

PROJECT DOCUMENT
Republic of Moldova



Empowered lives.
Resilient nations.

Project Title: EU4Moldova: Focal Regions

Project Number: 00104937

Implementing Partner: UNDP

Start Date: 20 November 2019

End Date: 19 November 2024

Brief Description

The EU4Moldova: Focal Regions Programme will focus on strengthening the economic, territorial and social cohesion in the Republic of Moldova through facilitating inclusive, sustainable and integrated local socio-economic growth and improving the standards of living of the citizens in two focal regions: Ungheni and Cahul. The programme will support the two regions targeting necessary improvements in three areas: at the level of government – to improve the necessary services and the needed infrastructure, at the level of private sector – to stimulate private investment, improve the economy and create employment opportunities for the men and women; at the population level – to strengthen citizens participation in democratic governance processes and strengthen their capacities to demand their rights.

The Action aims to achieve the following results in the focal regions:

- Result 1.1. Increased institutional capacity of LPAs for the implementation of locally driven environmentally compliant socio-economic development strategy for integrated local growth and development.
- Result 1.2. Improved broader stakeholder (e.g. CSO, private sector) engagement in the planning and monitoring of the socio-economic development strategy,
- Result 2. Increased quality and availability of public services delivery, including in particular those targeting women; and increased performance of local public utilities,
- Result 3. More favourable conditions for the attraction of investments, job creation and women and men's entrepreneurship, including social entrepreneurship,
- Result 4. Development and functioning of clusters in line with the smart specialisation approach.

Target group(s):

- Local governments (Cahul and Ungheni raions, Cahul and Ungheni municipalities, other communes from the two raions);
- Municipal enterprises in charge of local public services
- Communities and community-based organizations (NGOs, volunteer groups, community groups, children, adolescents and youth and their parents).
- Economic actors including urban and rural businesses
- Central government ministries and institutions (e.g. Ministry for Agriculture, Regional Development and Environment)

Final beneficiaries:

- Communities and individual women, men, girls and boys;
- Local authorities and their staff in the local governments.

Contributing Outcome: <i>UNDAF OUTCOME 2: The people of Moldova, especially most vulnerable, have access to enhanced livelihood opportunities, decent work and productive employment, generated by sustainable, inclusive and equitable economic growth.</i> Indicative Output(s) with gender marker: GEN2	Total resources required:	23,300,000 EUR	
	Total resources allocated:	UNDP:	500,000 EUR
		EU:	22,800,000 EUR
		Government:	n/a
		In-Kind:	n/a
	Unfunded:	0.00	

Agreed by (signatures):

UNDP	Ministry of Agriculture, Regional Development and Environment
 _____ Dima Al-Khatib Resident Representative	 _____ Dorin Andros Secretary of State

Annex I
Description of the Action

EU4MOLDOVA: FOCAL REGIONS

ENI/2019/410-470



CONTENT:

EXECUTIVE SUMMARY	3
II. SITUATION ANALYSIS AND RELEVANCE OF THE ACTION	5
2.1. OVERALL BACKGROUND	5
2.2. SPECIFIC BACKGROUND FOR THE MUNICIPALITIES OF UNGHENI AND CAHUL	8
2.3. EU ENGAGEMENT	12
2.4. INTERNATIONAL ASSISTANCE AND DONOR COORDINATION	13
III. STRATEGY	14
3.1. PROGRAMME OBJECTIVES AND KEY RESULTS	14
3.1.1 Objectives	14
3.1.2. Key Results	14
3.1.3. Theory of change	15
3.2 IMPLEMENTATION APPROACH AND INDICATIVE ACTIVITIES	16
Component 1: Transparency, accountability of local public authorities and citizen participation in local planning and governance	16
Component 2: Improved access to, and quality of local public services and utilities	22
Component 3: Employment opportunities through favourable conditions for attraction of investment, job creation and entrepreneurship	25
Component 4: Smart economic specialization through the clustering and value chain approaches	29
IV. RELEVANT EXPERIENCE, LESSONS LEARNT AND INTERVENTIONS RATIONALE	32
IV-A: UNDP MOLDOVA	32
4.1. METHODOLOGICAL APPROACHES	34
4.2. LESSONS LEARNT	38
V. SUSTAINABILITY	39
VI. RISK LOG	41
VII. MANAGEMENT ARRANGEMENTS	42
VIII. MONITORING AND EVALUATION	50
IX. REPORTING	52
X. RISK MANAGEMENT	52
ANNEX A. LOGFRAME	56
ANNEX B. THEORY OF CHANGE DIAGRAM	62

EXECUTIVE SUMMARY

Title of the Action:	EU4Moldova: Focal regions
Location(s) of the Action:	Republic of Moldova (with a focus on the Ungheni and Cahul focal regions)
Total duration of the Action (months):	60 months
Budget	Total estimated cost: EUR 23,300,000, (with an indicative contribution of UNDP for the amount of EUR 500,000) Total amount of the EU contribution EUR 22,800,000
Objectives of the Action	<p><u>Overall Objective:</u></p> <p>The overall objective is to strengthen the economic, territorial and social cohesion in the Republic of Moldova through facilitating inclusive, sustainable and integrated local socio-economic growth and improving the standards of living of the citizens in the focal regions¹.</p> <p><u>Specific objectives:</u></p> <ol style="list-style-type: none"> 1. To strengthen transparency, accountability of local public authorities and citizen participation in local governance processes in the focal regions, 2. To improve citizens' access to quality public services and utilities in the focal regions, 3. To create employment opportunities for men and women in the focal regions and improve the attractiveness of the focal regions for investors and entrepreneurs, 4. To promote the smart specialization of the economy of the focal regions through the development of the clustering and value chain approach in key economic sectors.
Key outputs/results	<p>The Action aims to achieve the following results in the focal regions:</p> <p>Result 1.1. Increased institutional capacity of LPAs for the implementation of locally-driven environmentally compliant socio-economic development strategy for integrated local growth and development.</p> <p>Result 1.2. Improved broader stakeholder (e.g. CSO, private sector) engagement in the planning and monitoring of the socio-economic development strategy,</p> <p>Result 2) Increased quality and availability of public services delivery, including in particular those targeting women; and increased performance of local public utilities,</p> <p>Result 3) More favourable conditions for the attraction of investments, job creation and women and men's entrepreneurship, including social entrepreneurship,</p> <p>Result 4) Development and functioning of clusters in line with the smart specialisation approach.</p>

¹ Selected city and adjacent rural areas, for simplicity hereinafter referred to as 'focal regions'

<p>Main activities</p>	<p><u>Component 1:</u> Transparency, accountability of local public authorities and citizen participation in local planning and governance</p> <p>Activity 1.1: Support the territorial cooperation for a more effective promotion of Economic Growth Agenda Activity 1.2: Strengthen the capacity of local authorities to become pro-active development actors Activity 1.3: Design and build the necessary IT infrastructure to enable SMART integrated development, increased public participation and improved local services Activity 1.4: Strengthen the local participatory development approach</p> <p><u>Component 2:</u> Improved access to, and quality of local public services and utilities</p> <p>Activity 2.1: Increase the efficiency and quality of local utilities through inter-municipal cooperation and regionalization Activity 2.2: Support joint community-based initiatives to improve the local service delivery for vulnerable groups</p> <p><u>Component 3:</u> Employment opportunities through favourable conditions for attraction of investment, job creation and entrepreneurship</p> <p>Activity 3.1: Improving the investment attractiveness of focal regions Activity 3.2: Improving the competitiveness of private sector to generate more qualitative jobs Activity 3.3: Improving the national and international image of Ungheni and Cahul as rising regional 'growth poles'</p> <p><u>Component 4:</u> Smart economic specialization through the clustering and value chain approaches</p> <p>Activity 4.1: Support the organization of local key economic sectors into dynamic growth-oriented clusters Activity 4.2: Supporting the internationalization of regional economies through integration of key- economic sectors into advanced international (primarily EU) value chains</p>
<p>Target group(s)</p>	<ul style="list-style-type: none"> ▪ Local governments (Cahul and Ungheni raions, Cahul and Ungheni municipiums, other communes from the two raions) ▪ Municipal enterprises in charge of local public services ▪ Communities and community-based organizations (NGOs, volunteer groups, community groups, children, adolescents and youth and their parents). ▪ Economic actors including urban and rural businesses ▪ Central government ministries and institutions (e.g. Ministry for Agriculture, Regional Development and Environment)
<p>Final beneficiaries</p>	<ul style="list-style-type: none"> ▪ Communities and individual women, men, girls and boys. ▪ Local authorities and their staff in the local governments.

II. SITUATION ANALYSIS AND RELEVANCE OF THE ACTION

2.1. OVERALL BACKGROUND

Moldova is a lower middle-income country with a population of 3.55 million (estimated 2017)². The population is distributed evenly between men (48.1%) and women (51.9%). In 2017, the National Bureau of Statistics estimated that 42.7% of the population were urban dwellers and 57.3% lived in the rural areas. Moldova ranks 107th out of 188 countries on the Human Development Index (HDI-0.699). The IMF estimates that real GDP rose sharply in 2017 (+4.5%) and is predicted to grow by 3.7% in 2018. Moldova remains the poorest country in Europe with a GDP per capita of USD 2,311 according to the latest census results³. In 2014, 56.32% of GDP was generated in Chisinau⁴. The private sector accounts for 56.6% of GDP.

Sustained economic growth and reforms to the social protection system have helped to reduce poverty, but in 2014⁵, approximately 11.4% of the population were estimated as living below the absolute poverty line. The average monthly wage in 2017 was estimated at Euro 228. Absolute and relative poverty is particularly acute amongst the rural population⁶, the elderly living alone and larger (5+) households in the urban areas. Children are particularly affected in rural areas (18%)⁷ and in households with more than three children (23%)⁸. While there is little appreciable difference between men and women on the majority of indicators, there is a substantial difference in share of gross national income⁹ (the gender pay gap is 14%). Moldova scored 1.010 on the Gender Development Index and 0.248 (rank 50th) on the Gender Inequality Index.

The development prospects of the Republic of Moldova are challenged by a range of **economic, social and demographic constraints**. The poorest country in Europe Moldova has achieved an average 4.5% per capita GDP growth rate driven by consumption, agriculture and remittances.¹⁰ The growth proves to be slow and unsustainable, marking a loss of GDP potential and competitiveness.

The economy is dominated by the service sector (63.2% of GDP end 2015) and the manufacturing sector (20.7% of GDP). Agriculture accounts for 16.1% of GDP and 27.5% of the active labour population continue to derive their living from primary agriculture¹¹ (45.3% women). There is a significant trade imbalance (-2387 million USD estimated end 2017). The IMF estimates that at the end of 2017 remittances had fallen by 22% since 2014.

² National Bureau of Statistics of the Republic of Moldova (www.statistica.md). The figure is considered to be overestimated, the real population would be around 2.8 million

³ World Bank, Economic update for Moldova, May, 2017 - <http://www.worldbank.org/en/country/moldova/brief/moldova-economic-update>

⁴ ENPI-funded project on regional statistics

⁵ This is the latest date for which reliable poverty data exists.

⁶ The National Human Development report highlighted the significant gap between absolute urban and rural poverty in Moldova with 19 percent of the rural population living below the national poverty line versus 5 percent in urban areas. The most vulnerable groups are also exposed to social inequalities in education, health, access to quality services, and participation. The urban-rural income gap doubled from 24 percent in 2010 to 42 percent in 2015 (UNDP, 2017).

⁷ National Bureau of Statistics, 2017

⁸ Ministry of Economy and Infrastructure, 2017

⁹ The number of women entrepreneurs in rural areas is significantly lower than in urban areas (14.9 % compared to 27.5%). Women in rural areas tend to have more children and due to the lack of sufficient social services have to resort to part-time work in the informal economy or unpaid care-work.

¹⁰ The World Bank in Moldova, <http://www.worldbank.org/en/country/moldova/overview>.

¹¹ The total number of persons in formal employment who derive their primary income from agriculture and forestry is 390,500, of which 167,400 were women at the end of 2017.



The official rate of unemployment at the end of Q4 2017 was 3.3%¹² disguising the high levels of under employment and employment in the informal economy (only 39 % women and 43% men are economically active). Women are most active in food processing and textiles/clothing, while men are more likely to be employed in machinery, metals and chemicals. 33.7% of the population are employed in agriculture, 49.2% in services and the remainder (17.1%) in manufacturing and construction. On average, women earn 14.5% less per month than men.

The structural deficiencies of the economy are emphasized by the low potential of Industry, lack of competitiveness of Agriculture, low export potential and declining private sector investment.

Moldova's private sector has struggled due to low investment and the resulting inadequate levels of productivity and export competitiveness. The regulatory burden and limited access to finance have further restrained the competitiveness of domestic enterprises.

Small and medium enterprises (SMEs): In 2016¹³, 51,600 SMEs contributed a total of 31.4% of total GDP generating €2.5 billion in income. 49% of this income was generated by commerce (retail and wholesale), while only 11% by manufacturing. SMEs accounted for 67 percent of total employment in Moldova, with the service sector taking the lion's share.¹⁴ Despite some progress made through implementation of the National SME Sector Development Strategy 2012-2020, SME's still face a number of hurdles, like difficult access to financing, banking and non-bank financial services and business support services. Alternative sources of finance are scarce, and many SME support instruments continue to be heavily dependent on donor funding. Business skills, particularly related to finances are also insufficient. The training offer is limited and fragmented.¹⁵

Business climate: Despite being ranked 44th globally in the Doing Business rankings of the WB by the ease and costs of business regulations¹⁶ Moldova still lags behind when it comes to administrative issues like construction permits, and scores very low in the corruption index of TI (122 of 180 countries)¹⁷. The World Bank governance indicators point to general weaknesses of Moldovan public administration in particular in terms of corruption, the rule of law, regulatory quality, and government effectiveness. Large gender gaps exist in business ownership and entrepreneurial activity, with indebtedness, poor access to equity capital and lack of knowledge on how to further expand their businesses hindering women's progress.¹⁸

Labour force: Due to transition processes like migration and a rigid education system, Moldova has lost its reputation of relatively cheap and skilled labour¹⁹. Workers in the rural areas, occupied in agriculture, are among the most vulnerable and tend to migrate towards urban areas, as they are confronted with very low wages and lack of employment opportunities. Mothers of children under five years old, as well as those having more than two children of pre-school age face a significant labor force participation penalty, most likely due to a lack of childcare facilities and of part-time "child-

¹² The National Bureau of Statistics reported that the percentage of unemployed persons at the end of 2017 was 3.3% of the active labour population (4.0% of the male and 2.7% of the female active labour populations).

¹³ http://statbank.statistica.md/pxweb/pxweb/en/40%20Statistica%20economica%20economica__13%20CNT__CNT060/CNT060082.px/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774

¹⁴ SME Segmentation Study, the World Bank 2015

¹⁵ http://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/Peer_Review_Note_Monitoring_SME_reforms_Moldova.pdf

¹⁶ <http://www.doingbusiness.org/content/dam/doingBusiness/country/m/moldova/MDA.pdf>

¹⁷ According to the Corruption Perception Index of Transparency International: https://www.transparency.org/news/feature/corruption_perceptions_index_2017

¹⁸ World Bank (2018). Supporting Women's Entrepreneurship in Moldova.

¹⁹ Human Capital Report 2016, World Economic Forum.

friendly" jobs.²⁰ The skills shortages represent a major challenge for employers, with more than 25% of companies experiencing labour shortages mostly due to difficulties in finding qualified staff.,²¹

In spite of this, human capital remains one of the few factors that can positively influence economic growth in the country in the medium and long run by enhancing productivity.

As recognized by the European Joint Development Cooperation Strategy²², living conditions in towns and rural areas remain a large problem and Moldova increasingly needs new engines for socio-economic development that would combine economic expansion with social inclusion and cohesion. There is a strong need to enhance job opportunities that allow women and young people to find work locally. Social and economic transformation of the small towns and rural areas is also needed to enhance trust between citizens and local governments, to revive prospects for a better future and attract domestic and foreign investors.

Access to public services: Access to public services, particularly water and sanitation, is a critical element of economic growth and poverty reduction and a fundamental pillar for improving the living standards and wellbeing of the population. The quality of water across the country is very poor, while access to water and sanitation remains a challenge, particularly in the rural areas. Less than 20% of the population in rural areas from the North, Centre and South-East of Moldova has access to public water systems, while only 1.7% of rural households have access to public sanitation.²³ The water and sanitation infrastructure is mainly built during the soviet times and is in a state of disrepair operating with great losses and high costs. The limited access and poor quality of water impacts the public health, particularly of women and children, and limits the economic opportunities of the respective localities. The majority of enterprises providing water and sanitation services are controlled by local authorities.

Income inequalities: The country remains the poorest in Europe, with the lowest per capita income. Even if overall, in nominal terms, there has been a 53.5% increase in per capita income from 2010 to 2015, the inequality between rural and urban population has increased from 23.6% in 2010 up to 41.8% in 2015, with poverty levels reaching 16.4% in rural areas, or 7.5 times higher than in urban areas.

