

United Nations Development Programme
Country: Moldova, Republic of
Project Document

Project Title: Innovative business development for local sustainable economic growth

UNDAF Outcome(s): Outcome 2.1 - Economic Opportunities and Regional Development: People have access to more sustainable regional development, economic opportunities - innovation and agriculture in particular - and decent work

Expected CP Outcome(s):

Outcome 2.1

Expected Output(s):

Strengthened local expertise for mainstreaming innovations into business development processes and selective start-ups; innovative start-ups and existing businesses supported, including through financial support, to further innovate and create decent jobs in the regions; Capacities of LPAs strengthened to support innovative entrepreneurship and job creation at local level and include innovations into local economic development plans and planning process.

Executing Entity: UNDP Moldova

Implementing Agencies:

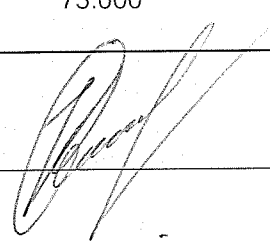
Brief Description

The Project aims at spurring innovations in small and mid-sized business start-ups and business development process for the generation of sustainable jobs at local level and strengthening of the LPAs capacities to manage autonomously such processes. The Project will achieve the following objectives: (a) build expertise and knowledge for mainstreaming innovations into business development processes and selective cases of new business start-up; (b) facilitate innovative business start-up and development through matching financial support with specific focus on existing businesses to graduate from business incubators; (c) enhance capacities of the LPAs to support innovative business development in a more decentralized framework. The Project will directly tackle the existing and perceived needs at central and local levels, including: (a) lack of local knowledge and know-how for promotion of innovations in start-ups and business development in post-incumbent phase; (b) lack of financial instruments to match-up available local resources in private sector for development of innovative businesses, including those graduating business incubators; (c) lack of local partnerships between private and public sectors to promote investment in innovative social projects, as extensions to existing innovative businesses and (d) weak capacities of LPAs to promote innovations for business.

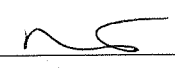
Programme Period:	2014-2017
Key Result Area (Strategic Plan)	Area of Work 1
Atlas Award ID:	_____
Start date:	1 Sept. 2014
End Date	end 2017
PAC Meeting Date	_____
Management Arrangements	Support to NIM

Total resources required	1.667.864 USD
Total allocated resources:	1.667.864 USD
• Regular	_____
• Other:	_____
o Donor (MFA Norway)	1.667.864 USD
o Donor	_____
o Donor	_____
o Government	_____
Unfunded budget:	_____
In-kind Contributions	75.000

Agreed by Ministry of Economy: Andrian Candu, Deputy Prime Minister, Minister



Agreed by UNDP Moldova: Nicola Harrington-Buhay, UN Resident Coordinator



I. SITUATION ANALYSIS

Human development in Moldova: snapshot

According to 2014 GHDR, Moldova's HDI value for 2013 was 0.663¹ - - positioning the country in the medium human development category at 114 out of 187 countries and territories. Between 1990 and 2013, Moldova's HDI value increased from 0.645 to 0.663, an increase of 2.8 percent or an average annual increase of about 0.12 percent. The country may have achieved higher HDI, but mainly due to the income component of the HDI, the progress made is insufficient, particularly compared to other CIS countries. When discounting Moldova HDI for inequality, the HDI falls to 0.582, a loss of 12.2 percent due to inequality in the distribution of the dimension indices. Poverty, decent jobs, rural vs. urban divide in terms of development, uneven access to some social services, social exclusion of certain groups of population and their structural vulnerability, all negatively affect some positive MDG-related achievements. Although poverty decreased steadily in the recent years, around 84% of all poor reside in rural areas and the situation has in fact been worsening. Rural households are still much dependent on remittances and incomes from traditional agriculture, thus extremely vulnerable to external factors and climate shocks. The recent economic growth was largely jobless, as shown by the rather stagnating number of new jobs available on the local labour market in Chisinau and almost inexistent new jobs in the regions. The development of the labour market is to a large extent slow, vast majority of available jobs being concentrated in Chisinau, while the offer in the regions is poor or inexistent.

Strategic setting and links to UNPF, Moldova 2020 and other sector strategies

People's resilience in face of multiple vulnerabilities can be improved through pro-active public policies as well as by investing in capabilities of the people and enlarging their choices. In Moldova, as the post-2015 national consultations showed, many people see high energy and food prices, climate-related threats, emigration and ageing of populations, as major challenges in the future². Taken into account all of the above, the current UNPF rightly points **three pillars for joint UN interventions** to support the democratic governance and justice, human development and social inclusion and environment, climate change and disaster risk management. Under Pillar 2, sustained interventions should aim at more access to people to sustainable regional development, economic opportunities, including through innovation and in agriculture, and decent work. Such interventions shall tackle in a comprehensive way the reasons for such high concentration of poverty in rural areas, while at same time take into consideration the existing urban poverty and key constraints for sustainable job creation and innovation in broader sense in both areas. As identified in UNPF, key **reasons for rural poverty** are low employment opportunities, high job insecurity, limited access and opportunities for inclusive economic development at local level, poor management of migration flows, savings and remittances, low-productivity agriculture sector with outdated technologies and knowledge, but also very limited capacities of the LPAs to promote entrepreneurship, deliver high-quality services to citizens, including some basis public services, among others. Urban poverty represents an under-researched domain and UNDP will conduct a thorough analysis to identify key drivers and solutions to overcome the current negative trend. The current Project will be connected to such analytical endeavors, so that to maximize positive effects of the activities to be implemented.

