

# Innovation Grant Scheme Operational Manual

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*Project “Innovative Business Development for Local Sustainable Economic Growth” 2015. - 2017.*

*UNDP Moldova*

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## Glossary

Applicant	A company which submitted the Application to the Innovation Grant scheme
Application	The innovation project proposal submitted to the Innovation Grant Scheme in regularly and timely manner
Beneficiary	The company which has been awarded the Grant and which signed Financing Agreement
Concept Note	The form completed by the Applicant to describe the general project idea. Based on the Concept Note, the potentially acceptable projects will be identified through an analysis and selection in pre-application stage.
Financing Agreement	The Agreement between company and UNDP governing the financing and responsibilities of the Beneficiary during the

	implementation of the Project.
Full Application	2 <sup>nd</sup> stage of the application process to the IGS
Grant	The amount of finance received by the Beneficiary without returning obligations in order to perform the Project
Innovation Grant Scheme (IGS)	The intervention component of the Project “Innovative Business Development for Local Sustainable Economic Growth”
Intellectual Property (IP)	Intangible property related to the innovative idea, technology, design or concept which can be legally treated and protected.
IGS Investment Committee	The Committee in charge for selecting and monitoring the projects, reporting to LED Project Manager, composed by the representatives of the stakeholders the national innovation system.
IGS Management Team	The LED project management team in charge of IGS implementation
LED Project	UNDP Project “Innovative Business Development for Local Sustainable Economic Growth”
Monitoring Consultant	The consultant hired by the UNDP in order to provide tailored services during implementation of the Project
Pre-application	1 <sup>st</sup> stage of the application process to the IGS
Project	The innovation project implemented by the Beneficiary according to the proposed Application and financed by IGS.
Project Budget	The total project budget of the innovation project, comprising the maximum 60% grant and minimum 40% matching funds from other sources, defined on the pre-defined form, as part of the full application.
Project Plan	Detailed description of the innovation Project on the pre-defined form, as part of the full application.
Small and Medium Enterprise (SME)	Company with up to 250 permanent employees, sales revenues of up to 50 mil MDL and assets of up to 50 mil MDL, in more than 75% private ownership.

## 1 Basic concept and characteristics of the Innovation Grant Scheme

### 1.1 Innovation Grant Scheme (IGS) objectives

Main objectives of the Innovation Grant Scheme (IGS) are:

- A. to stimulate development of innovations within Moldovan SMEs, local business associations, potential entrepreneurs with innovative ideas and expansion motivation, business incubators’ graduates, by providing financing for market-oriented new or improved products, services and technologies with high commercialization potential;
- B. to pilot an innovation support mechanism as an exercise of interventions stipulated in the entire National Strategy on Innovations (2013 – 2020), providing the basis for scaling-up at

Government level, and thereby providing insights, lessons learned and best practices for future governmental innovation-support programs.

## ***1.2 Types of innovation projects supported***

The preferred projects applying to the IGS are the **innovation projects encompassing development and other pre-commercial activities implemented by established** Moldovan SME's. The supported projects are in phase of innovation development and are based on a comprehensive business plan, addressing the specific identified challenges and demonstrating high potential in terms of access to market and company competitiveness and growth. The projects should already have previously developed innovative concept or prototype which demonstrates a clear technological and economic viability. The innovative concept should represent considerable novelty to the national or global market: e.g. new products, processes, services or market application.

In innovation development projects, the examples of financing activities may include: prototyping, upscaling, design, performance verification, testing, demonstration, development of pilot lines, validation for market replication, IP protection and other activities aimed at bringing innovation idea (product, process, service, etc.) to investment readiness and market introduction. The financed activities would include also partly the costs necessary tailored training, restructuring of the organization or production, absorbing new technologies, access to business networks/clusters, adoption of new marketing tools, and helping access new markets and all similar activities necessary to finish pre-commercial phase of the innovation development.

