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TERMS OF REFERENCE

Job Title: International Consultant to lead the development of the Baseline Study for the promotion of innovations in business start-up and development

Type of Contract: Individual Contract (IC)

Duty Station: Chisinau, Moldova

Expected workload: 36 working days

Expected duration of assignment: December 2014 – February 2015 (3 months) , with possibility of extension

BACKGROUND

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

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

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.

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

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

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.

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 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.

GOAL AND OBJECTIVES OF THE PROJECT

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.

KEY COMPONENTS OF THE PROJECT

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.

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. 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.

OBJECTIVES AND EXPECTED DELIVERABLES OF THE ASSIGNMENT

The main objective of the assignment is to develop a national **analysis of the current situation in the process of mainstreaming innovations in the Republic of Moldova**, as defined by OECD and National Strategy on Innovations (2013-2020) and **suggest feasible support mechanism(s)** that would provide a clear analytical framework and practical instruments on which further Project interventions will be based and against which evaluated. The results of the analysis will be used to develop specific concepts of intervention in each of the planned components of the Project, as described above.

The **Baseline study** shall be structured and include the following compartments:

1. **Mapping and detailed analysis of the key partners and projects**, including projects under preparation, that deal with business start-up, business development and competitiveness enhancement. Such analysis shall clearly identify most relevant projects that are complementary to the current intervention and that will be under implementation in the period 2015-2017 .
2. **Mapping of private sector/SMEs** to identify existing/perceived *cross-cutting constraints and bottlenecks* in promoting innovations in OECD terms and modern business conduct, also based on international best practices. The collection of cross-cutting challenges shall be performed via in-depth interviews and an *online platform* of the Business Innovations Lab.
3. **Development and consultation of the detailed concepts for the Business Innovations Lab, Business Matching Forum and Grants scheme.** Each of the three concepts shall take into consideration the project document, National Strategy on Innovations (2013-2020), EU-Moldova Association Agreement and related Action Plan and the mapping performed under previous compartments. The concepts shall clearly link private sector to the seed-funds available in the project, to knowledge and expertise at local level and regional level, to other complementary

interventions as mapped by the team, explain and justify the advantages of the Lab, Forum and Grants scheme to the end-user which is supposed to promote innovations and share best practices along the existing or new value chains.

4. **Develop and consult the M&E framework for the current project**, to include measurable indicators and their collection mechanisms, to be aligned to the provisions of the National Strategy on Innovations.
5. **Integrate and consult the Baseline study**, incorporating to the extent possible lessons learned in the region and best practices mapped while analyzing complementary interventions under implementation and publicly presenting the final document during the Projects Advisory Board.

Key deliverables:

Deliverables	Deadlines
Prepare for the mapping exercises, develop questionnaires and other instruments for collecting data and plan for consultative process (4 w/d with support from the national consultant)	By December 5, 2014
Mapping and detailed analysis of the key partners and projects performed and presented (4 w/d, <i>including one field mission</i>)	By December 19, 2014
Mapping of private sector/SMEs to identify existing/perceived cross-cutting constraints and bottlenecks in promoting innovations in OECD terms and modern business conduct performed and delivered(6 w/d, with support from national consultant, to include collection of data via an online platform of the Business Innovations Lab)	By January 23, 2015
Development and consultation of the detailed concepts for the Business Innovations Lab, Business Matching Forum and Grants scheme performed and reported(10 w/d)	By January 30, 2015
Develop and consult the M&E framework for the current project (5 w/d)	By February 9, 2015
Integrate and consult the final Baseline study, to include the M&E framework (4 w/d)	By February 16, 2015
Public presentation of the Baseline study in front of key stakeholders on the Advisory Board performed (3 w/d, <i>including one field mission</i>)	By February 27, 2015

ORGANIZATION CONTEXT

Under the guidance of the Project Manager, the consultant will be responsible to plan and organize/conduct analytical work and consultative process in line with key project documents. The national consultant will support the team with required local expertise, connections to private sector, public entities and other complementary interventions. The international consultant will guide the analytical and consultative process and will ensure that regional and international knowledge and best practices are duly taken into consideration.

Two missions to the Republic of Moldova shall be planned, with at least 2 days of stay (for each mission) for conducting research, consultations or presentations.

SKILLS AND EXPERIENCE REQUIRED

Academic Qualification

- Advanced degree in Economics, Social Science or other relevant fields;

Experience

- At least 7 years of proven analytical skills and previous experience in policy analysis, development of comprehensive analytical reports in socio-economic field;
- Familiarity with the situation in the national innovations system in the Republic of Moldova; knowledge of the Moldovan context would be a strong advantage;
- Knowledge of the EU regulations, including institutional, legal and policy frameworks, in the area of innovation and technological transfer;

Competencies

- Strong analytical and drafting skills.
- Ability to analyse, plan, communicate effectively with stakeholders and present ideas clearly and effectively.
- Excellent communication and teamwork skills.
- Demonstrated interpersonal and diplomatic skills.
- Ability to enter new environments, adapt quickly and produce immediate results.
- Computer literacy - competent user of Microsoft Office programs.

Language requirements

- Fluency in written and spoken English. Knowledge of Romanian or Russian would be an asset.

PERFORMANCE EVALUATION

Contractor's performance will be evaluated against timeliness, responsibility, initiative, communication, accuracy, and overall quality of the delivered products.

FINANCIAL ARRANGEMENTS

Payments will be disbursed in installments, upon submission and approval of deliverables, and certification by UNDP Moldova Project Manager that the services have been satisfactorily performed.