The Moldova 2020 Strategy clearly defines seven complex areas of intervention that would permit for a more sustainable development of the country up until 2020 and beyond and better lives for the Moldovans. These include: **education, roads system, finance, business, energy sector, pensions system and justice sector reform**. The Strategy underlines that an improved business environment will have a positive impact on trade, investment and motivation of companies to implement innovations and create new decent jobs. The National Strategy on Innovations (2013-2020) perfectly connects the realities and desired results of the innovation processes to the selective overarching national strategic areas of intervention. Improvements in education, road infrastructure, business environment, energy sector, etc., cannot be achieved without some degree on innovations and knowledge transfer. In this sense, the current Project is aligned to both Moldova 2020 and respective sector strategy.

¹ <http://hdr.undp.org/en/countries/profiles/MDA>

² http://www.md.undp.org/content/dam/moldova/docs/Publications/UNDP_MD_Post2015Report_Eng.pdf

The new Project is aligned to the current strategic outlook of/for UNDP at global and national level. It will consistently contribute, through the promotion of innovations and focus on sustainable impacts, towards the achievement of the Outcome (a) Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded, through adherence to the main principles of national ownership and capacity building, sustainable human development, gender equality, participation and voice, among others.

Project partners identified a series of specific **constraints** to more entrepreneurial activity in the regions, including lack of local consultative support for promotion of innovations³ in start-ups and business development in post-incubation phase; lack of financial instruments to match-up existing local resources in private sector for development of innovative businesses, including those graduating existing business incubators; lack of local partnerships between private and public sectors to promote investment in small and mid-sized innovative social projects, as extensions to existing innovative businesses and weak capacities of LPAs to promote innovations for business. Particularly as it regards the regions of Moldova, innovative entrepreneurship and business development is a **feasible solution** to address the above outlined reasons and perceived constraints so that to enhance competitiveness and increase corporate profits that can be further re-invested, create new and more sustainable jobs at community level, increase capacity of households to cope with increasing food prices through increased incomes, and minimize emigration and brain drain. Several economic sectors have untapped potential where new interventions may bring about positive results and more resilient local communities and people, in particular, HVA and green agriculture, waste management and renewable energy, IT and tourism business.

Innovations' state of play in Moldova

SMEs in Moldova have rather limited access to innovations, including finance to innovate, knowledge-sharing networks, among others. This stems from underdeveloped legislative framework, inefficient usage of available resources, lack of coordination among various actors, wide spread of responsibilities between different entities, lack of comprehensive M&E framework to monitor and evaluate progress in promotion of innovations. Above all, the concept of "innovations" is yet not fully understood and interpreted in a very narrow sense, merely only in terms of patented technological improvements or scientific discoveries. The new Strategy on innovations, elaborated by the Government and supported by UNDP, brings important changes to the current set-up and the proposed policy measures are fully aligned and will support the implementation of the Moldova 2020 Strategy. Given the above, as well as a clear lack of statistical evidence on promotion of innovations up until now, it is very difficult to set specific baselines. The Strategy contains a summary of the perceived needs and identified problems, which is the main source for the baselines set in the Project's RRF.

II. STRATEGY

The Ministry of Economy is one of the key public entities responsible for co-formulation, coordination and implementation of policies to promote innovations, SMEs, technological transfer, and R&D activities at the national level. UNDP has relevant competence in building local level partnerships for social and economic development, experience in working with private sector, including through the Global Compact network, strong analytical expertise in supporting innovation for development and conducting complex research on key constraints to sustainable human development, MDGs, among others. UNDP has also strong local presence in Moldova through various interventions at local level in key UNPF pillars, described above.

The Ministry of Economy took lead in the reform of the national system for technological transfers and innovations through the development and promotion of the National Innovations Strategy for Moldova. In the implementation process, a new Law on Technological Transfer and Innovations Fund will be developed with support of UNDP and the existing State Agency for Technological Transfer and Innovations will be reformed and take lead in further mainstreaming innovations and ensuring

³ As understood in the National Strategy on Innovations (2013-2020)

technological transfer. Until these processes finalize, the current Project is going to pilot and stimulate innovative entrepreneurial activity in rural and most remote areas and provide financial support for innovative start-ups and business development.

UNDP, using its strengths and corporate knowledge and experience in Moldova, will provide technical assistance and implement the Project, using UNDP corporate rules and regulations governing all business processes. The Government, represented by the Ministry of Economy, will facilitate communication and cooperation with existing business associations, private sector, dialogue platforms and LPAs, for the Project to ensure consistent and sustainable achievement of results and impact. UNDP will build upon the experience of ODIMM and ongoing projects funded by the MFA of Norway focusing on SME development, so that to maximize return on invested resources and build upon potential synergies with complementary initiatives.

The intervention is completely in line with the current UNPF, particularly Pillar II. If successful, it will lend itself for scale-up across the country. The cross-community links that the project will ensure transfer of knowledge and innovative ideas from one community to another and incremental consolidation of the capacities of local SMEs and communities in which they operate to mainstream innovations for job creations. The project will also ensure financial support through matching granting to most innovative start-ups or existing businesses. Such initial injection of funds coupled with consultancy services will increase interest, capacity and involvement of local businesses into sustainable production and job creation based on innovations.

The Project is based on existing partnerships with the Ministry of Economy and its subordinated agencies, including ODIMM, local academia and industrial parks. Within the framework of the current Project, ODIMM will act as the key partner. Other entities subordinated to the Ministry of Economy, as for instance the TRACOM or RAUT Industrial parks will be included in the project, depending on the specific needs and the decisions by the Steering Committee.