## ***1.3 Amount of financing***

**The grants will cover maximum 8.000 USD or maximum sixty percent (60%) of the total project amount (what is lower) for pre-commercial innovation development projects.**

Co-financing of at least forty percent (40%) of the total project budget is to be secured by the Applicant from its own investments or from other sources. Acceptable co-financing includes SME's own investment, private investors, loan financing or other private sector cash contributions and excludes any public financing. The total amount of financing grant cannot be increased during the course of the Project.

## ***1.4 Duration of the project***

**The project and the project budget must be designed so to be completed within 12 months.** However, the project may be extended for maximum of additional six (6) months under exceptional circumstances, at the discretion of the UNDP.

## ***1.5 Eligible applicants***

Eligible applicants to the grant scheme are:

- The eligible Applicants are Moldovan privately owned (at least 75 percent private per the JSC Law) micro, small or medium enterprises (SME), established at least two (2) years before the date of applying, operating in any industry sector except: catering services providing only alcoholic beverages; casinos, gambling and similar activities; construction/purchase of residential and commercial space for housing/sales; gas stations; production and distribution of tobacco products; sales and service of cars, primary agricultural activities.

- The Applicant is a legal private sector, micro- or small- company, registered under the applicable Moldovan Company Law.
- The Applicant must not possess outstanding debts in terms of public contributions.
- The Applicant must not have accumulated losses above the equity value.
- To the Applicant and individual owners have not been convicted for crimes connected to business operations.

## **2 Application process**

### ***2.1 Description of application process***

The IGS grants will be awarded through an open selection procedure in two stages (Pre-application and Full Application), with two Call Cycles (1<sup>st</sup> year and 2<sup>nd</sup> year) envisaged throughout the duration of the LED Project.

The selection process is designed according to the principles of merit, transparency, equality and rational use of funds, by launching two calls, one each year. The innovation projects are selected against the clear eligibility and selection criteria, of which latter are assessed by the experienced and independent evaluators. The applications which fulfill all eligibility criteria and which satisfy the selection criteria at most will be proposed for financing. They are in final phase assessed and ranked by the Investment Committee and, subject to the availability of funds. The best ranked applications that can fulfill legal requirements are offered to sign Financing Agreement, randomly proposing them one of three possible financing modes.

### ***2.2 Instructions to the application process***

Companies apply through the open call published by the IGS Management Team on the dedicated web-site via online platform. There are two stages of application process implemented consecutively: **1<sup>st</sup>: Assessment of the Concept Notes**, and **2<sup>nd</sup>: Assessment of the full Projects Plans**. Only those applications that were positively evaluated at the 1<sup>st</sup> stage and invited to write full Project Plans are eligible to apply to 2nd stage.

While preparing the Application following rules apply:

- A. There is only one Application per Applicant allowed;
- B. Resubmission of modified and improved Applications is not allowed.
- C. Only Applications submitted using the online application platform will be considered;
- D. Deadlines of both application stages are to be strictly respected.
- E. In evaluation process, only complete Applications will be accepted. Documents required by hard copies must not be sent by mail to the UNDP before so requested, if the grant is offered to the Applicant.

## **2.3 Project Application Documentation**

### **2.3.1 Pre-application: Concept Note**

In the pre-application stage, the Applicant should submit only a filled out pre-defined form of **Concept Note** (Section 5.2, in Annex A), where the concept of innovation project is shortly and concisely described (including the idea and the potential market) and the company and the development team shortly presented. In the pre-application stage there are no other documents needed.

### **2.3.2 Full application: Project plan with Project budget**

Only those Applicants who are selected and invited in the pre-application phase submit the Full Application, which consists of **Project plan, Financial plan and the Curriculum Vitae**. The Full Application have to be submitted on pre-defined forms (Section 7, Annex B and Section 8, Annex C) filled out completely and uploaded to the IGS online platform until the stated deadline.

The Project plan should contain the detailed elaboration of the innovative concept, analysis of the existing and future market, prediction of the commercialization potential, envisaged development activities including: staff engagement, necessary material means and needed advisory services and trainings.

