local employment services;
4. The National program for (re)integration of migrants is approved as testimony of the national commitment to continue mainstreaming migration at the local level and harnessing the migration potential for a sustainable socio-economic development;
5. The national and local commitment to help and sustain Ukrainian refugees demonstrated in the initial stage of war remains unabated;
6. The national legal framework encouraging local governments to engage migrants in local development (based on SDC tested local model) remains favorable;
7. Central public authorities develop and maintain a constructive and transparent cooperation with CALM and LPAs;
8. LPAs are open and fully engaged in Project implementation and committed to improve their institutional and service provision capacity and to create a favorable environment for migrants'



- engagement in local development (based on previous SDC interventions), for streamlining SMEs regulatory aspects and for generation of more productive local jobs;
9. Engagement of diaspora in community development initiatives remains strong despite more difficult economic conditions in the host countries;
  10. The level of public trust in local public authorities remains high, including from the part of migrants and entrepreneurs;
  11. Previous SDC funded interventions at local level provide positive practices of migrants' engagement in local development, determining Diaspora and LPAs to further test the model and implement joint local development initiatives;
  12. The Congress of Local Authorities is open to continue the partnership by scaling up the positive models countrywide.

### 3.4. Stakeholder engagement

**State Chancellery (SC)** is a key stakeholder at the national level, as it is mandated with strategic, policy and inter-institutional coordination and coherence of development assistance and thus having a strong influence on all Project activities. Furthermore, SC is chairing the Steering Board of the Project. Up to now the SC provided strong support towards all SDC interventions in the field of migration and development at the national and local level. In this Project, SC is expected to continue playing the same roles. Moreover, the stakes of the SC regarding the Project have likely increased from the institutional perspective, as the draft Governmental Decision on the National Program for (re)integration of migrants foresees the Chancellery as the main institution mandated with monitoring, coordination, and control of the implementation process.

**Diaspora Relations Bureau (BRD)** - while part of the SC, the BRD is seen in the Project as a distinct stakeholder overseeing the diaspora, migration, and development policy coordination in the country. The BRD relevance for the Project Outputs stems from its institutional mandate, as well as from its fact that many of the MiDL models tested previously still require further methodological guidance and support. The previous MiDL projects benefited of good cooperation with BRD, ensuring and contributing to a strong synergy between SDC-funded interventions at both, local and national levels. The relationship is expected to continue and strengthen as part of the proposed Project, considering BRD stakes concerning the National Program for (re)integration of the migrants, in which it plays a central implementing role.

**Ministry of Economy (ME)** is an important partner of UNDP as part of other engagements and initiatives. In this Project, ME is expected to manifest a vivid interest towards the outputs and results related to the SMEs, particularly as the Project will pilot analytical tools which are in novelty for Moldova. In addition, ME is the key policy authority in the area of SMEs-related policies and it is the most essential counterpart in acceptance and approval of the SMEs economic policy recommendations to be developed as part of the Project.

**Organization for Entrepreneurship Development (ODA)** is the policy implementation arm of the ME in the area of SMEs, including financing and capacities building. While ODA is a rather new partner for UNDP Moldova, we nonetheless expect that it will manifest interest and readiness to contribute to piloting new financing, capacity building and extension mechanisms and to learn out of this process for the purpose of its own SMEs development programs.

**Ministry of Labor and Social Protection (MLSP)** has recently seen its mandate narrowed down to labor and social protection areas only, with the health component relegated to a separate ministry. This is widely regarded as an important and beneficial institutional shift allowing MLSP to focus more on the employment and social inclusion objectives. As job creation is an important component of the Project, the MLSP will have a stake in the Project success and will be involved as key national policy authority to be consulted at all stages. The MLSP will benefit from the results of the review, analysis and incorporation of relevant international practices and standards, evidence on the latest challenges on job creation at local level and assistance in improving the policy, institutional and legal framework in the field of jobs creation and labor market integration of the vulnerable groups, including as part of the broader MSD approach. The capacity and skills of the MLSP staff will be strengthened on a wide array of relevant and connected topics.