III. PROGRAMMATIC SYNERGIES AND PARTNERS

In the recent past, UNDP and other development partners have implemented several interventions targeting SME development, regulatory reform, and improvement of business environment, among others. In particular, the regional UNDP Aid for Trade Project aimed at supporting producers and exporters in fresh fruits to increase their competitiveness at home and abroad and enter new foreign markets for the diversification in exports. The Project provided support to existing SMEs to invest into new technologies for the pre- and post-harvesting periods and is unique in its approach of doing so through an intensified collaboration with the existing business associations. The UNDP JILD Program aims at improving the legal framework to ensure local government autonomy, availability and more efficient management of local resources. As part of the respective programme, selected communities are benefiting from the support in the modernization and improvement of community development strategies. As part of such efforts, local economic development plans will be reviewed and improved. The UNDP SYSLAB Project aims at promoting employability and innovative entrepreneurship in Chisinau and other regions. As part of the Project a seed money fund with matching grants will be made available to beneficiaries willing to start-up an innovative business and create new jobs in their communities. The UNDP CBM project is promoting entrepreneurship and development of business ties between the two banks of Nistru River, with a specific focus on youth. The Project is providing both consultative and financial support through micro grants for the initiation and running of new businesses and job creation. In such highly diversified portfolio of projects targeting directly or indirectly the development of SMEs, **UNDP had never before supported the promotion of innovations for business start-up and development, as none of other development partners**, as broadly defined by OECD and the National Strategy on Innovations (2013-2020).

Other development partners are supporting the implementation of various other projects. For instance, the ACED Project of USAID is supporting SMEs in the agricultural sector to increase their competitiveness. The Project is providing consultancy and technological support for selected SMEs, including in the fresh fruits segment, to enter new markets and increase competitiveness. The CEED II Project of USAID is providing support to Moldova enterprises in key industries to become more competitive, through increased productivity, trade and investment and improved public-private dialogue. Limited co-

financing through grants is provided to private sector to reach the above-mentioned goals. Several projects supported by the World Bank provided support for the improvement of the regulatory framework and modernization of legislation governing business start-up, SME development, among others. Furthermore, WB is providing support to enterprises in several key sectors, including agriculture, to increase competitiveness at home and abroad. The MAC-P Project of the WB, for instance, aims at enhancing the competitiveness of the agro-food sector by supporting the modernization of the food safety management system, facilitating market access for farmers, as well as mainstreaming agro-environmental and sustainable land management practices. Each of the above mentioned interventions by various donors facilitate to a certain extent some technological transfer, modernization of small-scale infrastructure or improvement of private-public partnerships and dialogue,

However, up to date there has been no program to provide dedicated support to innovation-based growth of SMEs and partnerships with relevant communities, including under the framework of the National Innovations Strategy.

Besides collaborating with the above and other similar projects, including UNDP-run interventions, the Project aims to establish strategic, long-term partnerships with certain local counterparts. In particular it aims to consolidate partnership with ODIMM. ODIMM established a rather strong network of business incubators throughout the country through which innovations could be promoted. The network comprises 7 functional business incubators (i.e. Soroca, Stefan Voda, Leova, Rezina, Singerei, Dubasari and Ceadir-Lunga) and one more incubator will be launched by the end of the current year. Each business incubator has about 15-16 incumbents mainly specialized in some traditional productive areas and services. Such network of business incubators requires further support in terms of trainings and consultancy to promote innovations and technological transfer. Moreover, current incumbents which are about to graduate the existing incubators, need further support, including financial support, to enter the real markets and face existing competition.

Potential strategic partners are the existing industrial parks, including TRACOM, Raut Industrial Park, among others, which could serve as platforms through which innovations in the industrial sector could be up-scaled and replicated. Last, but not least, local academia is an important resource for promotion of innovations and involvement of youth into experimenting and testing various innovations transferable to real business cases.

IV. PROJECT GOAL AND OBJECTIVES

Goal: To spur innovations in business start-ups and business development for sustainable job creation at local level

Objectives:

O.1. Build expertise/knowledge for mainstreaming innovations into business development processes and selective cases of start-ups.

O.2. Facilitate innovative business development for existing businesses through matching/competitive small grants scheme, with particular focus on selected residents of business incubators in post-incumbent phase.

O.3. Enhance capacities of LPAs, in line with the decentralization process, to sustain innovative entrepreneurship at local level.

V. PROJECT SUMMARY BUDGET

The overall budget for the three years period of implementation is USD 1,667,864. It mainly reflects costs related to consultancy services, matching financial direct support to Project beneficiaries and management costs.

VI. PROJECT COMPONENTS AND DESCRIPTION OF KEY ACTIVITIES

At the operation level the Project is going to reach the set objectives via the implementation of key three sets of activities/components, focusing on (a) training and consultative support to promote innovations, (b) provision of matching grant support to selected innovative start-ups and existing businesses in post-incubation phase to facilitate uptake of innovative practices and ideas and (c) support to local authorities to develop or expand their economic development plans with clear focus on innovations in business start-up and business development at local level.

Component 1.

At the incipient phase as well as during the entire duration of the Project, teams of national and international consultants will be delivering tailored trainings to potential entrepreneurs and established SMEs in post-incubation phase to focus on innovations at key points, including at the level of product, process, marketing or management method, as described in the National Innovations Strategy. Moreover, through a modern business innovation laboratory, which will be used by SMEs as a space to experiment and prototype/test various innovative solutions, SMEs will get access to ultramodern software, techniques and eventually hardware leased for demonstration purposes in various sectors to promote innovations in their business processes. Moreover, the Lab will be connected with international and regional best practices that will enable local business to get more exposure to knowledge and foreign markets for innovations.

Component 2.