Also the detailed Project budget has to be submitted predicting all project expenses during implementation phase of 12 months, including both the grant contribution as well as the Applicant's matching funds.

The Project Plan in Full Application should encompass following:

- Clear evidence of so far achieved initial results or insights to be considered as innovative foundation for the Project.
- Justification of the commercial potential of the proposed innovation, as detailed as possible.
- Justification that there is an existing market for the proposed innovation and that the strategy for the commercial exploitation of the innovation is compliant with the actual market sector,
- Realistic plan of the Project activities so they can be implemented considering technological, financial, time and market constraints, possibilities and opportunities.
- Assurance that the project includes all activities necessary for the innovation to be ready for commercial activities on potential markets.
- Evidence that the team has relevant experience in the industry sector and necessary knowledge and skills to implement the planned activities in the development of the new product/process/service and successful preparation for commercialization

Together with the Project Plan, Financial plan with detailed and reasonable project expenses that are intended exclusively for project purposes, and CV's of the members of the team should be submitted via online platform.

### **2.3.3 Corporate and other documentation**

The Application supporting corporate documentation, are submitted physically only by those Applicants who have passed complete evaluation of the Full Application in 2<sup>nd</sup> stage and are offered

the Financing Agreement. In case the necessary documentation is not submitted within the deadline required by the UNDP, the Applicant will not be financed.

The documentation includes obligatory and non-obligatory items:

- Business Registration Certificate issued by Authority;
- Certificate of proof of lack of tax debt issued by Authority;
- Proof of matching funds: company cash contribution (e.g. cash acquired through current business operations), investment contract (e.g. capital contributions), credit agreements with the banks or financial institutions, cash expected from the ongoing and future business operations and similar sources;
- Bank statement from the dedicated bank account number;
- All agreements with third parties directly related to the project, e.g. subcontracts (prior to signing of the Financing Agreement, if applicable).

#### ***2.4 Eligible and non-eligible expenses***

If awarded, the grant should be used by the Applicant for innovation development activities in following group of expenses:

- Gross salaries of development staff (up to 60% of the total Project Budget) – maximum single salary allowed amounts up to three times of national average (3 X 4,260 MDL)
- Small equipment and supplies (up to 30% of the total Project Budget);
- Technology, design, business, development and other consultancy services like quality certifications, copyright and patent application and fees (up to 30% of the total Project Budget);
- Costs of tailored training of the development staff (up to 30% of the total Project Budget);
- Other costs incl. travelling connected to implementation of innovation project (up to 20% of the total Project Budget).

The expenses shown above should be predicted to reflect the Project goals and should be clearly justified in accordance with Project objectives. Only expenditures accrued during the project in accordance with the Project Budget and completed by the end of the project are eligible for financing. All agreements with subcontractors or third parties must be submitted with the Application and must contain provision that the Applicant retains ownership of all new intellectual property and know-how that may be created during the implementation of the project.

Expenses that will not be considered for financing by the IGS include but are not limited to:

- Interest or debt owed to any third party;
- Expenditures and provisions for possible future losses or debts;
- Items already financed through another grant, program or institution;
- Bank and currency exchange expenses, losses, fees and penalties;
- Marketing, sales and distribution costs for promoting the technology, product or service;
- Purchase or rent of land or buildings, including any renovation;

- Cash payments from the project account;

## ***2.5 IP and know-how requirements***

If applicable to the Project, the applicant is required to show the proof of intellectual property rights and know-how rights, including but not limited to licensing agreements, in-kind contribution agreements, options or commitments, if any, and other agreements confirming that the Applicant owns or has rights to the technology being developed.

Any new intellectual property and know-how, which may be created in course of the implementation of the project, belongs to the Applicant. The Applicant has to secure these IP- and know-how- rights in agreements concluded with any third party.