**National Employment Agency (NEA)** is a long-standing partner of the UNDP. This is the governmental body in charge of employment service delivery to end users in all geographic areas of the country. NEA plays a key role at the policy implementation stage, with considerable potential to provide technical expertise and a practical perspective to jobs creation and retention. NEA is also the governmental body with the most consistent and regular contact with the private recruitment sector and has the potential to have enhanced its liaison role both at policy and service delivery levels. The NEA is currently going through a lengthy and complex reform process. The Project can contribute to this process and thus contribute to NEA service delivery capacity by updating work-methodologies, business process and facilities, and by enhancing the continuous professional development of the NEA staff. To maintain the previous commitment and involvement of NEA, the Project shall continue the capacity-building centered on NEA's policies, organization, and individual/personnel level.

**Ministry of Education and Research (MER).** MER is an important partner in this Project considering that a substantial part of activities targets the formation/ improvement of skills for securing better paid and more stable jobs at local level, as well as entrepreneurship skills formation. The Project will keep the MER updated on the analytical findings and local evidence which are relevant for education policy and will maintain an active dialogue to ensure that skills gaps are addressed in the curricula of the regional and national TVET institutions. Also, further methodological, and technical support will be provided to the MER for implementing the validation mechanism for formal and non-formal competences recognition.

**Invest Moldova Agency (IMA).** IMA's mission is implementing state economic policies in mandated areas of activity which will contribute to the growth of the national economy by establishing public-private partnerships. Its key areas of activities are country brand promotion, supporting investment activity and protecting investment, export promotion, tourism promotion and strengthening and implementing the economic diplomacy. These areas make IMA a highly relevant partner for the Project, especially for the activities related to identification of local investment needs and promotion of investment offers.

**Local Public Authorities** from target communities and micro-regions (LPAs). LPAs have been the most essential local institutional stakeholders in previous SDC-supported initiatives. They will continue exerting a strong influence on the current Project's activities. Considering their resources and local influence, LPAs will be the main actors inspiring other local stakeholders for the successful implementation of all local interventions (entrepreneurial and labor skills formation, peer-to-peer learning, assessment of local investment needs, development of the investment and recruitment offers, etc.). Moreover, LPAs will play important coordination and lead roles in the identification and strengthening of local and regional value-chains.

**Congress of Local Authorities of Moldova (CALM).** As organization representing LPAs, CALM, including its Women Mayors Network, will remain engaged as an important stakeholder supporting the UNDP Project model and knowledge scale up. Based on its mandate and the liaison role between the local governments, national authorities and international organizations, CALM has significant capacity to influence and, hence, will be further supported to scale-up all efforts, represent and advocate for the common interests of local governments and disseminate the designed methodologies and good practices.

**SMEs, private sector representatives and business associations** (entrepreneurs). The Project will produce tangible results benefiting the entrepreneurs both from targeted communities and from the rest of the country. Locally, the entrepreneurs will be among the main Project beneficiaries, due to training and capacity building activities, as well as following the development of the value chains they are part of. The nation-wide impact on entrepreneurs of the Project will stem from its policy-related components which will be designed to bring systemic and lasting changes in the business climate.

**International Labor Organization (ILO).** ILO is a Project implementing Partner, with which close coordination and communication shall be established. Coordination with the ILO prior to institutional stakeholders' engagement will ensure the required co-benefits and synergy of expertise/ scope within the broader SDC Programme. One of the Project activities, the establishment of the National Economic and Employment Development Network will directly sustain the UNDP – ILO cooperation.

### **3.5. South-South and Triangular Cooperation**

SSC/TrC in the Project shall manifest by ensuring transfer of best available knowledge and experience to relevant recipients and by communicating about and inspire other interested countries/entities to take over the Moldovan experience gained as part of this Project. SSC/TrC shall be particularly indispensable for promotion of results achieved as part of the humanitarian-development-peace nexus. In this regard, SSC/TrC shall be used to showcase to the international community, during various international fora, conferences, seminars, to spread knowledge and information about the flagship examples and practices to be accumulated as part of this Project.

On the Project receiving end, the SSC/TrC shall take forms best suited for achieving the desired results, here including peer-to-peer support, adoption of best international practices, study visits, peer-reviews, and access to top-level expertise to support the jobs creation and SMEs development within the beneficiary micro-regions and clusters. As the Project aims to further support (re)integration of migrants and war refugees, the SSC/TrC shall be used to inspire and trigger a proactive attitude among local stakeholders to engage migrants and refugees in local development processes.