The trainings and consultative support will permit for selecting businesses or start-ups able to innovate. This will pave the way for the second component in the project, i.e. financial support through matching small grants for innovations. Given that trained SMEs will have a better understanding of what innovations they need and how to implement those, the Project will be providing, on a competitive basis, small matching grants to support concrete projects. Such financial support can be used to help scale-up innovative business ideas that worked well on micro level. Furthermore, the plan is to establish a brokerage forum on which selected SMEs will have access to new investors from home or abroad interested to invest in innovative solutions. The forum will be also a virtual space to ensure that innovative solutions are discussed and improved through an on-line platform and interaction of beneficiaries.

Component 3.

In order to ensure that there is direct connection between the implementation of the National Strategy on Innovations at central as well as local levels, the key provisions of such strategy shall be transferred and incorporated into the local economic development plans of LPAs that are open and willing to innovate and support, with available local resources, SMEs or start-ups to start and innovate, generating revenues and new decent jobs in their communities. This would require the revision and modernization of the existing local economic development plans and the creation of one-stop-shops for entrepreneurs to get connected to knowledge and best practices at home and abroad. The one-stop-shops could be created or integrated with already existing support services and maintained by LPAs, with support from the Project, serving as local antennas to spur innovations.

For each of the above briefly described components of the Project, national and international expertise will be attracted so that to develop and implement teaching curriculum, develop standards and concepts for the consultative support needed by the SMEs and start-ups, develop the concept of the Business Innovation Lab, regulation over the Innovations Fund, etc. This will ensure that regional knowledge is brought in the country and entrepreneurs have access to it via multiple connection points, including the Lab, the Forum, one-stop-shops, among others.

VII. METHODOLOGY

Key implementation principles

In the implementation of the Project, Project staff will be guided by the UNDP rules and regulations governing key business processes. The Project is built and shall be implemented with due consideration to key programming principles such as human rights-based approach, gender equality, environmental sustainability, RBM, and capacity development.

Firstly, in all its activities the Project will promote key human rights to the extent possible. In particular it will promote the right for work and the right to have access to the developments in science and technology.

Secondly, it will promote equal opportunities and access to women and men to get relevant knowledge and experience in promotion of innovations applied to concrete business environments.

Thirdly, the Project will carefully incorporate environmental sustainability aspects in all daily undertakings and specific activities, so that to showcase that innovations are in fact conducive to a more sustainable environment.

Fourthly, activities have clear results to achieve and their impact is measurable through a clear set of indicators included in RRF framework. Due attention will be paid to develop the capacities of the local partners, including SMEs, business associations, LPAs, various governmental agencies involved, local academia, among others. This will be mainly achieved through tailored consultancy, engagement in various Project activities, joint participation to the evaluation of impact, joint visibility efforts, etc. The Project has strong national ownership due to its planned/existing strategic partnerships, alignment to the sector strategies, in particular National Strategy on Innovations, and direct engagement of the Government in the piloting phase.

Key target groups

SMEs, local business associations, potential entrepreneurs with innovative ideas and start-up motivation, business incubators' incumbents and LPAs are among the key direct beneficiaries of the Project. ODIMM is also a direct beneficiary of some of consultancy services, but also an agency which will be supporting the management of the Project to get access and work with graduates of the existing business incubators and with the network of incubators itself. A concrete roadmap for the engagement of and detailed selection criteria for each of the above-mentioned target groups will be developed by the management team with support from national and international consultants. Key **generic selection criteria** to be applied in the case of the direct beneficiaries are:

- (a) Registered SMEs capable to demonstrate capacity to implement and scale-up innovations
- (b) Graduates of business incubators with same capacities
- (c) Potential entrepreneurs with innovative ideas capable to match the provided financial support as per the conditions of the prospective national/local competitions
- (d) LPAs open and willing/capable to participate in various components of the Project; LPAs selected under other on-going UN/DP projects will be equally taken into consideration so that to build upon already existing partnerships and local connections
- (e) Local business associations active in entrepreneurship promotion and capable to further promote innovations at local level
- (f) All of the above will be complemented with specific criteria focused on issues of anti-corruption, gender sensitiveness, respect for basic human rights, etc.

Very specific and consulted selection criteria for each target group/category of beneficiaries will be developed by teams of national consultants, with support from international ones, and approved by the Board members.

In geographic terms such target groups are spread all over the country. The Project will not be looking towards certain specific geographic areas, but would rather focus on the best performing elements. This means that, together with main partners, it will look into specific areas of innovations, specific economic sectors that could host such innovations, specific local actors, including selective SMEs capable to

engage into a piloting phase. If, for a very narrow innovation the piloting is successful, the idea will be further scaled-up at local level and is accessible for all actors in same economic segment.

Selective LPAs will be engaged in the key components of the Project. This will ensure a good connection between central and local authorities and transfer of knowledge between the two levels. LPAs will be selected against a specific set of criteria to be developed and agreed with all key stakeholders. LPAs open and willing/capable to participate in various components of the Project will be given priority. In all instances LPAs which are benefiting from various other UNDP interventions will be contacted and encouraged to apply. The revision of the LED plans will take at the community level, taking into consideration the inter-connections between neighboring communities. The innovation one-stop-shops will be created at district level, so that to facilitate the promotion of entrepreneurship not only in the selected LPAs, but at district level. This would permit for further planned up-scaling of the intervention at national level.

New entities

The Project envisages the creation of two new innovative entities to promote innovations that will be unique to the market. These are: one Business Innovations Lab/Laboratory and a Business Matching and Innovations Forum.