## **3 Project evaluation and selection decision**

### ***3.1 Evaluation and selection procedure principles***

During the selection of the innovation projects for grants, the following principles should be respected to the maximum possible extent when assessing innovation projects:

- Promotion of key human rights. In particular, IGS will promote the right for work and the right to have access to the developments in science and technology.
- Promotion of equal opportunities and access to women and men to get relevant knowledge and experience in promotion of innovations applied to real business environments. All Applicants and Project proposals are equally and justly evaluated, and objectively and independently assessed.
- Promotion of environmental sustainability aspects in all daily undertakings and specific activities, so that to showcase that innovations benefit to a more sustainable environment.
- Excellence – recognizes and supports business, technological and managerial excellence at the highest level.
- Transparency – all activities, decision-making and financing are fully transparent and public.
- Measurability - impact and results of the financed projects must be measurable at least at the capacity adequate for evaluation.
- Avoiding conflicts of interest – All operations and decisions made avoid direct or indirect conflict of interest of all persons involved in procedures.
- Ethical and other good practice in business - The Fund supports ethical and other good business practice in the sense of the UNDP corporate values.

### ***3.2 Management and the Investment Committee***

The management of the IGS is under the authority of the UNDP's LED Project. The governing is, according to the LED Project's goals, taking into account institutional framework and beneficiaries within the entrepreneurship and innovation ecosystem in Moldova. Therefore a building partnership with governmental, business and academic community is among the key governance principle of the IGS.