### **3.6. Knowledge**

The Project will devote resources to developing and disseminating knowledge products to be used for replication and national upscale during and beyond the timespan of the Project. In this regard, it is important to mention that a host of knowledge products shall be produced as part of the Project Outcomes, including guidelines on assessment of value chains, mapping of local investment needs and potential, and design of investment promotion packages.

The analytical results pertaining to the value chain assessments and identification of the regional competitiveness factors leading to SMART specialization will represent another set of outputs embedding high level expertise and providing actionable findings and policy recommendations.

The Project intends to conduct quantitative impact evaluation by adopting statistical design to baseline and follow-up studies/ surveys in the targeted communities and comparator group. The findings on what type of interventions work best under which circumstances is also expected to be a valuable knowledge product that will beneficially influence the next phases of the Project, as well as the interventions of other development partners of public policy.

### **3.7. Sustainability and scaling up**

The process initiated by the Project is expected to generate significant implications at national regional and local levels, including through policy, legislation, coordination, institutional and service provision channels. With the local public authorities, SMEs, CSOs, community leaders and members expected to be directly and fully involved in the activities and in the development of the program and be main beneficiaries of the training and other capacity building activities, local ownership over the Project Outputs will be ensured.

In particular, they will develop the SKATE essential for the long-term and inclusive economic development at local and micro-regional level. The set of skills, knowledge and tools will be designed with the potential of being further consolidated, scaled up and potentially transferred by the Project beneficiaries to other stakeholders both with and beyond targeted micro-regions and clusters.

## 4. Project Management

### 4.1. Cost Efficiency and Effectiveness

The proposed strategy is expected to deliver maximum results while making the best use of available resources. The Project team will look for synergies with other projects that might allow for joint activities and for cost-sharing of the activities to achieve higher value for money, as well as involve the cost-saving Long-Term Agreements with certain categories of service/goods providers available to the UN Moldova Country Team Agencies.

The Project will be under the **National Implementation Modality (NIM)** in accordance with UNDP rules and regulations. The State Chancellery, namely the Secretary General, ensures the overall coordination of the Project. Working together and in partnership with national implementing partners is a fundamental starting point for *all UN* priorities in Moldova, as drawn up in the United Nations Partnership Framework for Moldova. UNDP CO will provide support services to the Project at the request of the National Implementing Partner. In addition, UNDP CO will ensure Project accountability, transparency, effectiveness, and efficiency in implementation. UNDP will provide support in administrative and financial matters as described below:

Support Services	Schedule for the provision of the Support Services	Cost to UNDP of providing such Support Services	Amount and method of reimbursement of UNDP
Payments, disbursement, and other financial transactions, including direct payments, budget revisions, etc.	As agreed in the Annual Workplan (AWP) from the inception to closure of the Project	Cost-recovery based on UNDP Universal Price List and Local Price List	Periodic billing based on actual staff costs and agreed percentage
Recruitment of staff, Project personnel and consultants, including creation of vendors, selection and recruitment of expertise, personnel management services and banking administration, etc.			
Procurement of services and goods, including evaluation, proceeding through CAP, contracting, disposal and/or transfer of equipment and assets, customs clearance, etc.			
Travel support, including travel arrangements and authorization, ticket, visa and booking requests, F10 settlement, etc.			
Organization of conferences, workshops, and trainings, etc.			
Communication support, etc.			

### 4.2. Project Management

The implementation and monitoring of the Project activities will be carried out by UNDP in accordance with its applicable regulations, rules, directives, and procedures. To ensure ownership and sustainability of the Project, UNDP will work in close partnership with the ILO (particularly Outcome 1 and 3), SC, BRD, MLSP, NEA, CALM, CSOs (at the national and local levels), and other relevant actors.

## 5. Results Framework

The Results Framework is developed in full compliance with the information described in this Project Document and is *attached separately* to this document (Annex 1).

## 6. Monitoring and Evaluation

The implementation and monitoring of the Project activities will be carried out by UNDP in accordance with its applicable regulations, rules, directives, and procedures. The regular monitoring of the Project will be undertaken based on the Monitoring, Evaluation and Learning (MEL) framework developed for this specific Project, in line with UNDP and SDC requirements.