The Laboratory will represent a physical space where selective SMEs will have the possibility to obtain trainings/knowledge, experiment and test their innovative solutions free-of-charge up until the innovation is ready to be implemented in real businesses case(s). The Lab will connect to similar entities in the region, so that to ensure technological transfer and promotion of various innovations. The detailed concept of the Lab will be developed in the incipient phase of Project implementation and agreed with the members of the Project Board.

The Business Matching and Innovations Forum will have a two-folded mandate. It will represent a platform on which potential entrepreneurs and business developers will have the possibility to meet potential investors capable of supporting innovative ideas with some seed investment. At same time the Forum will permit selective entrepreneurs to share their experiences and knowledge in mainstreaming various innovations at the level of products, processes, marketing, etc. Such forum will provide the intervention with a specific tool for dissemination of best practices and replication of innovative ideas. The Forum will offer free-of-charge services to its users during the Project implementing period.

Establishment of partnerships

In the incipient phase of the implementation of the Project several MoUs will be established with key direct beneficiaries and partners in the Project. In particular, a MoU with ODIMM, one or two industrial parks, one or two academic institutions, with the Agency for Innovations and Technological Transfer, CALM, with selective LPAs and business associations will be signed and implemented. Several specific MoUs with private sector players are also planned. UNDP may build upon the experience of recent partnership with STARNET S.A. for the development and implementation of a seed-money fund to promote innovative entrepreneurship in one of its interventions mentioned above. All of such MoUs will provide for specific areas of cooperation, sustainability, ownership over the results and their transfer to national counterparts at various levels after the termination of the Project. Given the fact that the Project envisages a strong financial matching support to SMEs, a micro-granting scheme will be developed by a group of experts. Tentatively such grants may be provided via the (a) existing business associations, (b) LPAs or (c) national NGO with clear capacity to manage such a scheme.

Scaling-up of the intervention

With support from the Ministry of Economy and other national stakeholders engaged in the Advisory Board of the Project, and based on the assumption that both central and local authorities will strongly support and gain from the benefits of promoting innovations for more intense and innovative entrepreneurship, all project components have a strong scale-up potential and perspectives. In particular, the planned innovations one-stop-shops, with institutional and financial support at district level and selective LPAs will replicate the training activities and will disseminate knowledge by usage of the Innovations Forum. The reformed Agency of Technological Transfer and Innovations would overtake

and scale-up the seed fund, substituting the matching grants scheme with a feasible but similar scheme to be financed from the state and/or local budgets. The Business Innovations Lab would remain as the key entity to further support the piloting of innovative business ideas and would be supported by the Ministry of Economy or its subordinated agencies.

VIII. SUSTAINABILITY

Institutional sustainability

For the institutional point of view the Project is sustainable as it represents a pilot in the implementation of the entire National Strategy on Innovations (2013-2020). The project will be piloting some key interventions stipulated in the Strategy and all lessons learned and best practices will be taken into consideration during the further implementation of the strategy. The partnerships at various levels with beneficiary institutions and business associations, through MoUs described above, shall ensure that results are in the ownerships of such entities and their capacities to scale-up the intervention after its termination are upgraded. With the increased decentralization and empowerment of the LPAs, such local authorities will get knowledge and expertise on how to promote innovations in business start-ups and business development. In such a way, the provisions of the national strategy will be transferred to local level and LPAs will have the possibility and funds needed to mainstream innovations at local level.

The project is **sustainable** from the institutional point of view due to its joint development and implementation plan between UNDP and the Government. The business community at local level will be directly connected to the project through existing networks, business associations, established dialogue platforms, including Local Global Compact Network. After the termination of the Project, key activities will be carried forward by the Government at central level, operationally by ODIMM, and LPAs and business associations at local and community levels. The Ministry of Economy will play key role in the Project as coordinator of the national efforts for the implementation of the Innovations Strategy 2013-2020. UNDP will be the implementing agency, which will ensure smooth implementation of the project based on UNDP rules and regulations governing procurement and other business processes. Selected LPAs will ensure strategic support in the implementation of activities at local/community levels, through the facilitation and implementation of local economic development plans focusing on mainstreaming innovations and technological transfer for sustainable job creation. The intervention has good chances for replication in communities that will not be covered by the project. The cross-community links that the project will ensure, will permit for transfer of knowledge and innovative ideas from one community to another and incremental consolidation of the capacities of local SMEs and communities in which they operate to mainstream innovations for job creations. The project will also ensure financial support through granting to most innovative start-ups or existing businesses. Such initial injection of funds coupled with consultancy services will increase interest, capacity and involvement of local businesses into sustainable job creation based on innovations.

After the termination of the Project, the Ministry of Economy (through ODIMM) and the reformed Agency for Technological Transfers and Innovations will overtake the implementation of core activities, with the support of strengthened LPAs. Due to anticipated support from local academia and existing industrial parks, certain specific activities, i.e. Innovations Lab, may be carried forward in partnership with such entities, ensuring thus required synergies.

Financial sustainability

The financial sustainability for this project is ensured by the fact that, to a great extent, public funds for the full scale implementation of the National Strategy on Innovations will be made available. Such funds will be available both at central level, but also at local level, with private sector entities being able to access needed funding on a competitive basis.