Migration: The low wages and the limited number of jobs in the small towns and rural areas have stimulated internal migration from the regions to Chisinau Municipality (approximately 6.2% per annum) and external migration (approximately 2,500 persons leave Moldova permanently each year). The Development Regions²⁴ are losing between 2.2% and 2.5% of their populations annually, particularly youth. Labour force migration increases economic inequalities particularly in rural communities, while brain drain has created a substantial deficit of highly qualified employees on the local labour market. The two focal regions presently have populations of 105,324 (Cahul) of which 27.3% live in the urban areas and 51.6% are women and 101,064 (Ungheni), 32.5% of whom live in the rural areas and 52% are women.

Environment protection and disaster management: Moldova is highly vulnerable to climate change. It ranks among the most climate vulnerable countries in Europe and Central Asia based on a range of social and economic indicators, and it

²⁰ World Bank (2018). Moldova Labor Market Gender Inequality.

²¹ Rutkowski, Jan, Victoria Levin, and Ali Bargu (2017). Missing Skills: Results of the Skills Module of the Moldovan Labor Market Forecast Survey. Washington, DC: World Bank.

²² https://eeas.europa.eu/delegations/moldova/40533/european-joint-development-cooperation-strategy-joint-programming-document-republic-moldova_en
https://eeas.europa.eu/sites/eeas/files/joint_analysis_0.pdf

²³ National Bureau of Statistics. Social Statistics. Dwellings' endowment with utilities by areas of residence, 2006-2015; <http://statbank.statistica.md>

²⁴ According to the Law on regional development, there are six development regions: North DR, Centre DR, South DR, Chisinau Municipality DR, ATU Gagauzia DR and Transnistria DR



faces a number of adaptation challenges.²⁵ Climate change is expected to increase the frequency and intensity of most extreme events and natural disasters (e.g. droughts and floods), and bring new climate-related challenges to daily life and agriculture.²⁶

2.2. SPECIFIC BACKGROUND FOR THE MUNICIPALITIES OF UNGHENI AND CAHUL

Moldova is a relatively small country, the municipalities of Ungheni and Cahul being only 200 kms from each other. Their surrounding focal regions, up to the level of the raion, are similar when it comes to their social and economic conditions, their local administrations and their services, and their civil society organizations. Both focal regions are among the top 5 largest cities and raions.

In both focal regions, the town and raions have socio-economic development strategies, with priorities which correspond to a good degree with this Action's objectives. The towns have urban master plans, but their urban fabric is marked by their soviet past and in need of rehabilitation.

Cahul is positioned in the south-west border of Moldova and is the third largest city in terms of socio-economic development. The Programme for socio-economic development of Cahul raion (2017-2020) targets a balanced socio-economic development. Historically Cahul raion is famous for its agriculture; industries based on raw materials; light industry; university and VET education, and its potential for tourism (mineral springs water and culture). The raion hosts a Free Economic Zone (FEZ) "Balti" – Subzone Cahul which represents an excellent platform for export-oriented manufacturing companies. There is also an industrial park and a business incubator. At the end of 2017 there were 785 businesses with 10008 employees (246 employees less than in 2015) of which 10 large companies with 2459 employees and 605 micro enterprises with 1881 employees. In Cahul 74.3% of business activity is in commerce. The monthly average remuneration is 25.7% smaller than the country average.

Ungheni raion is in the central-west part of Moldova, bordering Romania. A local Socio-economic Development Strategy for Ungheni 2012-2020 has been developed as well as an Urban Development Plan for 2014-2030 and are implemented through a series of annualized Action Plans. The FEZ, "Ungheni –Business", was established in 2010 and a business incubator was set up in 2005. As at the end of 2017 there were 1059 businesses with 9951 employees (1.88% of all employees in the country) of which 6 large companies with 3267 employees and 911 micro enterprises with 2005 employees. The total sales revenue of businesses in Ungheni was 4363.5 million lei (contributing with 1.32% to all revenue of the country) and the monthly average remuneration was 23.1% smaller than in the country. There are two major contributing economic sectors: mining and processing industry with 49.9% of the total turnover, and commerce 38.4% of total annual turnover of Ungheni raion.

From a focal regional perspective, the two towns account for a large part of the raional population. This configuration favours the development of different sectors, regional operators of communal and technical-municipal services, development of regional markets, economic attractiveness and capacity to absorb the labour force from the surroundings into the manufacturing processes. The level of development of the focal region is directly influenced by the development of the towns. This urban – rural interaction can be managed by giving specific focus on diverse types of development needs both inside towns and rural areas surrounding them. The focal regions lack integrated strategic documents which

²⁵ According to the widely used Notre Dame Global Adaptation Index (ND-GAIN, <http://index.gain.org/>), which summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience, Moldova ranks as the fourth most climate vulnerable country in Europe and Central Asia (behind Turkmenistan, Uzbekistan and Tajikistan) (January 2017).

²⁶ World Bank. 2016. Republic of Moldova – Moldova Climate Adaptation Investment Planning Technical Assistance. Report No: ACS18562.

would link the needs of the villages with the urban economic pole. The surrounding villages are also lacking Urban Plans (in the country only 1 % of rural areas have these documents).

The local governments of Cahul and Ungheni are considered among of the most transparent and progressive in the country. Cahul organized public hearings, and participatory planning processes of the various strategies and even budget. In Ungheni, although the local government attempted to set up a one-stop shop for administrative services, the efforts were not successful due to weaknesses in the understanding by front office staff of the functions and mandates of various municipal departments, and the type of assistance which can be provided to citizens. In Cahul there is no one stop shop service. Citizens nevertheless expect better quality of services (43% were not satisfied²⁷) as they experience long delays in obtaining needed services, poor performance, lack of transparency and, unfortunately, corruption. The local administrations lack quality management systems for all their administrative procedures and document management systems.

In spite of some investments made during the last years, the access to communal services and their quality remains a challenge. Communal services are provided by municipal enterprises which are afflicted by problems like: outdated equipment (leading to low efficiency and poor quality of services), low utility fees (which do not cover the true cost of operation and replacement of assets), low salaries of staff (which hinders employment of good experts). In Cahul, as an exception, the local service provider for water and sanitation benefited from a significant restructuring. With the support of EU/GIZ, the rayon managed to develop a Water and Sanitation strategy (2018-2023), reorganized the municipal enterprise "Apa Canal Cahul" in a joint stock company and extended the service in the surrounding villages. Public water supply in Cahul rayon covers 72% of the population and 82% in the town of Cahul. The public sanitation network covers only 14% of the population, while the existing wastewater treatment plants do not meet legal requirements.

Waste collection is only available to 75% of urban households and only 14% in the rural areas. The equipment of the municipal enterprise is 35 years old. There is no regional landfill, as provided by the Regional Strategy for Waste Management for the South Region, waste being disposed in 51 dumpsites of the raion. Road maintenance and repair is provided by a municipal enterprise which has to compete for funding against public companies, is equipped with obsolete equipment and cannot access financing due to its financial standing. In Ungheni, according to the Raion strategy of Ungheni (Water and Sanitation components) in 2018 (June), about 54% of the Ungheni raion population had access to centralized water supply, of which 77% in the urban area and 41% in the rural area. 22,000 people in 36 localities of the raion do not have access to public water supply system, making water supply their first development priority.

Only 19% of the Ungheni raion population have access to centralized sewerage systems, including 53% in the urban area, and 0.4% - in the rural area. Water and sanitation services are provided by the municipal enterprise Apa Canal Ungheni, which has the capacity to provide services to the entire rayon but cannot do so due to urgent rehabilitation needed for the municipal distribution network. The network was built in 1975, it is dilapidated and obsolete. Waste collection covers 74% of the urban areas, and 3% of rural areas. The municipal waste is disposed of in 37 irregular dumpsites, which are not equipped with weighbridge. The municipal enterprise which is providing this service in the raion (covering Ungheni town and other 8 rural villages) is Ave Ungheni. It can extend the services to other villages, but needs more equipment, trucks, and containers as well as improved roads in the villages.

Social services, particularly those for youth, children and women, have room to further improve, lacking adequate

²⁷ Study on the Municipal Services Performance, Developed under Local Government Support project developed by USAID.



finances, qualified staff, well maintained premises and modern equipment and supplies.²⁸

Education: The implementation of quality education is hampered by outdated teaching methods and curricula. The penetration of modern digital e-content and tools in support of quality education is minimal. Teachers need substantial capacity building to apply modern teaching technologies and improve students' competencies. There is a very weak collaboration between universities and secondary schools and Youth Centres and the potential of the university staff to provide career guidance to both students in schools and adolescents is not tapped. Water and sanitation conditions in most schools, especially in rural areas, need serious refurbishment, and hygiene education is not provided in schools.

Adolescents and youth have limited access and opportunities to participate in the public sphere, inadequate skills, low employability and limited access to resources. Key risk factors for adolescents (15-17 years) wellbeing²⁹ are early pregnancy and marriage, especially for unemployed, out of school adolescent girls; lack of adequate vocational and skill training opportunities, especially in rural areas; limited access to finance or cooperatives due to status as minors; discrimination in getting 'decent' jobs due to status as minors although legally employable; exclusion from youth support programmes due to age; work in hazardous conditions (considered also as child labour). OECD assessments shows that 36.2% of young people suffer deprivations in multiple dimensions (the top three being: a) lack of opportunities for civic participation, b) lack of employment and c) poor health outcomes) with those aged 18-29, women and rural youth being the most vulnerable. Participation and Civic Engagement: the ability of children, adolescent and youth to participate in democratic governance is affected by the lack of awareness on and opportunities to participate, limited access to existing participatory mechanisms, the exclusion of disadvantaged youth groups and insufficient funding for Youth Councils which can catalyse such participation. An estimated 42% of youth aged 15-24 state they are willing to participate but cannot due to "lack of time" or because they "do not know how to get involved"³⁰. Access to local youth participatory structures, such youth councils, pupils' councils or youth wings of political parties is limited in many districts and particularly inaccessible in rural areas. Both districts, although following the National Youth Strategy 2020 priorities, don't have a local district level youth strategy. The budget for youth activities in 2018 in Cahul rayon was approximately MDL 300,000 (EUR 15,000) and in Ungheni MDL 463,400 (EUR 23,000), amounts quite insufficient to support youth activities. Both youth programmes in Ungheni and Cahul are managed by a youth specialist placed in the Education Department.

Both towns are reputed for having strong civil society organizations, involved in the community and developing strong partnerships with the local authorities. While in Ungheni there are 193 NGOs in the raion of which 93 in the town, in Cahul the number of CSOs has decreased during the last 10 years with very few organizations left in the rural areas.

In Cahul, there are no "hometown associations" to involve the Diaspora in local projects.

Two Local Action groups have recently been established, LAG Lunca Prutului de Jos, covering 9 villages and LAG Valea Halmagei, which covers 10 villages. There is a need to integrate in a balanced manner the development strategy of the LAGs with the town's LSED Strategy and also with the raional one. Some local government – NGO platforms for dialogue exist, but they face many challenges especially in communication with local council members. NGOs capacity to monitor local government activities and play a watchdog role are very low. Funding for CSO is scarce, with the notable exception

²⁸ The analysis of the situation of women and children in Ungheni and Cahul is based on a number of recent national surveys completed by UNICEF (representative also on the situation in the two districts) and extensive discussions with local authorities, sector professionals, population and youth conducted in August-September 2018. A follow up assessment was also conducted by UNICEF's civil society partners in September 2018. Full details on the situation of women children and youth can be seen in Annex 1.

²⁹ OECD Evidence-based policy-making for Youth Well-being, 2017

³⁰ Council of Europe, 2013

of a Fund for Youth, targeting especially the young people from surrounding villages, vulnerable groups etc.

In Ungheni NGOs are managing small grants for local initiatives, especially supporting the initiatives from the surrounding villages. The NGO sector benefits as well from cross border cooperation projects. There is also a Fund for supporting the Youth initiatives. There is a strong network of local action groups, covering many of the neighbourhoods, as well as a Local Action group established in the so called CULA region, covering 18 localities. However, the capacity of CSOs is still weak when it comes to monitoring transparency and accountability of municipal services. The Diaspora is also an important actor which supported the municipality to collect funds and implement community projects.

For the economy, the challenges presented below are specific for both raions with minor differences. To encourage business growth, it is necessary to strengthen the institutional effectiveness of local authorities to provide support for private sector development, improve the regulatory framework, the attitude of the bureaucracy, as well as the infrastructure. The challenges are further raised by limited capacities of local authorities and the lack of a cooperation platform between local and central authorities, the private sector and the NGOs.

Innovation is the bedrock of competitiveness. Each region has to identify locally specific socio-economic advantages based on existing assets, smart use of local resource and integrated approach towards sustainability in order to discover unique opportunities (innovative business models) for higher-value added businesses. There is a lack of research and development across economic sectors to enhance the local potential in order to meet the demands for domestic production and consumption, to engender linkages across the nation and to facilitate export. Innovation and thinking out of the box should be encouraged to creatively adapt best experience/practices to local conditions.

Local companies (including municipal enterprises) are facing difficulties regarding business knowledge and skills (initiating and managing of a business, business development and investments planning, financial literacy and access to finance, modern technology's and know-how transfer, etc.). There is a lack of synergy between the labour market and the educational system and a need to support/develop/strengthen SMEs and social entrepreneurial initiatives through business development services.

The area surrounding both towns is rural, with agriculture as the main occupation. There is an oversupply of local products (peaches, plump, apples, etc.). Some orchards are being cut since the production cannot be sold because most rural companies lack access to relevant markets and are not capable to ensure compliance with sanitary and phytosanitary standards. There is a lack of intermediate and higher value-added services (calibration, packaging, storage, producers' associations, marketing, export, etc.), business support and innovative development services which can create inter-industrial, trade and industry linkages, especially export-oriented processing.

Vegetable crops occupy small areas. The main reason that has led to declining vegetable production is the lack of vegetable processing plants. These crops are cultivated only to meet the needs of the local market.

Animal husbandry has always been an important branch for the national economy of the republic, being a historical-traditional occupation in the country. Currently the livestock breeding is in a deplorable state. The number of cattle decreases continuously - 10 times less than in 1990. There is a lack of pastures (poorly managed) and plants to processes the milk, meat and wool locally.

Moldova is branded as a "soft adventure travel" destination, as well as a wine destination. Both municipalities do not have a well/easy recognized brand/trademark. Guides and touristic services do not exist to inspire tourists to visit local attractions (places to see, to stay, to eat, activities, familiarizing with folklore and local traditions, craftsmanship etc.) and plan/design the trip in connection with other tourist spots from the regions.



There is an influx of people from the neighbouring localities to raions. Many families from the countryside work in town and would prefer to bring their children to a kindergarten in town. The capacity of public kindergartens is limited and of private kindergartens is missing. Increasing the places in kindergartens could enhance opportunities to integrate women and young people into the formal labour market.

2.3. EU ENGAGEMENT

There are several EU-funded interventions focused on regional and rural development in Moldova, including: a) completed projects and programmes which can be used to derive lessons learned, identify follow-up actions, and/or scale-up results through replication and outreach in extended settings; b) ongoing actions that are already in the process of implementation, which can be used as the basis for identification of additional needs, and design of follow-up actions; and c) already programmed, or planned interventions where this Action clearly complements planned support actions.

The Action will further promote best practices and success of the ENPARD programme, the EU funded project "Moldova Energy and Biomass", the EU-funded Programme "Support to Agriculture and Rural Development in ATU Gagauzia and Taraclia" and the EU funded programme "Construction of Water Supply and Sanitation infrastructure as well as Energy Efficiency in Public buildings" (implemented by GIZ); the latter has developed a pipeline of water supply and services investment projects endorsed by the Ministry of Agriculture, Regional Development and Environment and local public authorities.

The Action will also capitalise on and promote the activities of the EU Regional Programmes in the Eastern Neighbourhood, including EU4Business, EU4 Energy, EU4Digital, EU4Innovation, the Eastern Partnership Flagship Initiative on Sustainable Municipal Development, including the Covenant of Mayors and Mayors for Economic Growth; it will also build on the achievements of the EU funded "Modernization of Local Public Services Project". Through the "Mayors for Economic Growth initiative", support is being provided to Edinet (North region), Cismislia (South region) and Gagauzia. The Action should be seen as complementary to other ongoing actions supported by the EU under EU4business, such as East Invest, the Small Business Support (SBS) and the Women Business Support Programmes implemented by EBRD. The proposed action will target micro and small size rural business not covered by these facilities as well as specific gender mainstreaming and women economic empowerment local initiatives such as the National Moldovan Women Platform (NMWP).

The Action shall ensure consistency with the horizontal public administration reform (PAR) efforts, as planned in the National PAR Strategy 2016-2020.

The Action will also create synergy and complementarity with the other actions foreseen in the Annual Action Programme 2018 related to anti-corruption, gender equality and fighting violence against women and children, the ICT and innovations and economic governance, and with initiatives financed through the Cross-Border Co-operation programme 2014-2020. In addition, the Action will capitalise the pilot work being undertaken by JRC for the development of a national smart specialisation strategy, which should help for the identification of priority areas for innovation in the selected focal regions.

The EU Delegation is engaged in a wide-ranging policy dialogue with the Government, including through the EU High Level Policy Advice Mission. EU High Level Advisors are present in each of the key sectors: Economy, Labour, Regional Development and Agriculture and Rural Development.