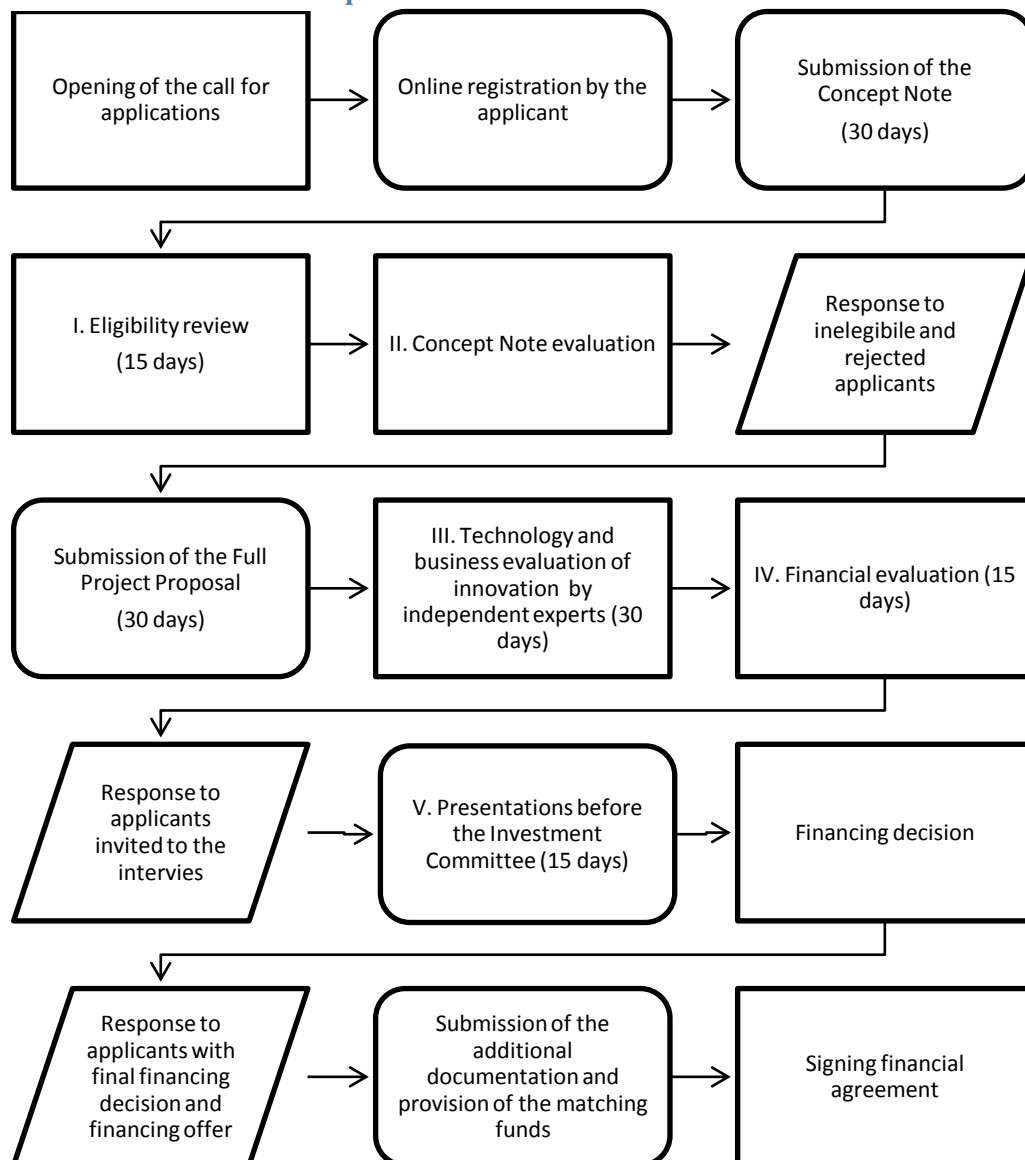


Considering this, the IGS Investment Committee in charge for selecting and monitoring the projects, reporting to LED Project Manager Project Manager should be formed. It will be established by selecting the representatives of key institutions involved in the implementation of the National Strategy of Innovations: Ministry of Economy, MIEPO, ODIMM and AITT. Together with them, the UNDP representative (the LED Project manager), an experienced innovation expert and representative of private sector should be involved.

The Investment Committee should be supported by IGS administration in charge of the process and documentation management.

### 3.3 Evaluation and selection procedure

#### 3.3.1 Evaluation and selection procedure flowchart



#### 3.3.2 Phase I: The Eligibility Review

After the deadline for the submission of the Pre-applications, all electronically submitted Concept Notes are reviewed against the eligibility criteria and completeness. The eligibility criteria apply as stated in the Section 1.5. Only Applicants which are eligible against all criteria will be considered for

further evaluation. Ineligible Applicants will be notified of their ineligibility by email, accompanied by short explanation.

### **3.3.3 Phase II: The Concept Note Evaluation**

The goal of the evaluation of the Concept Notes is to identify potentially acceptable projects and its alignment with overall IGS goals through analysis of project ideas. The Concept Note evaluation is performed by a three-member Pre-selection committee, nominated by the LED Project Manager, who assesses if the Concept Note is generally fulfilling the criteria of being a pre-commercial innovation project.

Those Concept Note evaluation criteria are:

- A. Is the level of innovativeness for the local or global market of proposed new product/service/process/solution described in a satisfactory manner?
- B. Is real market potential for the proposed new product/service/solution concisely and reasonably described and justified?
- C. Is the company strategy and business model described in a convincing way explaining plans commercialization of the innovation?
- D. Is the capacity of the company and the development team to implement the proposed project (people and their references) clearly described?

If the all four criteria are fulfilled and the Concept Note assessed positively by all three members of the Pre-selection Committee, the Applicant is considered to be qualified for the next application stage and the Applicant will get notice of fulfilling the evaluation criteria.

If any of the four criteria is assessed negatively, the Applicant will get notice of not fulfilling this criteria accompanied by the short explanation. Those Applicants will not be processed to the next stage and for them the selection process is finished. They also do not have right to appeal, but they can apply again on the next call.

### **3.3.4 Phase III: Technological and business evaluation of innovation projects**

In Phase III the detailed evaluation of the Applicants' business and technology innovation projects will be performed via detailed insight into Full Application documentation.

The Applicants have to send a Full Application which consists of Project Plan, Financial Plan and CV's of the team, through online form. The Phase III of the evaluation is carried out by the independent evaluators of particular expertise, which are selected from the roster of experts comprised previously, as described in Section 3.5. The IGS Management Team assigns at least two evaluators of the complementary expertise to each Application with goal to review in detail the Project Plan, Financial Plan and Curricula Vitae of the members of the team, according to evaluation criteria as set up in evaluation grid (cf. Section 10), i. e. innovativeness, market potential, project quality and competence of the team.