Its main goal would be to ensure regular feedback on implementation, early identification of potential problems to facilitate timely adjustments to on-going activities. This framework will include M&E arrangements at different stages of implementation and different levels of intervention, aimed at ensuring more comprehensive evidence of activities planned and results delivered, based on specific qualitative and quantitative data.

Also, the monitoring efforts, with emphasis on systematic assessment at the Project level, will provide the basis for making decisions and taking actions, and shall provide indispensable information and data for evaluations. Both quantitative and qualitative data will be collected in order to track implementation progress. The data shall elaborate on people's perception of access to services, information, and participation in local governance. Such data will be extracted from Project reports, surveys (a baseline and end-line opinion polls to be conducted at the beginning and repeated at the end of the Project), in-depth interviews with Project stakeholders and beneficiaries, training assessment results, central and local governments' records, and other.

The MEL framework shall disaggregate data for gender, youth, unemployed, people with disabilities, diaspora, labour migrants and returnees, geographic areas (in line with the specifics of each Project component) to assess the impact of the Project. This information shall be used to enhance focus on vulnerable groups and ensure that each of them are contributing to and benefiting from the Project interventions.

A final Project Evaluation shall be performed at the end of the Project by an independent team of evaluators to be contracted by SDC to measure results against targets set, positive changes embraced by the Project stakeholders, and evaluate the prospects of durability of results and formulate support exit strategies.

The M&E framework shall be complemented by a Learning monitoring compartment. The Project will use it to analyze evidence from program implementation and act on learnt lessons to inform program management.

The Project strategy involves creating learning opportunities for all its beneficiaries, as part of all Project Outcomes, through:

- Organizing regular thematic meetings, networking events and exchange of best practices, throughout the implementation cycle;
- engaging private and public stakeholders with a palpable record of achievements in mentoring and coaching their peers;
- disseminating of knowledge and learning materials, and
- assessing learning progress achieved by beneficiaries of all capacity building activities.

The MEL will fall under the direct responsibility of the Project Manager, who will be responsible for the overall data collection and verification process, establishing templates and procedures for accurate documentation and data collection process. Project Officers shall be responsible for component related data sub-sets on Project activities.

At the same time, Quality Assurance through regular and thorough monitoring of Project progress shall be performed by UNDP Moldova's Inclusive Growth Programme Specialist (Cluster Lead), Officer and Associate.