2.4. INTERNATIONAL ASSISTANCE AND DONOR COORDINATION

The Action is designed in close relevance to the strategic country development priorities, as well as by creating close interactions with other on-going projects implemented by other international donors and implementing agencies. Considering the multi-sector approach of the current intervention, donor coordination and policy dialogue at several levels will be pursued.

Support to rural and regional development is provided by the World Bank, EBRD, GIZ, and various agencies and operating structures of the United Nations network, alongside bilateral assistance from EU Member States such as Germany, UK, Romania, Slovak Republic, Sweden, Czech Republic, Lithuania and from the Swiss Development Cooperation (SDC) and the USA.

USAID: In the area of local governance, decentralization, improvement of local public services, the Action will coordinate its activities with *Comunitatea Mea* project, financed by USAID. Both focal regions centres – Cahul and Ungheni – will be assisted by this project in developing their multi-year investment plans, LSEDS financial support for small infrastructure projects, as well as in prioritising support for social service development and strengthening of youth programs. Synergies with USAID's "LEADER" project facilitating bottom up approach to development will seek increased opportunities for young people to engage and be eligible for seed funding for economic development. Thematic synergies with Moldova Competitiveness project will be ensured, especially on issues such as tourism and development and support of creative industries in rural areas. Also, for better coordination and efficiency of the actions, close links will be made with High Value Agriculture project. The project is also targeting women and supports them in launching start-ups, small agri-business activities in rural areas.

World Bank: Another important area to consider refers to efficiency and transparency of the local governance in administration of public goods, therefore synergies will be made with the World Bank Project "Land Registration and Property Valuation Project" and "Moldova Economic Governance" both started its implementation in 2018.

SDC: The Action will be implemented in complementarity with SDC projects. One of the forth coming projects (2018-2021) financed by SDC "Engaged People - Strong Municipalities" will target Local Governance with special emphasis on improvement of public services in rural areas, decentralization and enhancing the participation of citizens in local development and decision-making. Synergies in youth sector development and schools will see collaboration with the Council of Europe in schools under the "Fostering Active Civic Engagement" project. There is no duplication of efforts in regard to the youth sector development.

Another priority of SDC for 2018-2021 will be Economic Development and Employment. Under this program three major gaps will be addressed: labour demand (jobs gap), labour supply (skills gap), and the mismatch between them (labor market governance gap). Therefore, the Action will create synergies and correlation with these initiatives as well, as this is being as well one of the sectoral objectives of the Action.

Polish Aid Fund: Consistency and complementarity will be ensured with the Polish Funded program on urban revitalization, as both targeted regions are beneficiaries of the initiative.

The action will seek synergies in interventions focused on ICT skills building and innovations within the Swedish International Development Cooperation Agency (Sida) project planned under EU Annual Action program 2018 intervention in Cahul. Synergies and close cooperation with GIZ 's DualVET program will be sought with specific focus on youth mobilization and outreach, and linking vulnerable adolescent and youth to DualVET opportunities. Cooperation with GIZ



democratic participation program (implemented since 2017) will be sought as well with focus on strengthened engagement of youth in monitoring local development strategies implementation.

The Action will reinforce the outcomes of UNDP's project "Migration and Local Development", which is part of the multi-annual programme 2015-2018 "Moldova – Making the Most of Migration" funded by the Swiss Agency for Development and Cooperation.

National funds: The Regional Development Fund, the Subsidy Fund for Agriculture and Rural Development, the Energy Efficiency Fund, Environmental Fund and Moldova Social Investment Fund governed by the national public structures. The present Action should be seen as complementary to these funds.

The Government has established donor assistance coordination structures and processes under the auspices of the Ministry of Finance. Regular cross-sectoral meetings of all development partners take place.

Close collaboration with The Organization for development of Small and Medium Enterprises' (ODIMM) program "Start for Youth" will be built in ensuring access to start-up financing for most vulnerable and marginalised youth and adolescents.

III. STRATEGY

3.1. PROGRAMME OBJECTIVES AND KEY RESULTS

3.1.1 Objectives

The overall objective is to strengthen the economic, territorial and social cohesion in the Republic of Moldova through facilitating inclusive, sustainable and integrated local socio-economic growth and improving the standards of living of the citizens in the focal regions.

The specific objectives (SO) of the action are:

1. To strengthen transparency, accountability of local public authorities and people's participation in local governance processes in the focal regions,
2. To improve citizens' access to quality public services and utilities in the focal regions,
3. To create employment opportunities for men, women and youth in the focal regions and improve the attractiveness of the focal regions for investors and entrepreneurs,
4. To promote the smart specialization of the economy of the focal regions through the development of the clustering and value chain approach in key economic sectors.

3.1.2. Key Results

The Action aims to achieve the following results in the focal regions:

Result 1.1. Increased institutional capacity of LPAs for the implementation of locally-driven environmentally compliant socio-economic development strategy for integrated local growth and development.

Result 1.2. Improved broader stakeholder (e.g. CSO, private sector) engagement in the planning and monitoring of the socio-economic development strategy,

Result 2. Increased quality and availability of public services delivery, including in particular those targeting women; and increased performance of local public utilities,

Result 3. More favourable conditions for the attraction of investments, job creation and women and men's entrepreneurship, including social entrepreneurship,

Result 4. Development and functioning of clusters in line with the smart specialisation approach.

3.1.3. Theory of change

The aim of the Action is to support two municipalities, identified as regional growth poles³¹, to boost their socio-economic development, and, in this process, to raise the economic and living conditions for the neighbouring local communities constituting the focal region. Each town and the communities from their surrounding functional urban area share the infrastructure, services, and economy (are part of the same economic space), being interdependent of each other for economic and social sustainability. The urban structure stimulates competitiveness and economic growth, with the urban growth pole acting like a coordinating center of the neighbouring functional urban area. Moreover, according to the concept of polycentric development, the regional policies combine competitiveness and cohesion, leading to both development and a reduction of disparities. The theory of change is articulated on the above concepts and targets the necessary improvements in three areas: at the level of government - to improve the necessary services and the needed infrastructure- and at the level of private sector - to stimulate private investment, improve the economy and create employment opportunities for the men and women; at population level – to strengthen citizens participation in democratic governance processes and strengthen their capacities to demand their rights. This change is enhanced by the use of SMART technology as a key enabler of an integrated development of the focal regions.

Change at the level of local governments

IF local governments become more open and transparent and involve citizens, including youth, in planning for future development of their focal region, and

IF local governments improve the quality of their infrastructure and communal and social services by having more competent and skilled staff, increasing effectiveness and efficiency of operation, rehabilitating and expanding the infrastructure, using SMART technology

Change at the level of democratic participation

IF citizens (including the women, children, youth and other vulnerable groups) are empowered and participate more actively in local governance, including in monitoring the implementation of national and local strategies

Change in the local economies and employment

IF business environment and infrastructure improve, by stimulating private investment, local or international, and employment opportunities for men and women increase

IF local manufacturing, agriculture, or service sectors benefit from clustering and value chains approaches, as well as advances in technology and science based on a more educated local population

³¹ <http://www.particip.gov.md/libview.php?l=ro&idc=470&id=733>



IF the workforce, including women and youth, benefit from quality, inclusive education and skills-building in line with market demand, and have access to entrepreneurial financing

THEN, citizens are empowered to demand their rights, local authorities respond better to citizens' needs, focal regions become more prosperous, and social cohesion is advanced, while citizens enjoy a higher quality of life.

Geographically, the changes will start in the towns (urban centers) and will be extended towards the neighbouring communities which constitute the focal region.

The precise extent of the focal region (the participating communities) will be defined in the process of participative planning (laid out in Component 1, during the first six months).

A theory of change diagram is presented in Appendix C.

3.2 IMPLEMENTATION APPROACH AND INDICATIVE ACTIVITIES

Component 1: Transparency, accountability of local public authorities and citizen participation in local planning and governance

***Result 1.1:** Increased institutional capacity of LPAs for the implementation of locally-driven environmentally compliant socio-economic development strategy for integrated local growth and development.*

***Result 1.2:** Improved and broader stakeholder (e.g. citizens, CSO, private sector) engagement in the planning and monitoring of the socio-economic development strategy in Cahul and Ungheni focal regions*

This Component aims to ensure that the focal regions governance for socio-economic development is organized in the most effective way and responds better to the needs of the population and private sector.

In this regard, the local public administrations from Cahul and Ungheni municipalities will be capacitated and supported to improve the cooperation with their rural proximity area and to enhance the economic role of 'regional growth poles'.

For this purpose, the capacity of local authorities will be strengthened to engage in participatory processes as well as to plan, implement and monitor the strategies. In order for the local public administration to efficiently, effectively and professionally respond to the needs of citizens and provide quality public services, interventions are proposed to increase the transparency of its work, to improve the effectiveness and efficiency of local budgeting processes and to improve ethical standards and accountability. At the same time local authorities will be assisted to manage the services they provide in a manner that is responsive to the public's demands, using modern tools as performance management frameworks, benchmarking, one stop shops, etc. Civil society actors - including youth (boys and girls), mothers and girls - will be empowered to participate in the public life and to monitor the activity of the local authorities.

The supported activities and actions will follow the most innovative methodological tools and international experiences related to the territorial cooperation, private sector engagement, civil society participation, as presented under the Methodological Approaches Section.

Activity 1.1: Support the territorial cooperation for a more effective promotion of Economic Growth Agenda

This activity aims to improve the partnership and territorial cohesion among the local governments in the focal regions of Cahul and Ungheni, aiming to overpass the administrative fragmentation and embrace a joint economic development agenda.

Action 1.1.1: Support the local governments from each focal region to establish territorial economic cooperation platforms

The project will support the Cahul and Ungheni municipalities to define their zone of economic interest (commuting patterns, business linkages, supply chains, utility expansion, etc.) and initiate the creation of a 'Territorial Economic Development Association' that will bring together all the local public authorities from the focal region.

The necessary consultancy and technical assistance will be granted to the process of setting up of the both focal regional 'Territorial Economic Development Associations' and their legal institutionalization in the form of IMC associations, with all related necessary documentation (e.g. agreement, regulation, management arrangements) and endorsement process by local councils.

In fact, it will be for the first time in the Republic of Moldova, when LPAs will assemble an inter-municipal partnership platform to pursue common economic development objectives. The institutionalization and management of the projected 'Territorial Economic Development Association' will follow the methodology used previously in Moldova by UNDP, EU, GIZ and CoE in organization of 'Territorial Service Delivery Associations'

Action 1.1.2: Support the local stakeholders to elaborate and promote the Joint Economic Growth Agenda

The newly created 'Territorial Economic Development Associations' will be supported to:

- Evaluate their existing individual economic development objectives (approved planning documents), aiming to eliminate the divergences and identify the synergies
- Conduct a joint Participatory Appraisal of Competitive Advantage (PACA) of the focal region
- Update as necessary the Joint Economic Development Strategy, to include:
 - Smart specialization of the economy
 - Support the creation of 3 clusters (*based on main local economic sectors*)
 - Integration of local firms into regional value chains networking
 - Regionalisation of utility infrastructure
 - Regionalisation of labour market
 - Joint place branding and export promotion activities
 - Job creation and entrepreneurship for adolescents, youth and women
- Elaborate a related Spatial Development Plan the area of 'Territorial Economic Development Associations', which will reflect, but not limited, to the following:
 - Location of economic factors
 - Commuting flows
 - 'Greenfields' and 'brownfields' for new investments
 - Territorial and utility development of Industrial Parks and Free Economic Zones
 - Utility regionalisation schemes
 - Transport connectivity
 - Social infrastructure

The projected Associations will be organized as legal bodies of cooperation between local governments, with no additional financial costs. The staff from the partner-municipalities will be in charge the technical secretariat matters and day-by-day management. Nevertheless, both associations will be granted with technical assistance to develop and apply self-sustainability organizational mechanisms.



Activity 1.2: Strengthen the capacity of local authorities to become pro-active development actors

Action 1.2.1: Identify practical solutions to address the challenges and bottlenecks related to the implementation of existing approved local and rayon development strategies and plans

This activity aims to improve the capacity of local administrations to pursue the implementation of already approved strategies and plans. While both focal regions possess a wide range of planning documents, there is a systemic problem related to their on-going and full-fledge implementation and monitoring.

Additionally, the neighbouring urban and rural communities currently do not have a synchronized development agenda to ensure a better territorial synergy. Particularly, in the context of raising rural-urban daily commuting phenomena, the existing local economic development initiatives are not approaching the labour force internal migration challenges.

Consequently, the project will provide expertise and technical assistance to the local government stakeholders of the focal regions to find practical solutions in increasing the effectiveness and impact in implementation of local development strategies and plans.

The efforts will be materialized in a permanent mechanism of 'development synchronization' among the localities from 'Territorial Economic Development Associations'.

Action 1.2.2: Capacity enhancement and empowerment towards applying of the most innovative and functional local development tools

This action refers to the organization of capacity development activities (seminars, coaching, mentorship and study visits) for relevant stakeholders in the subjects related to the implementation of innovative tools for local economic development:

- Smart economic specialization
- Territorial economic cooperation
- Focal regional economic clustering
- Building supportive business environment
- Regional value chain upgrading
- Effective local public-private partnership
- DCFTA and export opportunities for focal regional clusters (*access opportunities to EU market for local major economic sectors*)

Purely theoretical seminars shall be avoided. Only tailor-made, practical and opportunity-oriented capacity building measures will be pursued, fully synchronized and correlated with the implementation process of the activities *under the components #3 and #4*.

Action 1.2.3: Specific capacity building and technical assistance activities for applying innovative solutions for infrastructure development and service delivery

Similarly to the Action 1.2.2, this action refers to the organization of capacity development activities (seminars, coaching, mentorship and study visits) for infrastructure development and service delivery:

- Capital investment planning

- Planning, budgeting and financial management for service delivery
- Public private partnerships for public services financing and delivery
- Regionalization of utility services
- Territorial economic cooperation
- Urban revitalization
- Efficient local procurement
- Corruption- free administration

Purely theoretical seminars shall be avoided. Only practical, tailor-made and opportunity-oriented measures will be pursued, fully synchronized and correlated with the implementation of the activities *under the component #2*.

The organization of all capacity-building activities will include also the nation-wide replicability mechanism.

This action will also aim to improve capacities of local authorities to improve fact based local policy making (based on needs and data), as well as to plan and finance local public services. These local social services will be complementing the interventions aimed to increase employment of women and men (Component 3).

Another intervention, under this action, will be to assist setting up One Stop Shops (OSS) for administrative services at the municipal level. This will be done in close cooperation with the Agency for Public Services and Agency for Electronic Governance, making use of the extensive network and integrated data that they are building. Also, the intervention will be undertaken in cooperation with other UNDP initiatives – such as Milab. The initiative will support, as necessary, set up of modern and transparent front-offices for service delivery, complemented by a re-engineering of back office and internal processes (document management, circulation of incoming and outgoing documents, mails etc) in the municipal administration. Technical assistance, capacity development, and funding will be provided for the above activities. Procurement of IT hardware and software will be carried out under Activity 1.3.

A transparent and efficient one stop shop will reduce the time, the administrative burden and finally the risks of bribery and corruption both for individuals and businesses in the communities. It will also streamline and make more efficient the municipal administration.

Activity 1.3: Design and build the necessary IT infrastructure to enable SMART focal regional development, increased public participation and improved local services

This activity will provide the communities in the two focal regions with the digital infrastructure, hard and soft, necessary to facilitate smart economic specialization, participatory planning and monitoring with engagement of all stakeholders, more efficient provision of services like water and sanitation, public transport, housing and health services.

The initiative will bring together, on a basis of collaborative partnerships, local and central governmental institutions, public service providers, academic institutions, companies, civil society organizations and citizens. Using together information, data and technology they will make best use of resources and infrastructure for the purpose of supplying services to citizens, facilitate participative democracy and stimulate economic development.



Action 1.3.1: Design, procure and maintain a core IT system, in each focal region, that will serve as the backbone for the implementation of SMART development

This action intends to provide the infrastructure backbone for the digital transformation of the two cities and focal regions, to facilitate SMART, integrated, development. The project will assist the local Public Authorities to design – in cooperation with the local civil society, businesses, and academia – an IT platform and its use. The project will procure, build and maintain the IT system for the duration of the project, transferring at the end the ownership and operation to the two local authorities. Procurement will cover the hardware (servers, routers, SMART measurement devices), software and services (software and licenses – including GIS, cloud storage and computing services, etc).

The system will ensure the integration and interoperability of data suppliers and users, as well as the security of the data.

The action will promote the system and its use to the citizens and local businesses, to warrant the widespread use. As a first step the project will build a website and portal to the SMART applications and e-services.

Action 1.3.2: Develop solutions and applications to facilitate public participation and improved local services

Based on the infrastructure built in Action 1.3.1., the project will facilitate the application of SMART systems in minimum four local public services, local government functions (e.g. urban planning, administrative services, water and sanitation, energy, health, etc.) or applications to facilitate citizen's involvement. Compatibility of both the design and software with national standards will be ensured through cooperation with Agentia Servicii Publice. The project will cover the system design, software and app adaptation and development. Furthermore, sensors and measuring devices might be purchased and installed, and data suppliers and service providers integrated. They will receive technical assistance to improve their infrastructure, hardware, software and processes. Some of the hardware and software investment (procurement, works) for local public services will be funded through Actions 2.1.2 and 2.1.3

The project will draw inspiration from similar good practices in neighbouring countries, e.g. Alba Iulia.