IX. RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country Programme Results and Resource Framework:

Outcome 2.1 - Economic Opportunities and Regional Development: People have access to more sustainable regional development, economic opportunities - innovation and agriculture in particular - and decent work

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:

a. Level of absolute and extreme poverty (national, regional, rural areas; urban areas, gender); Baseline: (2010) National: 21,9% and 1,4% ; Rural areas: 30,3% and 2,1% ; Regions: North: 23,7%; Center: 29,6%; South: 27,7%; Town: 14,2% and 0,3% ; Cities: 7,3% and 0,4%; Gender (head of household): 22,1% male and 21,6% female; **Target:** National: 19 % and 1% ; Rural areas: 25 and 1,5% ; Regions: North: 21,7%; Center: 27,6%; South: 25,7%; Town: 12,2% and 0,2 % ; Cities: 5,3% and 0,3 % ; Gender (head of household): 20,1% male and 19,6% female; **b. Small Areas Deprivation Index (SADI) by regions ; (North; South; Center; UTA Gagauz Yeri) ; Baseline:** North: 472; South: 455; Center: 462; Chisinau municipality: 808; UTA Gagauz Yeri: 629; **Target:** Increased SADI indicator per region by 10% ; **c. Employment rate, disaggregated by urban/rural, geographical areas, gender and age; Baseline:** General: 41,9%; Women: 48,1%; People (age 55-64): 41,6%; Youth: 17,8 %; **Target:** General: 60,0%; Women: 62,0%; People (age 55-64): 62,0%; Youth: 10,0%.

Applicable Key Result Area (from current Strategic Plan):

Partnership Strategy

One of the main objectives of Moldova is to eradicate poverty. In the national context, poverty and the lack of access to quality education, quality healthcare services and decent public services improved access to employment and economic opportunities along with regional development are considered as priorities and are reflected in Moldova 2020, national sectoral strategies, national programmes, national MDG targets on poverty, education, health, gender equality, international and regional treaties and related commitments, and various EU-Moldova documents.

Project title and ID (ATLAS Award ID):

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
<p><i>Innovative entrepreneurship and enhances LPAs' capacities for sustainable job creation in the regions in pre- and post-incubation phases</i></p> <p>Output 1 Enhanced expertise and knowledge to mainstream innovations into the business development processes and selective start-ups</p> <p>Baseline: Existing incumbents and SMES has low or inexistent capacity to innovate</p>	<p>Target 1.1. Up to 50 entrepreneurs get specialized mobile consultancy on know-how 'innovation in business', support in implementation of already tested innovative solutions</p> <p>Target 1.2. Up to 25 graduates</p>	<p>1 Tailored consultancy provided to selected SMEs</p> <ul style="list-style-type: none"> ▪ Action 1.1. Mobile specialized consultancy services for innovative business development in selective communities ▪ Action 1.2. Trainings for SMEs graduating existing business incubators 	<p>Ministry of Economy/ ODIMM/other Project partners Project team</p>	<p>Mainly involves costs for specialized consultancy services (USD 130,000), costs of conducting trainings (USD 23,000), costs of establishment and running of the Business Innovations Lab (USD 143,500)</p>

<p>for business development; potential entrepreneurs from rural and remote areas has low skills for innovative business start-up and testing their business ideas; lack of experimentation space for local SME's to test new ideas in production, management, marketing, etc..</p> <p>Indicators:</p> <p>No. of entrepreneurs and potential entrepreneurs who benefit from specialized mobile consultancy; No. of specific projects initiated and implemented by such entrepreneurs as the results of acquired knowledge; No. of entrepreneurs graduating existing business incubators which get trainings on innovative business development and pilot innovative ideas; No. of entrepreneurs who benefit from the Business Innovations Lab to test and implement their ideas; No. of women entrepreneurs who benefit from the Lab;</p>	<p>of the business incubators get tailored training on applying innovative business development (outside of the Innovations Lab) and prove to apply the acquired knowledge in concrete projects</p> <p>Target 2.1. One modern Business Innovation Lab up and running</p> <p>Target 2.2. Up to 20 entrepreneurs directly benefit from the Business Innovations Lab to test their specific ideas and ready to implement</p>	<p>2 Selective SMEs can test and pilot innovative business ideas</p> <ul style="list-style-type: none"> ▪ Action 2.1. Organization of a Business Innovations Lab ▪ Action 2.2. Running of the Business Innovations Lab 		
<p>Output 2 Enhanced knowledge of SMEs to exit business incubators</p> <p>Baseline:</p> <p>Current financial support at local level for mainstreaming innovations into business and promotion of innovations throughout various sectors is lacking; access to innovative business solutions is limited as exposure to international environment and finance is limited for</p>	<p>Target 3.1. Up to 15 small matching grants provided to existing private business for the implementation of business ideas tested in the Business Innovations Lab; up to 50 innovative jobs created at local level; up to 50% of such jobs offered to women and other</p>	<p>3 Matching financial support scheme to co-finance innovative business development in place</p> <ul style="list-style-type: none"> ▪ Action 3.1. Implementation of matching seed money fund for innovative SMEs ▪ Action 3.2. Organization of a Business Matching and Innovations Forum 	<p>Ministry of Economy/ ODIMM/Other project partners Project team</p>	<p>Mainly involves consultancy fees (USD 6,650), matching grants for existing SMEs (USD 865,356), development and implementation of a matching forum (USD 60,733) and extension of the grants scheme to innovative social projects (USD 9,000)</p>

