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TERMS OF REFERENCE

Job Title:	National consultant to develop the (a) RIA on the prospective Law on the Venture Capital and, as follow-up, of the (b) draft Law on the venture capital in line with existing European best practices
Type of Contract:	Individual Contract (IC)
Duty Station:	Chisinau, Moldova
Expected workload:	up to 50 working days
Duration:	May – October 2015

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 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

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

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

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

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

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.

CONTEXT

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.

The Project is based on existing partnerships with the Ministry of Economy and its subordinated agencies, including ODIMM and industrial parks. Within the framework of the current Project, ODIMM will act as the key partner.

As part of the Project, UNDP will be providing support to the Government as it regards the improvement of the existing legislation that facilitates promotion of innovations into SMEs, facilitates investment, including FDI, among others. The Government will further pursue its ambition to reform the national system in the field of innovations and technological transfer, as prescribed in the National Strategy on Innovations.

OBJECTIVES OF THE CONSULTANCY ASSIGNMENT

The specific objectives of the consultancy are, as per below.

- Develop a robust Regulatory Impact Analysis to assess the prospective impact of a new law on venture capital; based on the results of RIA, the consultant shall proceed with all of the below items;
- Analyze and share with local counterparts the experience and existing best practices in designing and implementing similar legislative acts from the EU and CIS countries;
- Draft the Law on venture capital in line with the available best practices and lessons learned from the EU and the region;
- Contribute to the national consultative process around the draft Law and finalization of the document after conducting at least one national policy workshop involving all interested and relevant counterparts;
- Expert assistance for the consultation and approval of the Law on venture capital by the Government and Parliament of the RM.

SCOPE OF WORK AND EXPECTED OUTPUT

KEY EXPECTED DELIVERABLES

Deliverable(s)	Deadline
1. Develop RIA on venture capital and assess the prospective impact of the new law	June 5, 2015
2. Develop the first draft of the prospective Law on venture capital and consult the draft with the key stakeholders	June 26, 2015
3. Organize a policy workshop to consult the draft Law on venture capital with all interested stakeholders	By July 17, 2015
4. Finalize the draft Law and provide support to the Ministry of Economy for its endorsement by relevant stakeholders	By end July 2015
5. Expert assistance for the consultation and approval of the Law on venture capital by the Government and Parliament of the RM	By end October 2015

ORGANIZATIONAL SETTING

The consultant will work under direct supervision of UNDP Policy analysis, Entrepreneurship and Sustainable Employment Promotion Projects Implementing Unit (PIU). Technical assistance and logistical support to the consultant will be provided in the framework of the named unit of UNDP Moldova. The Ministry of Economy will provide necessary assistance in the facilitation of the consultative process, liaising with relevant public actors, including various commissions, among others.

SKILLS AND EXPERIENCE REQUIRED

- Advanced degree in Economics, in Finance and Banking or other relevant fields;
- At least 5 years of proven analytical skills and previous experience in policy analysis, development of comprehensive analytical reports in finance and banking field; previous extensive experience in drafting regulatory acts and laws; experience in the development of the regulatory framework for the establishment and functioning of institutions that operate with financial resources, including public

funds and securities, experience in conducting extensive national level consultations for validation of draft legislative documents;

- Knowledge of the EU best practices in venture financing mechanisms and relevant similar projects is an advantage;
- Knowledge of the EU regulations, including institutional, legal and policy frameworks, in the area of innovation and technological transfer, competency in the administration of financial markets is a strong advantage;
- In-depth knowledge of the national innovations system in the Republic of Moldova;
- Excellent communication and teamwork skills;
- Fluency in English and Romanian is mandatory. Knowledge of Russian is an advantage.

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 several installments (the last tranche will be transferred after the approval of the Law by the Parliament), upon submission and approval of deliverables mentioned in the Section "Key expected deliverables" and certification by UNDP Project Manager that the services have been satisfactorily performed.