Activity 1.4: Strengthen the local participatory development approach

Impactful strategic planning involves partnerships between local public administration, civil society organization, private sector and other local action groups as they increase the potential for solving problems and acceptance of the proposed solutions. Because of their knowledge and expertise, civil society and private sector actors and other organizations are best placed to identify needs and existing constraints in their towns/raions/villages.

The activity will assist local authorities to partner with regional stakeholders and to engage them in the strategic planning processes, in planning, implementation and monitoring of socio-economic development strategies. Efforts will be made to integrate the views and needs of the vulnerable population in this process.

Action 1.4.1: Incorporating transparency and accountability tools in local governance

The overall aim of this action is to mainstream practices for increased transparency and accountability into municipal management processes. This will build up the integrity of local public service, diminish corruption, facilitate informed inputs

from local population and civil society, and, finally, bring their expectations in line with the true potential of the local authority.

The action applies the innovative methodology "Islands of Integrity" promoted by the UNDP Istanbul Regional Hub" and field tested in Moldova and 9 other countries from the region. Strategic and participatory processes to diagnose and treat the vulnerability to corruption of the local governments will be applied. After a general and an in-depth diagnosis, working groups created by local government staff elaborate solutions and develop and implement anticorruption action plans. The typical areas of intervention are procurement, financial management and urban planning/construction authorization. Subsequently the programme will work to achieve certification of the local governments of Ungheni and Cahul, according to ISO 37001:2016 anti-bribery management system which use transparency and accountability as management tools, as chosen by them.

ISO certification requires undertaking several steps/sub activities: training in quality management and anti-bribery of all the staff, draft procedures for all the main processes related to the activities of the LPA (assessing the main corruption risks, documents management, diagnosis of all the processes, auditing etc).

The activity will also build up the capacity of local authorities in open data governance and will prepare information and resource tool kits on transparency and anticorruption for local governments and civil society.

Action 1.4.2: Support the capacity building for civil society groups and organizations to pro-actively engage into focal regions' development initiatives

Although civil society organizations (including those related to women, adolescents and youth) from Ungheni and Cahul have already participated in development and implementation of various socio-economic development strategies, they still need to build up their capacity to engage in the implementation and monitoring of the plans, demanding accountability and assessing the quality of services provided by the LPA.

The Local action groups (LAGs) can play an important role in planning and monitoring of the development strategies as they are important actors at the focal regional level with involvement in creating mutually-supportive linkages between rural and urban areas in realizing smart, circular and inclusive local development. The participatory process should also be inclusive, providing opportunities for traditionally marginalized and excluded voices from the local communities - vulnerable groups, including women and youth, from the rural communities of the focal region.

The role of NGOs extends beyond representation of community groups and advocacy. NGOs can also analyse and monitor local government policies, regulations, and responsibilities. Up to 6 NGOs from the two focal regions will be selected and receive financial and technical support to play a watchdog function in local communities.

The programme will use the LEADER approach -a method and programme instrument to support locally-driven rural development interventions to develop rural areas and create local jobs- providing grants to support the creation, functioning and management of LAGs in the targeted communities and implementation of their rural development projects and priorities. A grants scheme of about six grants for an average of 50,000 EUR each, are envisaged for the establishment/consolidation of Local Actions groups and for supporting their activities in the two focal regions. The programme will assist with all aspects of good governance of the target Local Action Groups.



Action 1.4.3: Increased awareness of private sector representatives to actively engage in territorial local economic development initiatives

The private sector needs to be involved as well as they have the potential in advancing innovation, wealth creation, income and jobs with impact on the focal region level and can play an important role in mobilizing domestic resources and in turn contributing to poverty reduction.

Actually, there is very limited 'organic' engagement of private sector into the development initiatives in Moldova. To overcome this problem to have private sector fully engaged, a progressive work will be done in bringing local business people close to the government development initiatives. The particular related interventions will be derived from the on-going activities and on-demand requirements by both public sector and private sector representatives.

In this regard, the project will facilitate the:

- Individual liaison for the most powerful and influent focal regional business leaders to promote tailor-made motivational approach in LED engagement
- Motivating and attracting the focal regional 'business authorities' to act as LED business leaders
- Organizing joint study visits of the administrative and business leaders from the focal regions to successful LED initiatives to EU, aiming to build the enthusiasm, mutual trust and confidence
- Strengthened private sector corporate social responsibility

Component 2: Improved access to, and quality of local public services and utilities

***Result 2:** The citizens from focal regions of Cahul and Ungheni will benefit from increased quality and availability of public service delivery and increased performance of local public utilities*

Under this component the activities will focus on modernization of communal and selected social services and the related public infrastructure, which - combined with the activities mentioned in Component 1 - will lead to attractive conditions for businesses to operate in the focal region, as well as to good living standards for the population. The proposed interventions will focus on raising the sustainability and capacity of municipal enterprises to deliver public services through modern methods and techniques, including smart service provision. In addition, the necessary equipment and infrastructure will be procured, built or rehabilitated so that the access to and quality of services improves. A particular attention will be given to extending the networks and service delivery from the towns to the neighbouring communities.

Interventions under this result will seek an improved access to quality child and adolescents' friendly social services (including cultural and sports activities) within a child friendly modern social infrastructure and delivered by a well-trained social workforce.

The supported activities and actions will follow the most innovative methodological tools and international experiences related to the inter-municipal cooperation and regionalization of services, community participation and HRBA approach.

Activity 2.1: Increase the efficiency and quality of local utilities through inter-municipal cooperation and regionalization

This activity aims to improve the service provision ability as well as the managerial and financial capability of municipal enterprises involved in service delivery in the two focal regions. The activity also aims to facilitate the provision of services

in the rural areas of the focal region, since the critical bottlenecks identified in local service delivery have a notable negative impact on the people living there.

A fundamental improvement of public services in urban centers and neighbouring rural areas is only possible if management and financial health of municipal enterprises is improved, inter-municipal cooperation (between rural neighbouring villages and the urban center) is stimulated, and citizens are more engaged in assessing the quality of services received.

Action 2.1.1: Facilitate and promote the cooperation between urban and neighbouring rural LPAs to organize joint service delivery schemes to foster LED

The local authorities (urban and rural) in each focal region will receive technical and legal support for inter-municipal cooperation (IMC) (implemented also through procurement of equipment) to expand the services currently rendered in the urban centers towards the neighbouring communities, and in this process improve the wellbeing of the rural population. The most appropriate forms of inter-municipal cooperation will be promoted, particularly for communal services (water and sewerage, waste management) but possibly also for urban planning, social services etc.

The inter-municipal cooperation (IMC) – is an efficient instrument for improving the efficiency of services delivery in the targeted focal regions and thus a precondition for improvement the service infrastructure targeting urban and rural revitalization. The intervention will rely on the national local service delivery regulatory framework, which gives the right to the local governments to establish joint municipal enterprises/operators.

Action 2.1.2: Enhance the capacity of the utility operators from urban centers to become focal regional service providers

This action will imply the provision of technical assistance and granting to those urban communal operators, which will be jointly decided to be developed into focal regional service operators. The support will be provided to support the process of service expansion to the neighbouring rural communities. A special focus will be directed towards the on-going regionalization processes in the field of water, sanitation and waste management.

The municipal enterprises will be assisted to carry out strategic diagnostic analyses (strategic and organizational management; operational and technical management; marketing and consumer relations and financial management) and to identify their investment needs, particularly for extension of service delivery to neighbouring villages. Based on the diagnostic, institutional and business plans will be drafted and implemented, possibly stimulated by direct support if necessary. A tentative number of at least 4 grants of up to 70,000 EUR each for local utility operators are envisaged.

As the project activities target the sustainable improvement of quality of services, particularly communal services, it is important to complement institutional strengthening of the municipal enterprises with support for the transformation of internal processes as well as the organizational culture.



Action 2.1.3: Support the identification and solving of the priority needs in upgrading local infrastructure and service delivery, required for boosting economic development

Under this action, linked to Component 1, the communities from both focal regions will be supported to identify and solve their most critical service delivery and infrastructure problems required for boosting economic development, in a participatory and inclusive manner.

The action will co-finance (up to 80% of the project cost) the community infrastructure and service delivery projects, which will be selected based on an open competition. However, the special priority will be given to joint rural-rural or urban-rural inter-municipal cooperation projects, as well to LED – driven interventions (implemented also through procurement of equipment).

Activity 2.2: Support joint community-based initiatives to improve the local service delivery for vulnerable groups

This activity aims to address the priority issues, related to the access to local public services of vulnerable groups: adolescents, youth, women, elderly, disabled, children, poor and socially disadvantaged people.

A special attention will be paid to empowerment of disadvantaged groups to effectively participate in, and benefit from, the development initiatives through increased capacities to claim their rights and demand for transparent and effective governance, and effective and efficient social security services delivery and utilities provision.

To participate effectively in local governance, the communities will be provided with institutionalized opportunities to influence development initiatives and policy processes, local decision-making systems, as well as with accountability mechanisms linking decision-makers and people (public debates and feedback mechanisms).

Action 2.2.1: Support in participatory identification of the most critical problems related to the delivery of public services to vulnerable groups

This action will rely on providing assistance in supporting the disadvantaged groups from the focal regions' area to partnership with the Local Governments and jointly identify their most critical problems and solutions in accessing qualitative local public services.

As well, at this stage, the disadvantaged groups will be at first empowered for a better organization and proper needs assessment.

Action 2.2.2: Support in organizing and implementation of joint community initiatives to solve the identified priority challenges

This action implies a granting mechanism including the provision of about four grants amounting to 25,000 EUR each, to support the community initiatives of local groups, including diaspora's Hometown Associations, as well as disadvantaged groups, to address the challenges related to public service delivery and local infrastructure access:

- Access to quality and inclusive social services (healthcare, education, social security, etc)
- Access to labour market (availability of adequate transportation, availability of places in kindergarten to leave the kids, post-school activities for children when women are at the job, etc.)

- Access to administrative services (representation in political bodies, physical access to administrative buildings for disabled, etc)

Action 2.2.3. Support for improvement of social services for children and adolescents

This action targets the strengthening of quality social services for children and adolescents by providing capacity building support and small procurements, identified by the project as a critically important group for a sustainable social economic development.

- The action will focus on strengthening the capacities of local authorities for improved provision of quality maternal, child and adolescents' social services, including focus on participatory planning, budgeting and budget monitoring and identifying opportunities for strengthen local financing of social services. Capacities of citizens' organizations and structures, including women and youth led one (CSOs, youth councils and centres, youth led organizations), in public planning and budgeting, will be also strengthened for meaningful participation in local governance processes and to generate demand. Business model for financing of social services in the focal regions will be developed and tested.
- The action will also promote the establishment of adequate child care services in order to increase opportunities for young mothers to re-join the workforce,
- Strengthening of health services for children and adolescents ensuring adequate child growth and development will also be pursued. Specific focus will be placed on services for children with disabilities, including equipping and strengthening capacities of primary health care providers to reach out and provide services to such children while facilitating the access of children with disabilities and their parents to early intervention support.
- The action will seek to strengthen quality of education in pre-schools and schools by introducing various e-education content, including school performance monitoring tools through various modalities.
- Interventions under this result will further support the development of favourable conditions for youth participation through support to various youth initiatives, strengthened participation through discussion forums, strengthening the work of youth centres, promoting volunteerism and cultural and sports activities for youth
- The action will raise awareness on child rights amongst various stakeholders.

UNICEF, the partner, will be in charge for the implementation of this action.

Component 3: Employment opportunities through favourable conditions for attraction of investment, job creation and entrepreneurship

Result 3: *Focal regions of Cahul and Ungheni will boost their territorial competitiveness and become more attractive for investment, job creation and entrepreneurship*

Under this component, which will be guided by the priorities defined in Component 1 (Activity 1) and use the existing territorial cooperation platforms, each focal region will be supported to rise above their current status of 'declining economic periphery' and implement a consistent package of 'economic turnaround' measures, aiming to improve their domestic and international image as 'emerging regional growth poles' with conducive business environment and amplified investment and entrepreneurship activities.

The supported activities and actions will follow the most innovative methodological tools and international experiences related to enabling of tangible and intangible business environment factors, place branding, attraction of external investors, expansion of existing firms and start-ups interventions, as well as pro-growth urban revitalization.

Activity 3.1: Improving the investment attractiveness of focal regions

This activity consists of providing consultancy and technical assistance to the local stakeholders to raise the investment attractiveness of the focal region through (i) addressing the most critical barriers for the development of local business environment, and (ii) identifying and promoting of the existing feasible business opportunities in the area.

By simultaneously addressing the 'improvement of business environment' and 'promoting business opportunities', the focal regional stakeholders will create a foundation for further promotion of targeted private sector support initiatives.

Action 3.1.1: Improving of focal regional business environment

A platform for dialogue between the private sector and the local government will be established in each focal region to foster inclusive, multi-stakeholder, regular dialogue which will catalyse collaboration in identification of main needs and obstacles faced by local businesses and the best solutions to address them.

In this respect, in each focal region will be conducted a participatory in-depth review of local business environment, which will address both tangible (infrastructure, services) and intangible (regulation, business climate, access to markets, etc) factors.

An important aspect: not just critical moments, but also opportunities will be underlined to be further addressed.

Based on the findings and conclusions, in each focal region there will be elaborated a joint public-private '5-Years Local Business Agenda' with concrete, feasible and priority measures to be undertaken by local governments to pursue the improvement of local business environment, required by the private sector.

Action 3.1.2: Elaboration and promotion of focal regional 'Portfolio of Investment Opportunities'

The project will support the local stakeholders to identify, elaborate and promote an opportunity-driven focal regional 'Portfolio of Investment Opportunities'.

The 'Portfolio' will consist of minimum 20 feasible and detailed investment proposals, elaborated in Romanian, Russian, English, French and German languages. After wide discussion, the 'Portfolio' will be promoted through all available local, regional, national and international channels (Moldovan Embassies, National Investment Agency, various Business Forums, Chamber of Commerce and Industry, etc.)

An important aspect: a strong focus on focal regional development priorities will be kept - all the investment opportunities will target in exclusivity the 'gap needs' of key – economic sectors of local economies, in close *synchronization with the activities #1.3 and 4.2.*

Another important aspect: the 'business opportunities' will reflect various possible investment schemes: 'Greenfields', 'Brownfields', venture capital, start-ups, etc.

Activity 3.2: Improving the competitiveness of private sector to generate more qualitative jobs

This activity consists of providing support in the implementation of 'Cluster Development Plans' developed within the *activity #4.2* and directed towards supporting the key sectors of local economies to grow, expand and succeed.

The support will be provided through a co-financing scheme, targeting four distinct programmes:

- Support the expansion and growth of existing firms
- Support the recruitment and attraction of new firms
- Support the start-up entrepreneurs
- Support pilot initiatives in promoting of social entrepreneurship

The financial support will target mostly the collective support of clusters (related Associative Business Groups) rather than individual firms, while the provision is to be kept flexible (to be further adjusted in accordance with the 'Cluster Mapping Analyses' and 'Cluster Development Plans' elaborated under the *activity #4.2*)

Action 3.2.1: Support the expansion and growth of existing firms

This action will imply a financial support mechanism (including but not limited to provision of grants) to address the major 'gaps' in the organization and functioning of existing firms, by co-financing the upgrading of the business infrastructure (technological upgrading, product improvement, marketing advancement, etc.). About 20 entrepreneurs are envisaged to receive equipment/goods/works/ services of about 30,000 EUR on average.

Support will also be provided to existing rural SMEs and producers to diversify and expand their activities in rural areas to urban or urban to rural areas. About 10 entrepreneurs are envisaged to receive equipment/goods/works/ services of about 30,000 EUR on average.

Important aspect: a strong focus on focal regional development priorities will be kept - the financial support will target in exclusivity the 'gap needs' of key – economic sectors of focal regional economies, in close synchronization with the *activities #1.3 and #4.2*.

Action 3.2.2: Support the recruitment and attraction of new firms

This action will imply a financial support mechanism (including but not limited to provision of grants or procurement) to attract new external firms into the local economies, by creating all necessary infrastructure pre-conditions, such as:

- Public infrastructure upgrading (access of business entities to water, sewerage, electricity, gas, roads, etc.)
- Land provision schemes (e.g. within the context of functioning the Industrial Parks and Free Economic Zones).

Important aspect: a strong focus on development priorities will be kept - the support will target in exclusivity the 'gap needs' of key – economic sectors of local economies, in close synchronization with the *activities #1.3 and #4.2*.

Action 3.2.3: Support the start-up entrepreneurs

This action implies a financial support mechanism (including but not limited to provision of grants) to support the growing of new local entrepreneurs, capable to overcome the 'business gaps' in key – economic sectors of local economies ('emerging clusters'). The action will be implemented in close cooperation with existing local 'business incubation facilities'



and cluster associations. It will target inclusively the new business projects to be launched by existing entrepreneurs. A special attention will be given to women and youth entrepreneurs.