General evaluation criteria for the Applications have to consider the fact that the IGS comprises the innovative projects in pre-commercial stage in development of innovation from idea to market. Each evaluator independently assesses the Project Plan according to the evaluation grid.

- A. Assessment of degree of innovation (level of novelty: new to the global industry or only to local market, or simple adoption of new technology....) with consideration of technological risks;

- B. Assessment of market potential of innovation (local market, global market, competitiveness ...);
- C. Assessment of project quality, including planned activities and milestones;
- D. Assessment of experience and motivation of management and development team.

### **3.3.5 Phase IV: Financial evaluation of innovation projects**

The financial criteria of the Application are assessed by the IGS management team (financial experts), according to the questions and scoring system laid out in evaluation grid (cf. Section 10), i.e. financial evaluation criteria.

In general, following items should be assessed:

- A. Project costs and budget – their feasibility for the implementation of project and how realistic is their breakdown;
- B. Project cost explanation, their coherency with the list of eligible and ineligible costs described here
- C. Availability of the matching funds for development – the Applicants must prove a sufficient level of financial capability for the Project implementation, including total financial capacity of SME;

### **3.3.6 Ranking and threshold**

Based on the results of the both technological and financial evaluation of all received applications, the ranking of the applications is created according to the number of points received, and threshold is defined by taking into account the available funds and amount the applications require from the IGS. Only those Application which received the total number of points over the threshold, are shortlisted for further consideration under the IGS. By the end of this Phase, the shortlisted Applicants who have ranking above the threshold are invited to oral presentation before the Investment Committee, as the final phase of the evaluation.

### **3.3.7 Phase V: Presentations of Applicants to the Investment Committee**

As a formal next step in the application process, the selected Applicants with the ranking over the threshold will be invited to present their innovation projects before the Investment Committee. Materials submitted in the Application will be discussed during the presentation, including but not limited to the content of the Project. Both applicant and evaluators should be present on the Committee meetings, in order to answer questions and justify their decisions. Following the presentation, the Investment Committee will complete the evaluation grid for each applicant for innovativeness, market potential and project quality criteria (cf. Section 10), as a third, decision-taking mark, which will be used for formation of the final ranking list.

### **3.3.8 Financing decision**

The final decision for financing is made according the final ranking list which includes two expert evaluations, financial evaluation and presentation evaluation by the Investment Committee. Only the Projects which received the total number of points above the threshold defined by the IGS Management Team can be proposed for financing, with the consent of the LED Project Manager.

The financing decision of the Applicants with evaluation score over the threshold is guided by the principles of impartiality, transparency, rationale use of funds. Therefore, in the 1<sup>st</sup> Call Cycle every Applicant will be offered one out of the three following modes of benefiting the grants:

- A. Implementing the project grant immediately by co-financing the activities of the Project Plan together with assistance of tailored Monitoring Consultant who is carrying out regular on-site visits;
- B. Implementing the project grant immediately by co-financing the activities of the Project Plan and using the assistance of the monitoring consultant yet in the 2<sup>nd</sup> year, after the pre-commercial project is finished;
- C. Scheduling the project co-financing and implementation for the next year's call cycle and providing assistance of the tailored monitoring consultant who is carrying out regular on-site visits to help preparation of pre-commercial activities of the project;

The selection of modes offered to the individual Beneficiary ranked over the evaluation threshold is done randomly, regardless of the total number of scores received by the evaluation process.

Draft modes of benefiting the grants, offered to positively evaluated Applicants on the random basis

**Beneficiaries A:** Only grant (cash support)

**Beneficiaries B:** Grant (cash support) and consultancy, overall same amount

**Beneficiaries C:** Only consultancy in same amount as cash support

Those Applicants which have not passed evaluation and are ranked below the evaluation threshold will be instructed to apply in 2<sup>nd</sup> Call cycle, taking in account feedback they received from the evaluators and/or Investment Committee. They will be offered to apply directly to 2<sup>nd</sup> evaluation stage submitting Full Application and they will not have to pass again through pre-evaluation stage.