**Audit:** The Project will be audited in compliance with the UN internal policy on audit.

## 6.1. Monitoring Plan

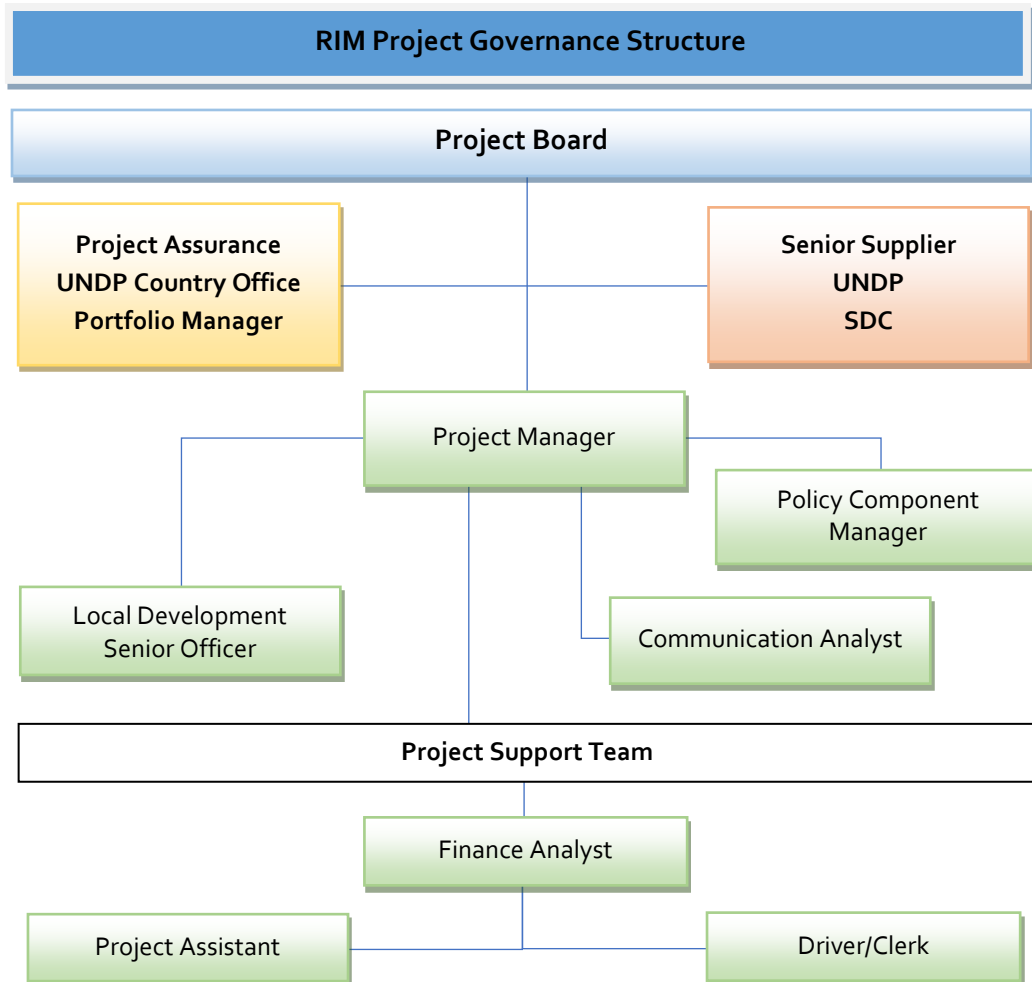
Monitoring Activity	Purpose	Frequency	Expected Action
<b>Track results progress</b>	Progress data against the results indicators in the Results Framework will be collected and analyzed to assess the progress of the Project in achieving the agreed Outputs.	Quarterly	Slower than expected progress will be addressed by Project management.
<b>Monitor and Manage Risk</b>	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by Project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.
<b>Learn</b>	Knowledge, good practices, and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the Project.	Annually	Relevant lessons are captured by the Project team and used to inform management decisions.
<b>Annual Project Quality Assurance</b>	The quality of the Project will be assessed against UNDP's quality standards to identify Project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by Project management and used to inform decisions to improve Project performance.
<b>Review and Make Course Corrections</b>	Internal review of data and evidence from all monitoring actions to inform decision making.	Annually	Performance data, risks, lessons, and quality will be discussed by the Project Board and used to make course corrections.
<b>Project Report</b>	A Progress Report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual Project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the Project (Final Report)	

<p><b>Project Review (Project Board)</b></p>	<p>The Project’s governance mechanism (i.e., Project Board) will hold regular Project reviews to assess the performance of the Project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the Project’s final year, the Project Board shall hold an end-of Project review to capture lessons learned and discuss opportunities for scaling up and to socialize Project results and lessons learned with relevant audiences.</p>	<p>At least annually</p>	<p>Any quality concerns or slower than expected progress should be discussed by the Project Board and management actions agreed to address the issues identified.</p>
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## 7. Governance and Management Arrangements

The Project will be carried out under a National Implementation Modality (NIM). The UNDP Country Office will provide support services to the Project at the request of the National Implementing Partner.

In addition, UNDP CO will ensure Project accountability, transparency, effectiveness, and efficiency in implementation. The support services provided by the Project may include: (i) Identification and/or recruitment of Project personnel; (ii) procurement of goods and services; (iii) financial services.



**National Implementing Partner (NIP):** the State Chancellery will oversee all aspects of Project implementation and is accountable for ensuring:

- the substantive quality of the Project;
- the effective use of both national and UNDP resources allocated to it;
- the availability and timeliness of national contributions to support Project implementation; and
- the proper coordination among all Project stakeholders.

**Project Steering Committee (PSC):** will be responsible for making consensus-based decisions, in particular when guidance is required by the Project Manager (PM).

The PSC will be responsible for providing strategic guidance to the Project, overseeing progress, reviewing, and approving of the Annual Reports, Work Plans, as well as the final Report.