<p>many companies in rural and remote areas; involvement of private sector to creating innovative and equally sustainable jobs is very limited; innovative social projects solving specific community problems with direct involvement of private sector are lacking in many communities;</p> <p>Indicators:</p> <p>No. of small matching grants provided for SMEs for initiating and testing innovative business solutions in the dedicated Lab; No. of companies active on the Innovations Forum; No. of transactions completed as the results of the meetings on the Forum; No. of new innovative jobs created in participating communities; Proportion of such jobs made available for women and other vulnerable groups; No. of innovative social projects initiated with support from LPAs and private sector; No. of innovative jobs created through such innovative projects;</p>	<p>vulnerable groups;</p> <p>Target 3.2. Up to 15 existing private businesses get connection to providers of innovative business solutions and seed matching funds as participants to the Business Matching and Innovations Forum; up to 10 contacts materialize in investment contracts;</p> <p>Target 4.1. Up to 5 small matching grants provided to local private/public consortium for the testing and implementation of innovative social projects/enterprises generating new jobs; up to 25 new jobs created through such innovative social projects;</p>	<p>4 Critical social interventions rolled-up with support from innovative SMEs and selective LPAs</p> <ul style="list-style-type: none"> ▪ Action 4.1. Seed money fund extended to innovative social projects in selected communities 	
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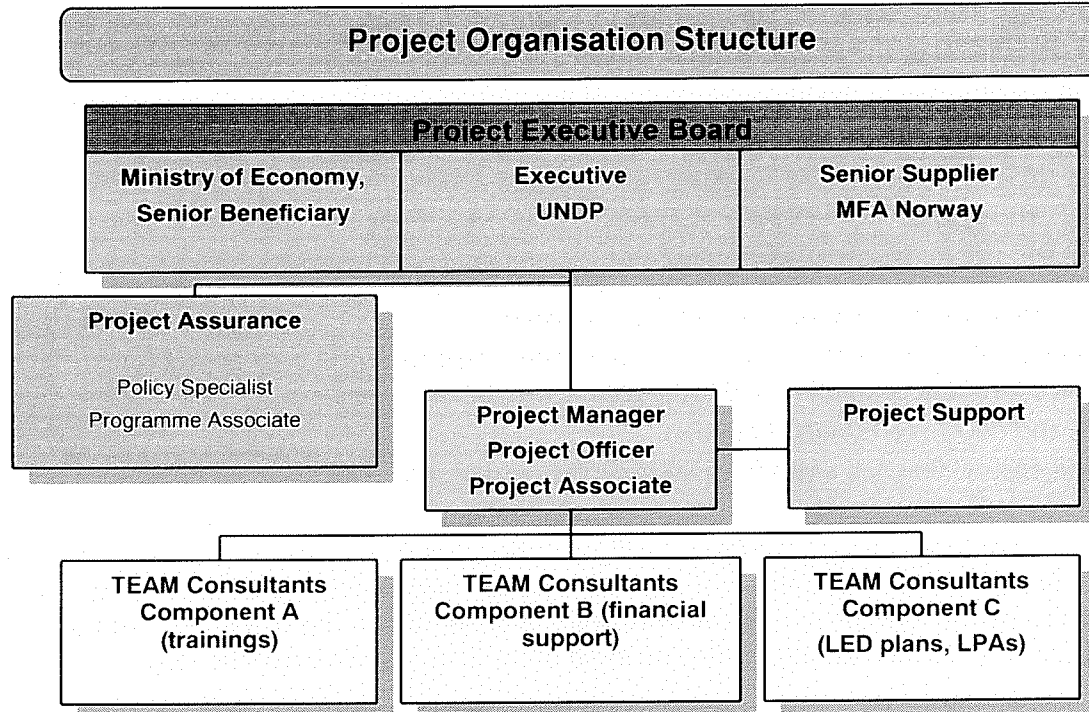
<p>Output 3 Enhanced capacities of selective LPAs to implement local economic development plans with clear innovation components</p> <p>Baseline: Local economic development plans often lack connection to business development and business innovation components and as such lack a clear vision on how to support business and community development through leveraging innovation partnerships;; many LED plans need to include business innovations; LPAs lack lean regulatory mechanisms to implement the new revised LED plans.</p> <p>Indicators: No. of LED plans revised by local experts so that to include a business innovation component; No. of revised LED in full implementation; No. of one-stop-shops organized at district level to support innovative business start-up and development and implementation of LEDs; no. of community issues tackled through partnerships for business innovation</p>	<p>Target 5.1. Up to 20 LED plans revised, together with M&E mechanisms and contain a clear and feasible innovations component; LPAs allocate needed resources to implement such component(s)</p> <p>Target 5.2. Up to 20 innovations "one-stop-shops" established at the premises of the selective LPAs, capable to disseminate innovations for business development and start-ups and connect potential beneficiaries to all other project activities, especially Matching Forum and Grants Scheme.</p>	<p>5 Selective LED plans revised and now include business innovations components</p> <ul style="list-style-type: none"> ▪ Action 5.1. Revision of selective LED plans to include business innovations components and mobile consultancy ▪ Action 5.2. Organization of innovations "one-stop-shops" (integration in the relevant operational "one-stop-shops") for innovative business start-up and development. 	<p>Ministry of Economy/ ODIMM/ Other project partners Project team</p>	<p>Mainly involves consultancy fees and training costs (USD 46,800)</p>
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X. ANNUAL WORK PLAN

Please see Annex 1.

XI. MANAGEMENT ARRANGEMENTS

The Project's organization structure is presented below:



The project will be implemented under National Implementation Mechanism (NIM). This means that Ministry of Economy will be responsible for decision-making and implementation of Project activities, while UNDP will provide technical assistance, support in the implementation, quality assurance, project inputs and support services. Ministry of Economy will act as the Senior Beneficiary. UNDP, under its Policy analysis, Entrepreneurship and Sustainable Employment Promotion Projects Implementing Unit (PIU) will administer the Project and will provide support in the implementation of all project activities. The main implementing team will consist of one Project Manager, one Project Officer and one Project Associate, based on UNDP specific job descriptions, as permanent staff. For the key components of the Project external local or international consultancy will be subcontracted based on IC modality.