A financial support scheme for at least 20 entrepreneurs to receive equipment/goods/works/ services of an indicative amount of 15,000 EUR each will be put in place. Such areas, as presented below, but not limited to, will be supported:

- Investments for smallholders (specifically women) involved in small scale agricultural production to join existing agricultural value chains, clusters or services
- Investments in support to circular economy, green economy actions, including management of waste in order to reduce it and its maximum re-introduction into the economic circuit, as well as to prevent environmental pollution.
- Co-investment in technology and production process.
- Marketing and ICT
- Soft assistance (consultancy, coaching, mentoring, supporting activities, etc.)

This action might require 10% co-financing of which at least 5% should be used for Public infrastructure upgrading (around the start-up business).as a condition for grant allocation in order to promote social responsibility.

Important aspect: a strong focus on development priorities will be kept - the support will target in exclusivity the 'gap needs' of key – economic sectors of local economies, in close synchronization with the *activities #1.3 and #4.2*.

Action 3.2.4: Support pilot initiatives to promote social entrepreneurship

This action will imply a financial support mechanism to support about 5 'social entrepreneurship' schemes, approximatively 40,000 EUR each, aiming to address the 'unmet needs of population' and which are not attractive for private sector, due to low profit margin.

It will target any possible domain, while there will be mandatory to keep the strong linkage with the general focus (smart specialization and economic clusters' driving):

- Connect potential workers with training and jobs in growth industries, like agriculture, fashion, technology, business process outsourcing and health care.
- Co-investment in technology and production process.
- Soft assistance (consultancy, coaching, mentoring, supporting activities, etc.)

Activity 3.3: Improving the national and international image of Ungheni and Cahul as rising regional 'growth poles'

This activity will pursue the promotion of Ungheni and Cahul focal regions. The existing image of 'declining and ordinary regional centers' will be gradually changed into the 'revival regional growth poles'.

In this regard, the project will support the development and promotion a positive image through the most powerful communication channels, as well as will support the implementation of highly visible and flamboyant projects of beautification and architectural redesign of urban centers.

Action 3.3.1: Create and promote positive place branding

The project will support the stakeholders in each region to develop and promote an ambitious communication campaign to improve the domestic and international perceptions of Cahul and Ungheni focal regions – as one the most dynamic Moldovan regions in promoting development and economic growth.

In this regard, each focal region will be supported to:

- Develop local branding (visual perception, success stories, urban legends, image of 'business – friendly locations', image of pragmatic public administration, etc)
- Active promotion of the new branding through the most effective communication channels (TV, social networks, radio, newspapers, etc.)

Action 3.3.2: Beautification and architectural redesign of urban centres

This action will consist of reconstruction/beautification of the urban centers of Cahul and Ungheni Municipalities. This intervention will create a strong visual impact for the development agenda of the focal regions – this will give the idea of 'emerging strong regional growth poles' committed to change their current status of 'declining periphery'.

This revitalization will be done together with the renovation of objects of historical importance, cultural facilities, ideally using Public-Private Partnerships (PPPs) and other forms of cooperation to support economic investment in the surrounding areas. The participatory design process, including competitions for best solutions (hackathons) will be done together with a local branding exercise, to identify the specific attractive features of the focal region and its "center", to be used both for cultural and economic purposes. Rebranding will help Cahul and Ungheni to shed the existing image connected to its soviet urban and architectural heritage.

This action will require a minimum of 10% local co-financing, including the participation of all stakeholders: local government, private sector and community as a whole. The urban revitalization projects shall develop a strong 'collective community pride and prestige'.

Possible interventions might include the capital upgrading of the main boulevards and rehabilitation and 'Europeanization' of the urban design of the central squares of Ungheni and Cahul.

Additionally to the implementing provisions (see Chapter VII. Management Arrangements) all the interventions implemented under the action 3.3.2. will be discussed before the launch of the procurement or grant procedures and require a no-objection from the EU Delegation to the Republic of Moldova.

Component 4: Smart economic specialization through the clustering and value chain approaches

Result 4: *The economies of the focal regions will embrace a smart economic specialization development approach and will improve the performance of key economic sectors*

Under this component, each focal region will be supported to improve the competitiveness of its territorial economy through restructuring and strengthening of its major economic sectors into strong and dynamic territorial clusters, oriented towards exporting to EU market and integrated into stable and high-margin value chains.

The supported activities and actions will follow the most innovative methodological tools and international experiences related to the smart specialization, clustering and value chain upgrading.



This component is intended to approach the existing local 'value chain' challenges, faced by local economies, specifically: (i) geopolitical instability and low-margin of traditional Eastern markets, (ii) sophisticated pre-conditions to penetrate to EU market with high-margin, and (iii) small domestic market to support an economic growth

Activity 4.1: Support the organization of local key economic sectors into dynamic growth-oriented clusters

This activity consists in providing consultancy and technical assistance to the main stakeholders to initiate and promote the organization of dynamic local 'business clusters' based on the key- economic sectors of local economies. The activity will pursue the organization and support for promotion for about three clusters in each focal region.

Action 4.1.1: Facilitate the cooperation among the existing firms and related actors

Initially, for each individual 'emerging cluster' (as *identified and prioritized under the activity #1.3*) there will be organized a 'stakeholder review' to identify the 'nucleus-actors' to be further supported to cooperate together for initiation of joint restructuring and advancing of their business development strategy.

The identified key stakeholders from each targeted cluster will be facilitated to institutionalize a 'joint development platform' (e.g. *Focal region Business Association of Tomato Producers, Processors and Exporters, Focal region Tourism and Recreation Association, etc.*)

Action 4.1.2: Support the elaboration of 'Cluster Mapping Analysis'

The 'emerging clusters' will be supported in conducting an in-depth 'Cluster Mapping Analysis', which will contain, but not be limited to, the following elements:

- The appraisal of all local firms and related businesses and institutions: their activity and further plans, cooperation between them, their suppliers and buyers, existing problems and bottlenecks, development needs and perspectives.
- The existing relative position of the producers from the clusters in the domestic and international value chains: strengths, weaknesses, threats and opportunities.
- The in-depth analyses of the potential and conditions for EU-market (or other relevant markets) penetration with the goods and services produced by the target clusters: main problems and feasible solutions.

The 'Cluster Mapping Analysis' will also assess opportunities to enter into new clustering areas and will formulate recommendations for further advancing of targeted 'emerging clusters', aiming to drive the local economies towards sustainable economic growth, jobs creation and prosperity for the whole focal regions.

Activity 4.2: Supporting the internationalization of regional economies through integration of key-economic sectors into advanced international (primarily EU) value chains

This activity consists of supporting the key-sectors of local economy (organized in 'emerging clusters') to devise and follow an ambitious and pro-active business development agenda. As result of the support, the private sector will advance in its competitiveness and aspirations in the process of gradual and successful accessing of high-margin markets (primarily

EU), which will impact the business expansion and growth, generation of more local jobs, as well as raising the amount of collected local budget revenues.

Action 4.2.1: Support the firms from selected pilot clusters to identify their competitive advantage related to the potential penetration into the high-margin European value chains and elaborate related 5-Year Development Plan

This action will provide consultancy and technical assistance in the elaboration and implementation of 5-Year Development Plans for each of identified focal regional 'emerging clusters', with practical measures and concrete pursued results. The Development Plans will be based on the conclusions and recommendations derived from 'Cluster Mapping Analyses' to be carried out under the action #4.1.2 and will be part of the "5-Years Local Business Agenda", to be developed under the action #3.1.1.

The Development Plan will be specific. It will primarily target the collective effort in upgrading the regional cooperation to improve the quality of the product and to upgrade the technological process and streamline the production costs. As well, the Plan will pursue the collective cooperation towards 'product labelling and branding, quality management and certification approaching of potential buyers and price policy.

The plans shall cover both 'quick wins measures' and 'mid-term targets'.

Action 4.2.2: Support the penetration of local products to the EU market through fostering the cooperation between local clusters and EU importers/distributors.

Under this action, all targeted 'emerging clusters' from both the focal regions will be granted with a comprehensive capacity building package for implementation of the committed 5-Year Development Plans. The implementation will pursue strengthen the cooperation among firms for collective actions towards committed objectives.

The capacity building package will include, but not limited to: support in implementation of joint quality management mechanism, branding and quality upgrading, connecting with regional/inter-regional distribution channels, certification, connection with R&D institutions, connecting with relevant education institutions, etc.

Additionally, each cluster will be assisted to progress in networking with concrete importers/buyers in order to integrate into international high-margin value chains, as well as granted with assistance in satisfying the necessary export pre-conditions (networking foreign missions, participating at exhibitions, trade negotiations, etc.).

Importantly, the clusters will be granted with financial assistance for upgrading their production processes and products under the activity #3.2. An estimative number of at least 8 groups of entrepreneurs/cluster will receive equipment/works/services of about 100,000 EUR each, ideally with a co-financing of at least 10%.



IV. RELEVANT EXPERIENCE, LESSONS LEARNT AND INTERVENTIONS RATIONALE

IV-A: UNDP MOLDOVA

As the development arm of the United Nations, UNDP supports strategic capacity development initiatives to promote inclusive growth and sustainable human development working in Moldova for 25 years. UNDP's added value in promoting equitable sustainable development and social inclusion resides in applying a holistic approach to strengthening good governance and economic development, working with communities and businesses from the entire country.

The United Nations Development Assistance Framework (UNDAF) evaluation confirmed that impactful results were delivered,³² highlighting UNDP's comparative advantages, such as the ability to tap into local and international expertise networks, the capacity to swiftly respond to government's requests for assistance, the reputation of convening power³³ and being a credible and impartial partner.³⁴ Moldova Social Innovation Lab became a partner for innovative governance, supporting public service modernization, new approaches to impact evaluation and policy design.

UNDP has successfully used design thinking for public service reengineering and established a platform to leverage innovation for Public Administration Reform (Moldova Innovation Lab) and facilitate Government – UN – public engagement for better governance outcomes. Government was supported in the redesign of several central and local level public services using human-centered design methodology. Citizens reporting platform *ImiPasa* was developed and launched in order to provide an instrument for protecting citizens' rights on one hand and contribute to an increased trust between citizens and state institutions on the other.

In the area of local governance, through its Joint Integrated Local Development Programme, UNDP contributed substantively to the elaboration of the National Decentralization Strategy (NDS) and to setting up a system and a process of fiscal and financial decentralization, as well as decentralization of education. One of the most remarkable results was the **nationwide implementation of the fiscal decentralization system piloted by UNDP**. UNDP contributed to introducing nation-wide performance-based budgeting in first level local governments and trained 1480 accountants and mayors from all the 898 first level local governments on performance budgeting methodology. Increased transparency of 30 local governments was achieved through effective dialogue tools applied by UNDP, such as public audiences, Transparency week campaigns, websites and social media, information boards, newsletters, etc. The NDS, elaborated with UNDP support, was the first gender-mainstreamed national strategic document guided by the HRBA. UNDP invested in data generation by reviewing the Small Area Deprivation Index (SADI) to support evidence-based policy-making focused on local development and targeting the most vulnerable segments of population.

With UNDP's support, the Government undertook systemic reforms to improve the quality of life for all citizens. It was assisted, inter alia, in developing local socio-economic development strategies, conducting comprehensive community profiling, and focusing on economic opportunities and job creation. In line with the NDS, the administrative capacity of 30 local governments in public procurement, property management, public finance management, tax collection and human resource management was strengthened. A Government Decision on IMC was adopted, regulating its use. Ten IMC projects in 10 clusters of 40 rural communities of Moldova were successfully piloted. Through them, more efficient public

³² United Nations Development Assistance Framework (UNDAF)

³³ Highlighted in the final evaluation of the Democracy Programme, operating in a particularly politicized context of Parliamentary Development, February 2017

³⁴ UNDAF Final Evaluation.

services in water and sanitation, road maintenance, snow removal, waste management, greening, and public lighting were provided, contributing to improved living conditions and access to new services for over 120,000 women and men and 1,000 small businesses. Additionally, 200 people from rural areas (55% of them women) were supported to initiate small businesses, and 22 community and Roma mobilization projects were implemented.

LPAs were enabled to harness the positive potential of migration for local development. Aware of the large development potential migration brings, UNDP introduced a model for engaging the diaspora in the development of communities back home. 25 HTAs have involved 6,000 migrants in the local planning of 25 communities with over 200,000 inhabitants. Migrants already supported 100 small initiatives and are currently implementing large scale community projects based on crowdfunding from migrants' abroad.

While the overall political environment remains volatile, UNDP's work with local communities made significant changes in lives and livelihoods of people. Via its flagship interventions, UNDP has covered over a half of all rural communities.

UNDP is able to trigger significant improvements in terms of local development, employment and economic opportunities through modelling innovative services and interventions, bringing lessons learnt from modelled processes to the policy agenda, while simultaneously building capacities of duty bearers and right holders to organize and take active part in decision making processes³⁵.

IV-B: UNICEF MOLDOVA RELEVANT EXPERIENCE

UNICEF works with various stakeholders, government, CSOs and children and adolescents, to contribute to ensuring that all children and adolescents have access to basic services, grow up in a caring and loving family, obtain quality education, and develop to the best of their potential. UNICEF supports both the government and civil society to ensure the social inclusion of children and families at risk of exclusion due to geographic disparities, poverty, ethnicity, disability, gender, and inadequate parental care. With UNICEF support gradual improvements in almost all child wellbeing indicators were achieved in Moldova since 1995.

Policy advocacy and leveraging resources for social services

In the past five years UNICEF contributed to the development of sixteen key national child related strategies in health, education, justice and child protection, including the development of the National Development Strategy 2030. The Moldova -EU Association Agreement contains a dedicated chapter on child rights, prompting government accountability for full realization of child rights in line with international agreements and standards. Such engagement brought significant results for children: the under-five (U5) child mortality rate halved, the number of children in residential care decreased five-fold, reforms in the justice sector resulted in a three-fold decrease in the number of children in detention, pre-school enrolment of 3-6 year-old children nearly doubled and the number of children with disabilities and special educational needs in regular schools increased four times.

Strengthened public financing for children

UNICEF advocacy resulted in a revised Mid-Term Budgetary Framework 2018-2020 of MHLSP which includes now additional financial allocations to foster families and for children placed in guardianship amounting to an additional MDL

³⁵ Evaluation report. Sustainable local and regional development outcome. Mid-term evaluation, 2015



40.5 million in 2019 state budget. Technical support was provided to Chisinau Municipality Directorate for Child Rights Protection towards increased efficiency of public expenditures in child protection with similar support being provided now for the Education, Youth and Sports, Health and Social Protection departments.

Since 2017 UNICEF Moldova works closely with both Ministry of Finance and LPAs to support the best use of public budgets for children³⁶. A budget brief on pre-school education supported the development of a funding formula for pre-schools based on cost efficiency analysis. UNICEF developed training modules on Public Finance Management for LPAs supporting better linkages of local budget formulation for social services to national strategies and policies, currently implemented in five districts.

UNICEF supported the establishment of the Mandatory Health Insurance system and of a costed Maternal and Child Health package of services. In 2012 the National Insurance Company (NHIC) extended the list compensated medicines for children to 100% based on a costing evaluation developed with UNICEF support. UNICEF supported also the introduction of performance-based financing of Youth Friendly Health Services (YFHS) and related increase of the NHIC financial allocation to YFHS based on an Economic Analysis of YFHS (2012) developed with UNICEF support. Thus, funds allocated by the NHIC to YFHS increased ten-fold: from around 2 million MDL in 2011 to more than 21 million MDL in 2017 and contributed to improved health related indicators for adolescents.

Capacity building of social service workforce across sectors

UNICEF's targeted interventions during the past several years focused on strengthening the capacities of the social service workforce, including multidisciplinary teams, to deliver quality services for children and adolescents.

UNICEF supported the development of youth-friendly guidelines for participation in school life and in community and trained district youth councils and pupils' councils on strategic planning and implementation, efficient participation in school committees and in LPAs decision making processes. As a result, youth driven local action plans to improve child participation in education and local decision making were developed.

UNICEF deployed innovative tools to ensure youth empowerment and participation. More than 4,000 young people from across the country are engaged through the digital platform U-report and are consulted on a weekly basis on various thematic issues, including during the development of the NDS "Moldova 2030". Local debates and workshops with young people and local decision makers were organized to boost the implementation of the strategic priorities on youth at local level. Young people were trained also on ICT and digital skills.

4.1. METHODOLOGICAL APPROACHES

For the implementation of the action, a number of general good governance and local economic development principles will be integrated and undertaken throughout the life of the project. In addition, a number of more specific approaches will be used, such as:

Integrated approach to development, focusing on and adapting to the focal regions priorities and its stakeholders and building on what already exists. Capacity building is essential and should be embedded throughout the activities of the project, including close involvement of the LPA, NGO's know-how and of local expertise. The action will build on Government efforts in general, and Ungheni and Cahul focal regions, efforts particularly. This is critical to ensure

³⁶ As per EU-UNICEF Child Rights Toolkit for Integrating Child Rights in Development Cooperation, 2014

complementarily to the already initiated reforms and changes, and to consolidate the existent institutions and local infrastructure.

Logical sequencing of activities to increase synergies and impact. The action is designed on a strong logical link between activities, looking for the critical path while pursuing a quality approach for the implemented activities. Synergies will be sought with the initiatives implemented by other donors and implementing partners (e.g. EU, USAID, UNDP, UNICEF, SDC, SIDA, GIZ, IREX, etc).