The PSC will be convened at least once per year and will be comprised of the representatives of State Chancellery, Swiss Agency for Development and Cooperation, UNDP, Ministry of Economy, Ministry of Labour and Social Protection, Diaspora Relations Bureau, and the Congress of Local Authorities of Moldova – as Board Members. The effective and efficient implementation of all activities will be ensured through a



**Project Support Team** (PST) that will be staffed in line with the UNDP rules and regulations.

The PST will include:

- One Project Manager, who (for cost-efficiency purposes) will cumulate the functions of the Local Development Component Manager (Outcome 2);
- One Policy Component Manager (Outcomes 1 and 3);
- Two Project Officers (titled as Local Development Senior Project Officer and Communication Analyst), who will provide substantive support in areas such as capacity building, private sector support, local services, communication, and outreach;
- One Finance Analyst, one Project Assistant and one Driver/Clerk, who will provide financial, administrative, and technical support to the whole implementation team.

The PST will ensure close coordination of the Project activities with other relevant programmes, Projects, and initiatives to avoid possible duplication. The PST will ensure results-based Project management and successful implementation of the Project, close monitoring and evaluation of Project progress, observance of procedures, transparency and efficient use of funds, quality of works, and the involvement of national and local stakeholders in the decision-making processes.

In addition, each member of the Project Support Team will be obliged to pass the UNDP mandatory on-Line training courses to learn about the standards, rules, and procedures, which will strengthen the awareness and willingness to work proactively to prevent, detect and deal with corruption, and on addressing the issues of staff integrity and conflict of interest.

The detailed Terms of References of the core staff will be developed and annexed to the Implementation Plan. The Quality Assurance role for the Project, on behalf of UNDP, will be played by the UNDP Country Office through the Programme Specialist, Programme Associate, and Programme Officer, ensuring that risks and implementation-related issues are properly managed and monitored, and progress/financial Reports are prepared and submitted on time, and according to standards in terms of format and content quality, and submitted to the Project Board and the Donor.

Short-term international and local experts will be involved by the PST with the overall purpose to provide technical advisory support to the whole Project team for ensuring effective and efficient implementation of Project results in line with international best practices as well as relevant high-level policy guides. The short-term national and international specialists will have the responsibility of specialized technical support to the Project areas required by the Project. For specific gender issues UNDP will contract additional expertise.

## **8. Multi-Year Work Plan**

The Multi-Year Work Plan is developed in full compliance with the information described in this Project Document and is attached separately to this document (Annex 2).

## **9. Legal Context**

This Project Document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of (country) and UNDP, signed on October 2, 1992. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner" as such term is defined and used in this document.

This Project will be implemented by the State Chancellery ("Implementing Partner") in accordance with its financial regulations, rules, practices, and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP.

Any designations on maps or other references employed in this Project document do not imply the expression of any opinion whatsoever on the part of UNDP concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.

## 10. Risk Management

1. Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:
  - a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the Project is being carried;
  - b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.
2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.
3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999).  
The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)
4. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
5. The Implementing Partner shall:
  - a) conduct Project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards,
  - b) implement any management or mitigation plan prepared for the Project or programme to comply with such standards, and
  - c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism.

UNDP will seek to ensure that communities and other Project stakeholders are informed of and have access to the Accountability Mechanism.
6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or Project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to Project sites, relevant personnel, information, and documentation.
7. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud, or corruption, by its officials, consultants, responsible parties, subcontractors, and sub-recipients in implementing the Project or using UNDP funds. The Implementing Partner will ensure that its financial management, anti-corruption, and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
8. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner:
  - a) UNDP Policy on Fraud and other Corrupt Practices and
  - b) UNDP Office of Audit and Investigations Investigation Guidelines.

The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at [www.undp.org](http://www.undp.org).

9. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP Projects and programmes. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors', and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.
10. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality. Where the Implementing Partner becomes aware that a UNDP Project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.
11. The Implementing Partner agrees that, where applicable, donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities which are the subject of this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.  
Note: the term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors, and sub-recipients.
12. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions, or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.
13. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the Project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover, and return any recovered funds to UNDP.
14. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor, and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, mutatis mutandis, in all sub-contracts or sub-agreements entered into further to this Project Document.

## **11. Annexes**

- 1. Results Framework**
- 2. Multi-Year Work Plan**
- 3. Project Risk Matrix**
- 4. Project Quality Assurance Report template**
- 5. Terms of Reference for the Project Board**
- 6. Social and Environmental Screening template**