UNDP Moldova will support the Ministry with implementation support services and will also provide narrative and financial reporting, on a regular basis, to the Project Board, project partners and donors. UNDP follows in the implementation of project and programmes internationally recognized standards (<http://content.undp.org/go/userguide/results>).

The main project decision making structure will be its Project Executive Board, established and operating following UNDR rules and regulations, with the overall authority for the project and responsibility for project initiation, direction, review and eventual closure. Within the confines of the Project, the Board is the highest authority. The Board is appointed to provide overall direction and project management and is responsible for ensuring that the project remains on course to deliver products of the required quality to meet the expected outcomes defined in the Project Document. It will be chaired by the Ministry of Economy (the Senior Executive and main beneficiary), and will be composed of key stakeholders' representatives: representatives of the Ministry, UNDP, and the Donor institution or a delegated authority. The Project Board will meet regularly (monthly or quarterly) and/or upon request of the Board member/s and its main functions will be evaluation of the progress, making necessary amendments and operational planning.

The Project Executive Board approves all major plans and authorizes any major deviation from agreed Project work plans. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and any parties beyond the scope of the project. In addition, it approves the appointment and responsibilities of the Project Management.

Specific responsibilities of the Project Executive Board:

- Overall contribution to the implementation of the project, including through experience, know-how, technology, equipment, funds;
- Decide on the selection criteria, as well as select/approve the innovative projects/ideas;
- Provide support, upon necessity, in applying innovative approaches to generate innovative ideas (tools for crowd sourcing, for. ex);
- Provide support to testing/implementation of the innovative initiatives, including through facilitation of access to various techniques and tools;
- Facilitate establishment of partnerships with various stakeholders in view of problem identification, idea generation and testing/implementation;
- Assess and decide on Project changes;
- Provide ad-hoc direction and advice for exception situations.

Besides the Executive Project Board, the Project will institutionalize an Advisory Board, to join member of the Executive Board and representatives of key strategic partners, including ODIMM, local academia, existing business associations, private sector companies, among others. The specific composition of the Advisory Board will be decided during the first meeting of the Executive Board of the Project.

Results Communication: Communicating results is key to the successful implementation of the project. To ensure consistent communication in line with the most up to date communication tools, templates for communication and visibility materials (press releases, media advisories, placement of logos on press materials, publications, etc.) and messages will be developed. UNDP and the Ministry of Economy will coordinate the quality and ensure consistency of all communications materials.

Project Assurance: Assurance is a key element of the PRINCE2 management method, upon which the Project Management Arrangements are based. 'Assurance' is essentially an independent audit function, whereby the Project Board is able to monitor progress against agreed work plans. The Project Assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed. The Project Assurance is the responsibility of each Project Board member. On behalf of UNDP, as senior project supplier, the function is delegated to a UNDP Policy Specialist/Programme Manager. The National Coordinator may appoint a representative (delegated authority) of the implementing partner to carry out the project assurance role on behalf of the project executive.

XII. MONITORING FRAMEWORK AND EVALUATION

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

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods .
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see annex 1), a risk log shall 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 Reports (PPR) shall be submitted by the Project Manager to the Project Board 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 Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR 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 Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

XIII. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of (country) and UNDP, signed on (date).

Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.

The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/qa_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under/further to this Project Document.

XIV. ANNEXES

Risk Analysis.

Risks have been identified as part of the formulation process and captured in the risk log below. The project Risk Log is maintained throughout the project implementation to capture potential risks to the project and associated measures to mitigate risk. The Project Manager shall maintain and update the Risk Log, and ensure that risks are identified, communicated, and managed effectively.

A number of potential risks which could occur in the project implementation period are listed below.

Description of risks	Type and category	Risk management actions
1. Low participation of SMEs in the intervention	Medium	1. Intensify collaboration with all key stakeholders, including in particular private sector, to speed-up and support the implementation of the National Strategy on Innovations
2. Slow implementation of decentralization reforms giving more instruments and competencies to LPAs to mainstream and support innovations and LED	Medium	2. Maintain close partnerships with key stakeholders and further support the LPAs, through this and other interventions in progress, for strengthening their capacities to drive local economic development

Description of risks	Type and category	Risk management actions
3. Slow speed in the implementation of the National Strategy on Innovations	Medium	Close collaboration with all members of the Board, especially with the Ministry of Economy as leading actor in the field.

Terms of Reference: TOR for key project personnel is attached, under Annex 2.

ANNEX III

Special Clauses. In case of government cost-sharing through the project which is not within the CPAP, the following clauses should be included:

1. The schedule of payments and UNDP bank account details.
2. The value of the payment, if made in a currency other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Should there be a change in the United Nations operational rate of exchange prior to the full utilization by the UNDP of the payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Government with a view to determining whether any further financing could be provided by the Government. Should such further financing not be available, the assistance to be provided to the project may be reduced, suspended or terminated by UNDP.
3. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the implementation of planned activities. It may be amended to be consistent with the progress of project delivery.
4. UNDP shall receive and administer the payment in accordance with the regulations, rules and directives of UNDP.
5. All financial accounts and statements shall be expressed in United States dollars.
6. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the government on a timely basis a supplementary estimate showing the further financing that will be necessary. The Government shall use its best endeavours to obtain the additional funds required.
7. If the payments referred above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph above is not forthcoming from the Government or other sources, the assistance to be provided to the project under this Agreement may be reduced, suspended or terminated by UNDP.
8. Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

In accordance with the decisions and directives of UNDP's Executive Board:

The contribution shall be charged:

- (a) 8% cost recovery for the provision of general management support (GMS) by UNDP headquarters and country offices
 - (b) Direct cost for implementation support services (ISS) provided by UNDP and/or an executing entity/implementing partner.
9. Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

10. The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP.”