Participatory approach. Participatory initiatives will focus on transforming the citizens from service "users" to policy "shapers. This principle will be embedded in all the activities and processes of the action, with an emphasis on the participation of different categories of societal actors (women, youth, socially vulnerable, business representatives), in local development strategies, services design, evaluation of services, etc. which will lead to stronger and more inclusive communities and governance.

Integrity, ethics and anti-corruption. The activities framed under this Action will strengthen the capacity of local authorities to identify vulnerabilities to corruption in their work, which. Also, one of the activities of the project will focus on transposing the antibribery ISO standard in the Municipalities of Ungheni and Cahul.

Comprehensive Capacity Building for all engaged actors – is about approaching of a cross cutting intervention included in all project components, to ensure a multi-dimensional capacitating of all stakeholders, with three mutually reinforcing levels of capacity to be tackled: policy, institution, individual. Given the upcoming 2019 local elections, the capacity building intervention would tackle the post-election period as well and imply: transparency, anticorruption, effective local planning, multi-stakeholder engagement, local services management, local brand promotion, effective communication, migration developments etc.

Strong civic engagement – is about providing equal participatory and engagement conditions, via consultative processes, to all target groups, including migrants (men and women, youth and vulnerable persons).

Mobilization and Inclusive economic empowerment. These principles are important to the action as women and youth in the targeted focal region continue to face disadvantages when it comes to labor market, age-based discrimination, access to certain services, and involvement in public life. Therefore, the activities of the projects are aiming to integrate women and youth through their participation in the process of development of Local Strategies and by receiving equally financial support for economic activities, including their start-ups. Also, in development process at the focal regional level there are other actors that can be mobilized: migrants via Home Town associations and Local Action Groups.

Territorial economic cooperation and urban-rural inter-connection linkages. The local governments from the proximity of Cahul and Ungheni Municipalities will be supported to overcome the existing administrative fragmentation in approaching local economic development. Before even starting the LED interventions, among the first tasks would be to define the boundaries of the targeted focal regional economies. The boundaries of the local economies are defined by the job centers, not the local governments. Moreover, there is an organic tendency of demerging the neighbouring local economies, as result of the growing motorization of the population and improving of the transport connection. Nowadays, people from small rural communities are not more considering job opportunities exclusively in the locality of their residence. An ordinary citizen is accepting to travel up to 30 minutes between his place of residence and his place of work. This means about 20-30 kilometres distance and even beyond. In practical terms, we could easily observe this reality by analysing the commuting patterns of the employees working in factories located in Ungheni Free Economic Zone, as well as in the provisions of labour endowment of the projected Cahul Free Economic Zone. Furthermore, the boundaries of the local economy are influenced not just by the "commuting pattern", but also by the existing economic



tires (which is extremely important in upgrading the value chains of agri-food industries in both Cahul and Ungheni focal regions).

Participatory Appraisal of Competitive Advantage (PACA) - is an innovative bottom-up and pragmatic approach to territorial economic development. It is toolkit, which enables – within a short period of time - assessment of economic situation in the area, identify competitive advantages and come up with initiatives, results of which will be visible in a short notice. The primary goal of PACA is the swift and visible identification of results in contrast to the projects, which are concentrated on development of long-term, complex strategies requiring extensive financial resources.

Local Action Groups (LAG) – is an important instrument of the European Union in ensuring the sustainable development of rural areas. It is about organizations that are established on the initiative of local governments, entrepreneurs, civil association within certain area of the local community and in accordance with the EU LEADER program as the relevant measure for the implementation of local development initiatives. The main objective of LAGs is the creation of local partnerships, connecting organizations from public, civil and economic sectors and to coordinate with these organizations in order to establish and promotion of local development initiatives.

Inter-municipal cooperation – is about LPAs working together, whether informally or formally, to tackle those challenges related to local public service provision that may be shared or may be too large for any one of them to tackle alone. In the Republic of Moldova, the inter-municipal cooperation is rather a necessity, due to its excessive administrative fragmentation: over ¼ of the 1st LPA level have a population less than 1,500 residents, and 86% - less than 5,000 residents. Consequently, a very significant part of rural LPAs (which represent 94% of the total number of Moldovan localities) do not have sufficient capacities to deliver local public services.

Regionalization of utility services – is about the most advanced form of inter-municipal cooperation in the process of organization of utility service delivery. It refers to the expansion of the activities of urban utility companies over the neighbouring rural communities. In particular terms, both Cahul and Ungheni focal regions are already facing a dynamic process of regionalization of water supply and waste management services, based on the strengthened urban utility companies. Nevertheless, the process is still in its incipient phase and requires additional and substantial support and assistance.

Human Rights based Approach (HRBA) in service provision – is related to the principles of leaving no-one behind and reaching the furthest first by meaningfully involving beneficiaries, and by addressing challenges of those facing multiple and intersecting forms of discrimination. When promoting the improvement of local service delivery, it is extremely important to pay special attention on empowering the most disadvantaged groups to be properly engaged into the planning and implementation processes.

Enabling business environment - is related to the locational quality factors that make a location attractive or repellent for entrepreneurs, professionals, investors and high-skilled people. In this context, the authorities are mandated to approach the improvement of two categories of factors: tangible and intangible. Tangible factors include the availability and cost of local infrastructure and public services, availability and quality of labor, availability and efficiency intra-regional transportation, local taxes, local zoning and construction regulations, etc. The intangible factors include the efficiency of local governments, the business climate, the availability of related industries and supportive institutions. As well, within the condition of competition between localities, an increasingly important aspect is about the quality of habitat and image of the locality. All development actors (both business people and workers) prefer to live and work in a comfortable and positive environment.

Place branding – is a relatively new local development concept to identify symbols and signs helping regions in the process of competition to attract investors, skilled people and entrepreneurs. The objective of local place branding consists in finding and promoting of elements that characterize local competitive advantages in comparison with other places, municipalities and regions. Branded regions are considered to be advantaged in promoting pro-active economic development initiatives. In order to produce a real impact, the process of enabling local business environment shall be complemented by LPA-driven economic development initiatives focused on creating jobs, namely: (i) support the expansion of existing businesses, (ii) attraction - recruitment of new businesses, and (iii) start-up for new local entrepreneurs.

Expansion of existing businesses – shall be the primary focus of local governments to support growth and expansion of 'in-house' firms in order to generate more jobs and/or improve the quality of existing jobs (salaries). Generally, it is the most important yet least expensive job multiplication exertion

Recruitment of new businesses – is about encouraging new contributory companies to locate in the area. Generally, such local policies are not easy to be followed and they are subject of a sophisticated algorithm to be pursued. Commonly, the Moldovan local authorities are missing such knowledge and skills. A consistent support is needed in supporting them to (i) determine what they have to offer to potential investors, (ii) identify their potential investors, (iii) marketing and negotiation with potential investors.

Business start-ups – is about creation of new local firms, which have the potential to grow and develop in a relatively short period of time. There is a misperception that 'business start-ups' is mostly about young entrepreneurs without stating capital. This perception is not true. In local economic development, a start-up business shall be considered inclusively a new business project to be launched by an existing strong local business person. The key idea here is to develop new firms that will be able to capitalize on local competitive advantages, aiming to create new jobs.

Urban revitalization – is about increasing the attractiveness of the locations for people, entrepreneurs and investors to locate there, as well as to ensure an adequate quality of life for all the residents. Many empirical analyses are proving the correlation between the processes of urban revitalization and economic recovery and recommend a synchronized implementation to ensure a synergy of efforts.

Smart specialization is an innovative local development approach that aims to boost growth and jobs by enabling regions to identify and develop their own competitive advantages. Through its partnership and bottom-up approach, smart specialization brings together local authorities, academia, business spheres and the civil society, working for the implementation of long-term growth strategies supported by EU funds³⁷. It is a place-based approach characterized by the identification of strategic areas for intervention based both on the analysis of the strengths and potential of the economy and on an Entrepreneurial Discovery Process (EDP) with wide stakeholder involvement. It is outward-looking and embraces a broad view of innovation including but certainly not limited to technology-driven approaches, supported by effective monitoring mechanisms³⁸. The Government of Moldova adopted in 2013 the Innovation, Research and Development Strategy (R&D) for the period 2013-2020. However, even if some elements of smart specialization were considered, they are not identified as regional specializations and cannot be considered as specialization strategies. The need to use smart specialization is still poorly acknowledged. During 2017 the Moldovan Government organized several events and intends to develop a roadmap for the development of the innovation sector and for smart specialization in the

³⁷ http://ec.europa.eu/regional_policy/sources/docgener/guides/smart_spec/strength_innov_regions_en.pdf

³⁸ <http://s3platform.jrc.ec.europa.eu/what-is-smart-specialisation->

Republic of Moldova. The Government's vision on the development of clusters is exposed in the 'Concept of cluster development of the industrial sector of RM' and in the 'Competitiveness Enhancement Roadmap'.

The promotion of smart specialization is deeply linked with the concept of '**economic clustering**', which is represented by geographical concentration of inter-connected companies and institutions, focused on related value chains. Cluster development promotion is considered as an attractive approach for boosting regional economies, which could generate a significant impact in medium term with a high visibility and expansion potential. It is empirically proved that the competitiveness of private sector depends on the geographical co-location and co-operation of the firms from the same sector, which is producing the so-called 'collective efficiency' and 'collective territorial competitiveness'. The regional clustering of economic sectors is especially sensitive in Moldova, where the private sector is overwhelmed by micro, small and medium firms with deficit of cooperation between them. The Government of Moldova is well recognizing the importance of supporting the clustering of regional economies and has adopted in 2013 the 'Concept for Cluster Development in Industrial Sector'. The national policy in the field is supposed to encourage local authorities to identify specific competitive advantages based on the assets and resources available, in order to find unique opportunities (innovative business models) for higher-value added products and services which can produce synergy between the labour market and the educational system, create employment opportunities and boost growth.

The purpose of **value chain tools** is to support the process of productivity and quality improvement of local firms, in order to facilitate their connection to more advanced, stable and high-margin markets. In fact, value chain is the sequence of activities involved in transforming raw materials into a product that is acquired by the final consumer. It includes business activities from the generation of raw materials, to transforming them into intermediate products, to manufacturing the final products, its transportation, promotion, branding, distribution and retailing. It includes business transactions, but also transactions between companies and governments (e.g. bureaucracy and regulations involved in trans-border trade) and transactions between companies and service providers and supporting institutions in areas like finance, training, research and development, metrology and certification and others.

Promoting innovation. Innovative, smart ideas and solutions will be encouraged in local governance with impact at the regional level. Making the urban centers of the targeted focal region "smart" will have an impact on the day-to-day lives of individuals, workers and businesses through a series of changes, related, for instance to better access to services, greater transparency, and will allow more active participation in the decision-making process.

Quality culture. Another key principle will be to promote a quality management culture at the level of local public administration and municipal enterprises. The LPA can align their processes and results to citizen needs when incorporated as a process within a quality management system.

4.2. LESSONS LEARNT

Drawing experience from previous and on-going area-based development programmes, funded by the EU and other donors, the main lessons learnt are:

- Involving stakeholders (local authorities, civil society organisations, community groups and CALM) at all stages of the intervention processes allows building ownership and accountability for project results and ensures that the assistance is demand-driven.
- Concrete, tangible initiatives, delivering results early in the project, can ensure positive momentum, leverage and mobilize communities for more complex initiatives later.

- Infrastructure investments should be accompanied by capacity development for local governments and service operators (both institutional and individual) to manage and maintain the services and internalize participatory governance practices.
- A preliminary feasibility study is a must for initiating project involving cooperation of several local authorities, in order to clarify the costs and responsibilities for all partner municipalities from the very beginning.
- A successful inter-municipal cooperation does not require "institutionalised" organizations (joint legal entities). The expansion to the neighbouring communities of services of the existing municipal enterprises (e.g. garbage collection) is a reasonable solution for promoting IMC in the Moldovan context.
- Greater impact of program activities can be achieved when "hard" interventions are accompanied by "soft" activities. This approach is effective when targeting institutional development of local governments, but also when working toward improving service provision at local level. Public service provision improvement should not be limited to technical consolidation, but should be linked to real local needs, involve all community stakeholders, and should be supported by a continuous learning and upgrading process.
- Innovation and thinking out of the box should be encouraged. Each community is a living body with its own profile, processes and specificities. What works in one community does not necessarily work in another, therefore, if replicating an approach, system or product, the communities should take into account own specificities and adopt an individualized approach.

V. SUSTAINABILITY

Ensuring sustainability of the project achievements will remain the highest priority of this action.

Ownership and sustainability of partnerships:

Sustainability of the action will be ensured through engagement of local authorities of all the levels of administration (raion, municipium and neighbouring communes) from the targeted focal regions, regional authorities alongside with national ones at all the stages of the project. In preparation for the Action, in depth discussions have been carried with the local authorities of Cahul and Ungheni, the RDAs (South and Center), MARDE and other relevant national and local stakeholders like civil society representatives, representatives of municipal enterprises and the business sector. They will continue to be involved and consulted throughout the life of the project. The national and local authorities have expressed their needs during the consultations and have committed themselves to support the Action by providing human and financial resources (e.g. co-financing the infrastructure projects). At the focal regional level cross-sector partnerships development will be essential in achieving the scale and sustained impact that is expected. Therefore, the aim is to build partnership models (LPA, Civil Society and Business) within the focal regions, which are long lasting, scalable, transformative, and can continue beyond the project life time and without further external assistance. The participative approach, including community empowerment for mobilization, which makes the Action's initiatives responsive to the needs of all, including women and youth, will ensure ownership among community members and lead to sustainability by promoting economic development and social cohesion.

Institutional sustainability and strengthening of capacities:

One of the main emphasis of the Action is development of the capacities of local communities-local public administration of all levels, NGOs, business sector. Tailor made capacity building programs will increase the ability of all the local actors to engage in implementation of socio-economic development strategies in a participative, effective and efficient manner leading to better use of local resources, sustainability and added value for citizens and the business sector.

During the implementation of project activities, the Action will focus on having a greater involvement of local expertise. In addition to the monitoring, this will ensure proper accountability for the results to be achieved. Investment in human capacity at personal level will ensure ownership of results and further continuation of activities.

At the institutional level the Action will strengthen capacity of the local institutions to manage improved services and rehabilitated infrastructure, ensuring their functionality and maintenance after the closure of the project. Institutional sustainability ensures that systems, institutions, policies and procedures at the local level are functional and meet the demand of users of the improved services. This means that service users, authorities and service providers at the local level and in the focal regions are clear on their own roles, tasks and responsibilities. They are capable of fulfilling these roles effectively and are transparent to each other beyond the project lifetime.

Financial sustainability:

Financial sustainability of the action will be ensured by the cost effectiveness of local development initiatives, as well as by incentivizing the local authorities and municipal enterprises to participate through co-financing and other viable financial arrangements. Financial sustainability will be ensured by both the type of financial arrangements and the thorough preliminary analysis in the preparation of financing. The analysis will assess the repayment capacity and creditworthiness of the beneficiaries, financial modelling will assess the impact of changing economic conditions and the role of user charges. On the financial arrangements side, gap-filling grants, or subsidized loans could be used as well as loans funded from efficiency gains. Additionally, the capacities of local authorities and municipal enterprises will be built in areas like management of loans, capital investment planning, management and maintenance, operational management etc. With improved systems for water, waste management, roads a municipality/microregion are more likely to attract foreign investments, and bank on an increase of local revenues triggered by local economic growth. The sustainability of different cooperation agreements, IMC, PPP will be ensured as well, through the improved capacity of municipal operators.

The economic initiatives and businesses supported by the Action will benefit from business planning with thorough financial assessment and capacity building for sound financial management. Innovative financial arrangements will be developed to allow business growth and sustainability (credit facilities, co-financing, grants, reimbursable grants, loan interest subsidization, etc.).

VI. RISK LOG

Risks	Risk level (H/M/L)	Mitigating measures
Political and governance risks: delays in Programme implementation due to upcoming parliamentary and local elections	H	Clear commitment from all institutional stakeholders involved from the start of the programme implementation. Communication and dissemination activities to promote acceptance of economic empowerment of focal regions at political and governance levels
Political and administrative risks in case of introduction of territorial administrative reform in 2019	H	The approach of the Action will stay the same, but the geographical coverage will have to be reviewed, as well as the institutional partnerships, in conformity with the new territorial administrative structure.
Lack of capacity of local authorities to develop and implement development projects with impact on the neighbouring communities.	M	The Action will allocate resources to raise and maintain the capacities of local authorities to plan, implement, monitor and evaluate comprehensive development strategies and projects for the focal regions scale.
Weak culture of transparency and involving the public in identifying priorities, planning, and budgeting for regional and local development.	M	Use best practices (including workshops, conferences, study visits, communication through different media) and lessons learned to show tangible benefits for all stakeholders and will be working on changing the attitudes and behaviour of local councillors and staff towards citizens and business.
Resistance of Local Public Authorities to implement innovative local governance instruments and economic transformation strategies	M	The programme will apply participative methods, working simultaneously both at community level and with local authorities, combining capacity building activities with technical assistance.
Resistance of local businesses to accept a smart specialization approach and cooperation in value chains.	M	Development and testing of a prototype, new forms of co-operation along the value chain and increased collaboration with research institutes in combination of advisory services with networking and study visits, as well as direct financial support.
Lack of sufficient local capital to respond to the financing and co-funding expectations of the Action	H	Change the mix financial instruments to calibrate according to actual conditions and diminish leverage targets accordingly
Risk of default or fraud pertaining to financial instruments	H	Tough vetting standards and procedures for choice of beneficiaries and projects, and first loss provisions for participating banks.
Assumptions		
<ol style="list-style-type: none"> 1. Commitment from all stakeholders to work together for the implementation of the Action. 2. The beneficiary institutions make available the staff and relevant resources for the implementation of the programme. 3. Local development programmes/strategies are developed and/or refined and implemented by local public authorities in partnership with all relevant stakeholders. 4. Parliamentary and local elections are held in time and there is no territorial administrative reform. 		

VII. MANAGEMENT ARRANGEMENTS

UNDP Country Office in Moldova (UNDP CO) will be the Implementing Partner of this programme and will be responsible for producing outputs and use of resources. As such, it will bear the overall accountability for delivering the programme in accordance with the GCs and its applicable regulations, rules, policies and procedures. UNICEF, the partner, will be in charge for the implementation of the Action 2.2.3, under activity 2.2, targeting youth, children, culture and sports. The project will be carried out under a Direct Implementation Modality (DIM). The EU Delegation to Moldova will be closely involved and consulted with regards to any decisions taken in the framework of the programme.

For the activities of the Action a multi-stakeholder approach will be followed to ensure wide participation and consensus. The main counterparts of this action will be local stakeholders including representatives of the local public authorities, civil society organizations and the private sector, Regional Development Agencies, the Ministry of Agriculture, Regional Development and Environment, the State Chancellery, the Ministry of Finance and the Ministry of Economy and Infrastructure.

A National **Steering Committee** (NSC) for the Action will be created at national level. The NSC will be co-chaired by the Delegation of the European Union to Moldova and the Ministry of Agriculture, Regional development and Environment and will include the main counterparts described hereinafter, UNDP, UNICEF, representatives from relevant line ministries (e.g. Ministry of Finance, Ministry of Economy and Infrastructure).

Regional Development Agencies' representative from the focal regions, the relevant Mayors as well as Raional presidents, CALM, ODIMM, business associations as well as relevant donors' representatives might be invited as observers.

UNDP will play the role of Secretariat of the NSC. Formal minutes shall be prepared and adopted for each meeting, detailing any proposals made and decisions taken.

The NSC will steer and provide advice on the overall programme implementation. The NSC shall meet at least twice a year or more frequently if needed and/or decided, in order to ensure the efficient monitoring and evaluation of project results and maintain continuous cooperation between all project' partners at all stages of project implementation.

The NSC will be responsible for approving quarterly and annual work plans, assessing progress, discussing lessons learned, and taking decisions on proposals and recommendations put before it by any of its members. It shall discuss and decide upon specific Programme implementation issues, ensuring optimal transformation of activities into outputs through appropriate monitoring and evaluation actions pertaining to the relevance, performance, and progress towards each outcome, facilitating cooperation between relevant partners and stakeholders (public and private), and ensuring continuous and effective communication and coordination between the Programme and its beneficiaries. The National Steering Committee will also provide a forum for sharing the key results of the Programme, as well as discussing changes or challenges in the sector and proposing solutions.

Specific Responsibilities of the National Steering Committee:

- ◆ Provide overall guidance and direction to the Programme, ensuring it remains within any specified constraints;
- ◆ Address issues as raised by the Programme Manager;
- ◆ Provide guidance and agree on possible countermeasures/management actions to address specific risks;
- ◆ Review the Programme Progress Report and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;
- ◆ Appraise the Programme Annual Review Report, make recommendations for the next Annual Work Plan;

- ◆ Provide ad-hoc advice for exceptional situations;
- ◆ Assess and agree on Programme substantive changes through revisions;
- ◆ Agree on Selection Committees composition and selection criteria of beneficiaries to be supported.

The NSC is a mechanism for consultation and consensus-based steering of the Action. However, in case a consensus cannot be reached, a final decision shall rest with UNDP, based on an agreement with the Delegation of the European Union to Moldova.

Local Steering Committees (LSC) will be established in each of the focal regions. The LSC shall review and guide the work of the action and shall supervise its overall implementation at the local level for each focal region. The LSC will also agree on the list of projects and beneficiaries to be supported within their respective focal region. The Delegation of the European Union to Moldova will co-chair the LSC together with the Mayors of Ungheni and Cahul. The LSC will include the Delegation of the European Union to Moldova, UNDP, UNICEF, the relevant local public authorities of the focal regions, representatives from civil society, business community and any other relevant stakeholders (e.g. academic institutions) as well as the relevant Regional Development Agencies. Given that the project target groups are also civil society organizations and business associations, their participation at the LSC meetings shall be subject to review of potential conflict of interest, which shall be always avoided. The LSC will be responsible for steering and monitoring the implementation of the respective Actions and will meet every three months. The mayors of the two focal regions should ideally attend each other's meeting for information and best practise sharing. UNDP will play the role of Secretariat of the LSC.

The LSC is a mechanism for consultation and consensus-based steering of the Action. However, in case a consensus cannot be reached, a final decision shall rest with UNDP, based on an agreement with the Delegation of the European Union to Moldova.

Selection Committees: As the Programme envisages grant components, the National Steering Committee will agree on the composition of the relevant Selection Committees, as well as on the criteria for beneficiaries' selection, based on their preliminary coordination with the Delegation of the European Union to the Republic of Moldova.

The Selection Committees will evaluate projects proposals against the selection criteria and make recommendations on the list of possible beneficiaries for financing to the Local Steering Committee from the respective focal region.

The programme will use several mechanisms for the identification of beneficiaries: expression of interest, identification of projects by partners and/or assign experts and Call for Proposals, etc. All implementation mechanisms shall be coordinated with the Delegation of the European Union to the Republic of Moldova and approved by the National Steering Committee.

Programme Management Structure

UNDP Moldova and UNICEF Moldova will be responsible for project administration including: organizing implementation of project activities, procurement of goods and services, recruitment of project personnel and national and international consultants, connecting to national and international expertise and knowledge networks etc., in order to ensure the timely and expedient implementation of project activities, including the provision of continuous feedback and information sharing among stakeholders.

The management of the programme will be performed on behalf of UNDP through a project team lead by a dedicated **Programme Manager** who will be assisted by a project implementation team. The Programme Manager will be



responsible for the management and coordination of all Programme activities and will be charged 100% to the project budget.

UNDP Project management structure will include staff carrying out various forms of tasks including technical assistance, administration and management. The tasks listed in the Description of the Action, undertaken by staff assigned to the project team are directly attributable to the implementation of the Action. The Project team will comprise of full-time dedicated staff and part-time specialized staff to technically contribute to various project components and activities. The part-time specialized staff will be charged through direct project costs for the time spent directly attributable to the implementation of the Action.

Besides the Programme Manager, the UNDP project team would include the following staff:

1. **Local Development Manager**, responsible for effective and efficient coordination of Component 1 and Component 2, through a range of actions contributing to the design, planning, management and monitoring of project activities. The Local Development Manager will be charged 100% to the project budget.
2. **Business Development Manager**, responsible for the design, implementation and monitoring of activities related to Component 2 and 3, oriented towards improving of focal regional business environment, in particular related to supporting territorial economic cooperation platforms, and creation of business development and employment opportunities in two focal regions. The Business Development Manager will be charged 100% to the project budget.
3. **Business Development Officer**, responsible for the implementation of granting mechanisms for new local entrepreneurs and for expansion of existing SMEs. The Business Development Officer will be charged 100% to the project budget.
4. **Investment Attraction Officer**, responsible for the implementation of investment attraction activities, support to selected pilot clusters to identify their competitive advantages; elaboration and promotion of portfolio of investment opportunities' and promotion of promote positive place branding activities in two focal regions. The Investment Attraction Officer will be charged 100% to the project budget.
5. **Public Services Improvement Officer**, responsible to facilitate and promote the cooperation between urban and neighbouring rural LPAs to organize joint public service delivery schemes. The Officer will provide support for the design, implementation and monitoring of elaboration of feasibility studies and technical projects, procurement of necessary equipment and works for small scale infrastructure improvement. The Public Services Improvement Officer will be charged 100% to the project budget.
6. **SMART Development Officer**, responsible for the coordination of activities related to capacity enhancement and empowerment towards applying innovative solutions for infrastructure development and service delivery. The Officer will oversee implementation digital transformation of the two cities and focal regions, and facilitate SMART, integrated, development of the two focal regions. The SMART Development Officer will be charged 100% to the project budget.
7. **Rural Development Officer** responsible for implementation of grants schemes for rural community development (LEADER), ensuring successful cooperation among public authorities, private sector and civil society in the two focal regions. The Officer will provide support to community initiatives of local groups, including diaspora and disadvantaged groups to address the challenges related to public service delivery and local infrastructure access. The Rural Development Officer will be charged 100% to the project budget.

8. **Communications officer**, responsible for ensuring the fulfilment of the communication and visibility activities related to the project and for preparation, implementation and oversight of the Communication and Visibility plan of the project and assuring that all activities including the outreach and awareness-raising activities adhere to and are fully aligned with the visibility needs and interests of the EU. The Communication officer will be charged 100% to the project budget.
9. **Two engineers** will ensure an effective and efficient implementation of infrastructure improvement related activities and will assume the responsibility for the practical coordination of infrastructure rehabilitation project activities and resources (human, financial, physical / material assets, etc.) in order to meet expected results. The two engineers will be charged 100% to the project budget.
10. **2 Project Officers/Local Coordinators in Cahul and Ungheni**, responsible for coordinating the activities at the local level, maintaining communication and cooperation with local stakeholders in the two focal regions and project implementation team. Both local Project Officers will be charged 100% to the project budget.
11. **Finance Coordinator**, responsible for performing financial and administrative duties related to the implementation of the project activities. The Finance Coordinator will be charged 100% to the project budget;
12. **Procurement and Contracts Coordinator**, responsible for performing procurement and contracting duties related to the implementation of the project activities. The Procurement and Contracts Coordinator will be charged 100% to the project budget.
13. **Procurement Assistant** responsible for assisting procurement and contracting duties related to the implementation of the project activities. The Procurement Assistant will be charged 100% to the project budget only during the first 3 years of programme implementation, when the most of procurement related activities are envisaged.
14. **Programme Assistant**, responsible for assisting in organization of administrative processes for project needs and providing support to office maintenance. The Programme Assistant will be charged 100% to the project budget.
15. **2 Office Clerks/Drivers**, assist in the effective and efficient management of the project through a range of actions, including driving and administrative support management. Drivers will be charged 100% to the project budget.

UNICEF will assign the following programme staff to ensure successful implementation of related activities:

1. **Programme Officer Education**, will oversee the implementation of programme components related to Education and Youth in both focal regions, will work with LPAs and support sector specific awareness related activities (as described in the DoA). The Project Officer will act also as focal point for Cahul. The Project Officer will be charged 100% to the project budget.
2. **Programme Officer Health** will oversee the implementation of programme components related to Health and Protection (creches) in both focal regions, will work with LPAs and support sector specific awareness related activities (as described in the DoA). The Project Officer will act also as focal point for Ungheni. The Project Officer will be charged 100% to the project budget.
3. **Programme Associate** responsible for providing finance and administrative support to the action, including financial oversight and reporting for UNICEF related component and provision of administrative support to the



action, such as managing contracting, disbursement of funds to partners/contractors/consultants, processing payments, travel management etc. The Program Associate will be charged 100% to the project budget.

4. **Programme Assistant Communication**, responsible for designing and implementing visibility and awareness campaigns related to children and adolescents' components of the programme in adherence to the overall Communication and Visibility plan of the programme fully aligned with the visibility needs and interests of the EU. The Communication Assistant will be charged 100% to the project budget.

UNICEF applies a procedure known as the UN Development Group Harmonised Approach to cash Transfers (HACT) Framework. The HACT Framework represents a harmonized and simplified set of procedures for managing cash transfers and applies to cash transferred to government institutions and civil society partners to conduct agreed activities as. Implementation of HACT promotes national ownership and a progressive shift towards utilizing national systems.

Under these modalities, implementing partners are required to comply with their own financial and procurement rules and regulations for the implementation of activities. However, delegated procurement authority from UNICEF is required by implementing partners before commencing their procurement. All supporting documents will be maintained with the implementing partner and will be subject to assurance activities.

Assurance activities include:

- a. Programmatic visits: a component of programme monitoring, visits provide assurance that results reported by the partner are accurate. The objective of a programmatic visit is to obtain evidence on the status of the implementation of the programme as well as to review progress towards achievement of planned results.
- b. Spot checks: a review of financial records to obtain reasonable assurance that amounts reported by implementation partners are accurate. Spot checks are performed in the office of implementing partners where financial records are kept. Spot checks involve (1) Checking the IP's internal controls with respect to financial management, procurement and/or other controls required to implement the activities defined in the work plan; and (2) Reviewing a sample of expenditures to confirm that documentation supports the expenditures and that they are in accordance with the work plan and other United Nations regulations
- c. Scheduled audit: a systematic and independent examination of data, statements, records, operations and performance of an implementing partner carried out by an external service provider. For UNICEF, a scheduled audit is an internal control audit. A financial audit is conducted if the implementing partner is shared with another adopting agency and rated high or significant risk. The audit period is defined by the UNICEF office commissioning each audit and is typically one year.
- d. Special audit: an audit performed when significant issues and concerns are identified during the programme cycle, often the result of findings of programmatic visits and spot checks.

UNICEF determines the appropriate cash transfer modality for the partners and the corresponding assurance activities.

Financial spot checks are conducted for implementing partners that receive more than US\$50,000 per year. Micro assessment of the financial management capacity of the partner will be conducted by a qualified audit firm for partners receiving US\$ 100,000 or more. Partners with a low or moderate-risk rating, based on the micro-assessment will receive one spot check per year. Meanwhile, the more frequent spot checks is applied for partners with higher risk rating determined through the micro assessment.

Project Assurance is a key element of the PRINCE2 project management method, upon which the UNDP and UNICEF Programme Management Arrangements are based.

Specific 'Assurance' tasks are to:

- ◆ Ensure that risks and issues are properly managed and monitored, and that the logs are regularly updated;

- ◆ Ensure that Programme Progress/Financial Reports are prepared and submitted on time, and according to standards in terms of format and content quality and submitted to the Steering Committee and the EU;

Quality assurance is required for all UNDP programme and projects, regardless of their budget, size, location, duration, characteristics, context or circumstances. The UNDP Internal Control Framework (ICF) covers key control factors such as planning, monitoring, communication, policies, procedures, segregation of duties, individual authorities and accountabilities that combined, inter alia:

- Safeguard assets from inappropriate use and loss from fraud and error,
- Help ensure the quality of internal and external reporting, through the maintenance of proper records and information flows; and
- Facilitate compliance with applicable laws, regulations and policies.

Segregation of duties and control ensure that risks are mitigated and managed and provides clear accountability and appropriate management arrangements.

Services provided by the UNDP Moldova Country Office (CO) staff for the implementation of the Action include specific tasks related to activities under the Action that require higher levels of quality assurance, monitoring and control in processing for finance, procurement, human resources, administration, travel, assets management, etc.

The following CO staff support is envisaged, to ensure the quality assurance and enable implementation of project activities and is reflected in Heading 1 of the Budget of the Action:

- **Portfolio Manager** is responsible for quality assurance of the project implementation and will be charged through direct project costs for the time spent directly attributable to the implementation of the Action, not exceeding 25% of the working time.
- **Programme Associate** ensures project support and quality assurance for reporting and monitoring and will be charged through direct project costs for the time spent directly attributable to the implementation of the Action, not exceeding 20% of the working time.
- **Procurement Associate**, responsible for providing support in identification of procurement modalities, facilitating quality, transparent, effective and fast procurement processes; supporting the project in the launch and publicity of procurement processes; advising in project procurement/tender evaluation processes; supporting in negotiations with potential contractors (as needed); assisting in the process of contracting, monitoring of contracts. The Procurement Analyst will be charged through direct project costs for the time spent directly attributable to the implementation of the Action, not exceeding 12 % of the working time.
- **Human Resources Associate**, responsible for providing support, advising and verifying human resources processes for the needs of the project, including staff selection and recruitment processes, staff human resources benefits administration and management, recurrent personnel management services: staff payroll and banking administration and management, etc. The Human Resources Associate will be charged through direct project costs for the time spent directly attributable to the implementation of the Action, not exceeding 10% of the working time.
- **Finance Associate**, responsible for providing support related to accounting matters, including creation and application of deposits, management of bank accounts and of bank cards issued for the project personnel, verifying and validate the payroll results for the project staff, timely payment of salaries, processing payments (disbursement),



travel management, etc. The Finance Associate will be charged through direct project costs for the time spent directly attributable to the implementation of the Action, not exceeding 13% of the working time.

- **Communication Analyst**, responsible for providing support, advising and verifying communication processes for the needs of the project. He/She is responsible for the clearance of the external communication of the Action, to ensure compliance with Communications and visibility plan of the Action and UNDP rules and regulations. The Communication Analyst will be charged through direct project costs for the time spent directly attributable to the implementation of the Action, not exceeding 5% of the working time.

Expertise of international and national consultants (short and long term) will be sought to advice and support the implementation, as required.

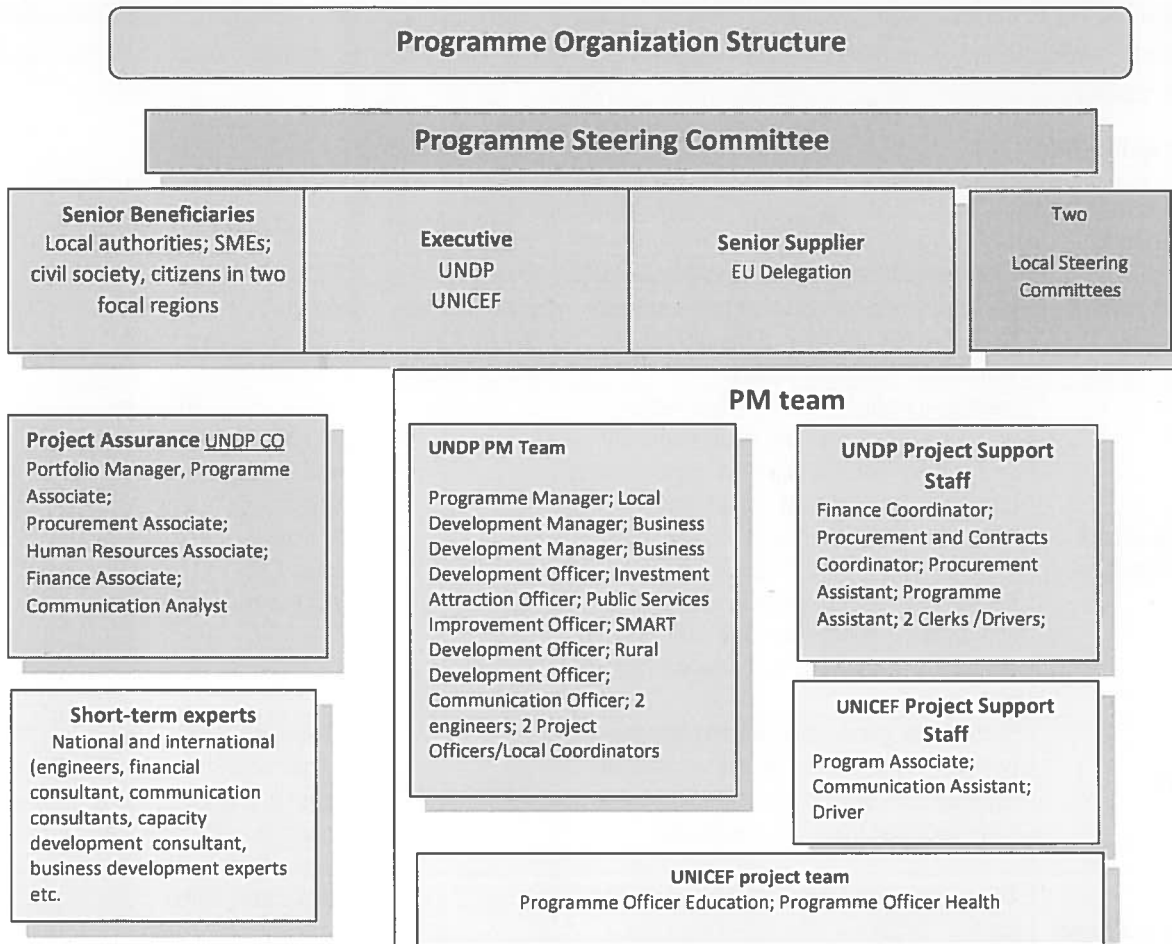
During the project implementation, synergies and linkages with other ongoing projects, in particular in the areas of confidence building, local development, rural development and promotion of green economy implemented by UNDP and UN agencies will be maintained and strengthened.

The project management team will ensure results-based project management and successful implementation of the project within the 60 months programme period, close monitoring and evaluation of project progress, observance of procedures, transparency and efficient use of funds, quality of works, and involvement of local and regional stakeholders and beneficiary communities in the decision-making processes.

Other project office costs that will be incurred as part of the Direct Management and Implementation of the Project and can be traced and attributed directly to the management of the project, are foreseen as follows:

- Subsistence costs for missions/travel for staff and other persons directly assigned to the operations of the project offices, including the offices in Chisinau, Cahul and Ungheni, are included in Heading 1 of Annex III- Budget of the Action;
- Travel costs for staff and other persons directly assigned to the operations of the project office, including the UNDP offices in Chisinau, Cahul and Ungheni and UNICEF office in Chisinau, are included in Heading 2 of Annex III- Budget of the Action;
- UNDP Vehicles costs, costs of IT equipment, computers, copying, scanning and printing equipment, network equipment, IT spare parts and supplies, furniture, etc., composing the UNDP project offices, including in Chisinau, Cahul and Ungheni, and UNICEF project office are envisaged in Heading 3 of the Budget (Annex III);
- Costs for the UNDP I offices (in Chisinau, Cahul and Ungheni) and UNICEF office are reflected in Heading 4 of the Budget of the Action, including vehicle costs (2x vehicles: lubricants, filters, fuel, insurance, winter tyres, etc.), office rent, consumables - office supplies, other services (tel/fax, internet, electricity/ maintenance/repairs etc.);
- Financial transactions and financial statements might be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and Directives of the UNDP and the indicative budget allocated for this audit is identified in Heading 5; also in Heading 5 of the Budget are envisaged: publications costs (procurement of services of design, editing and printing), evaluation costs; translation and interpretation costs, costs of conferences/seminars; visibility actions;
- In line with the provisions of the Annex IIa to the Special Conditions: Provisions applicable only to Multi-Partner Contribution Agreements, UNDP will have additional obligations, being the coordination entity for the action. In this context, the costs related to the UNDP coordination tasks, directly linked to the Action, are to be considered

as direct eligible costs. Provisions for staff costs (Assistant Resident Representative/Head of Programme and Assistant Resident Representative/Head of Operations) will be charged based on the actual time spent managing the portfolio/coordination activities performed in line with the responsibilities described in Article 2b-2k of the Annex IIa to the Contribution Agreement.



Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and Directives of UNDP. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk. The Office of Audit and Investigations has established a risk-based and structured approach for selecting and auditing specific DIM projects in order to provide UNDP stakeholders with an adequate level of assurance on the proper management of DIM projects.

VIII. MONITORING AND EVALUATION

In accordance with UNDP's and UNICEF's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plan. The Plan would be updated upon project inception and, if needed, during the implementation phase, through the approval of the Project Steering Committee. As provided for by General Conditions, representatives of the European Commission shall be invited to participate in the main monitoring and in the evaluation missions relating to the performance of the Action. The results of such missions shall be reported to the European Commission.

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.
Monitor and Manage Risk	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 and UNICEF'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.
Learn	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.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's and UNICEF'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.
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.
Project Summary	A progress summary 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	Annually, and at the end of the project (final report)	

	<p>risk long with mitigation measures, and any evaluation or review reports prepared over the period.</p> <p>Annual progress reports and a final report will be submitted to the EU in line with Article 3 of the GCs.</p>		
Project Review (Steering Committee)	<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>	At least four times a year	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- Based on the initial risk analysis submitted, a risk log will be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a Project Progress Summary shall be submitted by the Project Manager to the Project Steering Committee through Project Assurance, using the standard report format available in the Executive Snapshot.
- A project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- A Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Steering Committee. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format covering the whole year with updated information as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Steering Committee and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs,



Involvement/monitoring of the contracting authority

Pursuant to the General Conditions of the contract, "the Organisation and the Contracting Authority (CA) shall participate in coordination meetings and other jointly organised common activities, and the Organisation shall invite the European Commission to join any donor committee which may be set up in relation to the Action". Those common activities and the level of involvement of the CA will be decided upon the inception period between the Contracting Authority and UNDP.

IX. REPORTING

Detailed narrative and financial reporting will be provided based on Article 3 of the GCs . Every report will provide a complete account of all aspects of implementation for the period covered, while the level of detail will match the one from the DoA and the Budget of the Action.

Additionally, progress updates will be presented as part of the Project Steering Committee meetings, using the update of the Work Plan as per information recorded in Atlas.

In addition to the above-mentioned reports, UNDP will ensure that progress and situation reports, publications, press releases and updates, relevant to the Action, are communicated to the EU Delegation as and when they are issued.

X. RISK MANAGEMENT

1. UNDP as the Implementing Partner and UNICEF as Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.)
2. UNDP as the Implementing Partner and UNICEF as Partner will undertake all reasonable efforts to ensure that none of the project funds 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. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.
3. 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>).
4. UNDP as the Implementing Partner will: (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.

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.

5. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:

- a. Consistent with the Article III of the SBAA [for the Supplemental Provisions to the Project Document], the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:
- 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;
 - assume all risks and liabilities related to such responsible party, subcontractor's and sub-recipient's security, and the full implementation of the security plan.
- b. 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 responsible party, subcontractor's and sub-recipient's obligations under this Project Document.
- c. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It 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.
- d. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient 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.
- e. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', 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 it to find a solution.
- f. Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.
- Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.
- g. UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that 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. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement.



Where such funds have not been refunded to UNDP, the responsible party, subcontractor or sub-recipient 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 such responsible party, subcontractor or sub-recipient 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.

- h. Each contract issued by the responsible party, subcontractor or sub-recipient 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 it shall cooperate with any and all investigations and post-payment audits.
 - i. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, 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.
 - j. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, *mutatis mutandis*, in all its sub-contracts or sub-agreements entered into further to this Project Document.
6. UNICEF as Partner will: (a) conduct project and programme-related activities in accordance to UNICEF Risk Informed Programming principles, (b) apply a systematic approach in identifying, assessing and managing risk in accordance to UNICEF Risk Management and UNICEF Anti-Fraud Strategy, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNICEF will seek to ensure that communities, partners and other project stakeholders are informed of and have access to the Accountability Mechanism.
7. All UNICEF suppliers, government and civil society partners and their employees, personnel, and subcontractors will be required to comply with UNICEF Policy on Prohibiting and Combatting Fraud and Corruption available at http://www.unicef.org/publicpartnerships/files/Policy_Prohibiting_and_Combatting_Fraud_and_Corruption.pdf, the UN Secretary-General's Bulletin on "Special Measures for Protection from Sexual Exploitation and Sexual Abuse" available at <https://undocs.org/ST/SGB/2003/13>, and the UNICEF Policy on Conduct Promoting the Protection and Safeguarding of Children available at https://www.unicef.org/supply/files/Executive_Directive_06-16_Child_Safeguarding_Policy_-_1_July_2016_Final.pdf; and promptly and confidentially report cases involving suspected misuse of funds, allegations of sexual exploitation and abuse, or any reasonable suspicion (or allegations) of child safeguarding violations, to the UNICEF Moldova Representative or directly UNICEF Office of Internal Audit and Investigation (OIA) at integrity1@unicef.org
8. All UNICEF third-party suppliers and CSO partners will be verified for alignment with UNICEF's core values before initiating partnership through conducting a due diligence verification.

9. UNICEF will apply financial and programmatic assurance activities in accordance to the 2014 UNDG Framework on the Harmonized Approach to Cash Transfers (HACT) available at <https://undg.org/document/harmonized-approach-to-cash-transfer-framework> and UNICEF Procedure On Harmonized Approach To Cash Transfers To Implementing Partners. Should significant issues be identified during programme implementation and these cannot be adequately addressed by scheduled assurance activities or in consultation with the implementing partner, the UNICEF office will commission a special audit.
10. In the event that an investigation is required, UNICEF will conduct investigations relating to any aspect of UNICEF programmes and projects. Each responsible party and implementing partner will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', 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.

Due to the specificity and the high level of unpredictability of external factors, particularly when it comes to unforeseen needs and/or fluctuations in the exchange rate, the Action budget foresees a contingency reserve of an amount not exceeding 5% of the direct eligible costs.



ANNEX A. LOGFRAME

Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: To strengthen the economic, territorial and social cohesion in the Republic of Moldova through facilitating inclusive, sustainable and integrated local socio-economic growth and improving the standards of living of the citizens in the focal regions	Level of regional GDP (average for both focal regions)	17% (2017)	19% (2023)	National Bureau of Statistics	
Specific objective 1: To strengthen transparency, accountability of local public authorities and citizen participation in local governance processes in the focal regions	Degree of engagement of CSOs in local planning, governance processes and in public service delivery Level of adolescents' participation in local public decision making	Baseline to be established at the beginning of the project through an analysis by the project implementer 0% (2018)	Improvement in terms of number of CSOs involved and in terms of quality 8% (2021) 15% (2023)	- Minutes of local council meetings - Minutes of CSOs/LPAs joint meetings/seminars/workshops - Progress reports of jointly implemented projects	
Specific objective 2: To improve citizens' access to quality public services and utilities in the focal regions	People's level of satisfaction with the improved or new services/utilities, disaggregated by the type of services (age and sex	0 (2018)	At least 70% satisfied with the improved services (35% men and 35% women).	- Satisfaction survey - Ministry of Agriculture, Regional development	

	<p>Specific objective (SO) 4: To promote the smart specialization of the economy of the focal regions through the development of the clustering and value chain approach in key economic sectors</p>	<p>Number of clusters in each focal region</p> <p>Number of companies connected to a cluster</p> <p>Cluster performance</p>	<p>2018: 0</p> <p>N-A</p> <p>N-A</p>	<p>2023: 3 per focal region</p> <p>At least 3</p> <p>Increased cluster performance</p>	<p>- Progress reports, TAIEX mission</p> <p>Progress reports</p> <p>Qualitative assessment performed by the project implementer or by TAIEX</p>	
--	--	---	--------------------------------------	--	---	--

<p>Outputs:</p>	<p>Result 1.1) Increased institutional capacity of LPAs for the implementation of locally-driven environmentally compliant socio-economic development strategy for integrated local growth and development. Result 1.1) Improved and broader stakeholder (e.g. CSO, private sector) engagement in the planning and monitoring of the socio-economic development strategy,</p>	<p>No of CSOs involved in joint actions with LPAs in the target regions</p> <p>No of CSOs proposed suggestions (proposals) to local plans and budgets adopted by local authorities in the two focal regions</p> <p>No. of social entrepreneurship initiatives</p> <p>No. of priority local development projects implemented</p> <p>% of staff from local public authorities trained</p>	<p>3 CSOs involved in joint actions with LPAs (2018)</p> <p>0 (2018)</p> <p>0 (2018)</p> <p>0 (2018)</p> <p>40% of staff from local public authorities are trained (2018)</p>	<p>10 CSOs involved in joint actions with LPAs (2023)</p> <p>10 suggestions (proposals) to local plans and budgets adopted by LPAs</p> <p>5 social entrepreneurship initiatives (2023)</p> <p>10 priority local development projects implemented (2023)</p> <p>80% of staff from local public authorities are trained (2023)</p>	<p>- Minutes of Local council sessions</p> <p>- CSOs reports</p> <p>- ODIMM reports</p> <p>- Progress reports</p> <p>- Ministry of Agriculture, Regional development and Environment reports</p> <p>- Local authorities' annual reports</p> <p>- LPA's HR reports</p>	<p>Local public authorities (LPAs) develop and maintain a constructive and transparent cooperation with key stakeholders, civil society organizations, existing private actors and business associations</p>
------------------------	---	---	---	--	---	--

	<p>Result 2) Increased quality and availability of public services delivery and local public utilities performance,</p>	<p>Number of people benefitting from improved local public and social services and renovated infrastructure (age and sex disaggregation and type of service disaggregation)</p> <p>Number of inter-municipal cooperation established for the management of the public service</p>	<p>(0) 2018</p>	<p>At least 200,000 people benefitting from improved public services and renovated infrastructure (2023)</p> <p>2 public services in each focal region provided through inter-municipal cooperation</p>	<p>- Reports on implementation of national regional development strategy WHO/UNICEF / Eurostat / National Bureau of Statistics data</p>	
<p>Result 3) More favourable conditions for the attraction of investments and for women and men's entrepreneurship, including social entrepreneurship; job creation is stimulated, especially in less favoured areas.</p>	<p>Number of business development services developed</p> <p>Number and quality of brand promotion activities supported</p> <p>Number of business supported, including women</p> <p>Number of social entrepreneurs supported, including women</p>	<p>N.A</p>	<p>Increase/improve ment (3 per focal region)</p> <p>20 promotion activities supported</p> <p>70 businesses supported</p> <p>5 social entrepreneurs supported</p>	<p>- Progress Reports on implementation National Bureau of Statistics data</p>		

	<p>Result 4) Development and functioning of clusters in line with the smart specialisation approach.</p>	<p>Number of cluster development workshops</p> <p>Number of clusters supported in each focal region</p>	<p>N-A</p> <p>0</p>	<p>12 cluster development workshops</p> <p>3 per focal region</p>	<p>Progress Reports on implementation</p>	
--	--	---	---------------------	---	---	--

ANNEX B. THEORY OF CHANGE DIAGRAM