Following the decision to award financing, the Applicants will be offered to sign the Financing Agreement, according to the mode of financing offered.

### ***3.4 Financing Agreement***

After finished evaluation, based on the suggestions of expert evaluators and financial evaluation and the benefitng mode selection, the Applicants are offered the Financing Agreement. Among others, it contains the final Project Budget that is not necessarily the same as the one the Applicant submitted, resulting from negotiations with Applicant.

Before signing of the Financing Agreement, the Applicant sends by mail original corporate documentation as stipulated in Section 2.3.3. This documentation, together with Project Plan and the final Project Budget, is the constituent part of the Financing Agreement.

Financing is done under the general provisions of the Financing Agreement, and the payment is done quarterly. The monitoring consultant is provided and remunerated by the UNDP, not as a part of the Project. In the Financing Agreement the provisions of the Applicant's matching funds are also

regulated. The actual disbursement of funds starts after the signing of the Agreement. Costs incurred before the date of signing of the Agreement will not be included in the cost of the project.

### **3.5 Evaluators selection**

#### **3.5.1 Evaluators selection**

Evaluators are selected by tender in order to form a roster of business and technological experts for evaluation of business, technological and innovation approach of project applications and further monitoring of business, technological and innovation and approach in the implementation of projects that will apply for and be implemented within the scope of the IGS.

Experts will be classified in the following nine industry sectors (plus "Other") within the scope of which IGS classifies its project applications:

- I. Electronics, Electrical Engineering and Materials
- II. Energy and Environment,
- III. ICT, Media and Communication
- IV. Medicine, Biomedicine, Pharmaceutical Industry
- V. Agriculture, Forestry and Fishery
- VI. Food and Beverages Production
- VII. Mechanical Engineering
- VIII. Traffic and Transport Technology
- IX. Trade and Financial Services
- X. Other industries and services

#### **3.5.2 Evaluators' expertise**

When applying, experts are invited to declare up to two industry sectors of their expertise with the specification of their skills and references for selected sectors.

Obligatory qualifications of evaluators:

- University degree/master's degree/master of engineering degree/doctoral degree in the following areas: business, management, finance, natural sciences, engineering, social sciences and biomedicine and health
- Or, the minimum of 10 years of appropriate experience in a specific industry sector (required if there is no university degree)

Professional experience

- Minimum of 5 years of work experience in a specific sector in business, entrepreneurship, development or innovations, in private companies or corporations (required);
- Work experience on the development of technology or products/services commercialization (preferred);
- Experience in internationalization of business and/or work experience in international environment (preferred)

- Experience in preparation/evaluation/implementation/monitoring of national or EU projects (preferred)

Based on the above criteria, evaluators will be selected by the IGS Management Team. Based on this, the evaluators will be included in the database of business and technological experts.

### **3.5.3 Avoiding the conflict of interest:**

Evaluators that have been or are involved in the preparation of specific project applications that will apply to IGS or are in business, private or any other relation with the Applicant or Project partner, cannot be taken into consideration for evaluation of the same project applications. At the beginning of the evaluation procedure experts will sign a Declaration of Confidentiality and Impartiality, whereby they confirm that there is no conflict of interest regarding the received applications.

Experts will be hired after the publication of individual public calls for innovation programs, within the scope of evaluation and selection of projects for funding. An agreement will be signed with each business technical and technological evaluator, whereby the amounts and terms of payment will be defined in line with UNDP rules and regulations.

## **4 Implementation and monitoring of the Projects**

### ***4.1 Implementation of the Projects***

The Beneficiaries of the grants have to carry out the Projects carefully and efficiently in accordance with the Project Plan and Project Budget, respecting provisions of the Financing Agreement, and taking into account the mode of financing the Beneficiary is entitled to. The Beneficiary shall use the financing in accordance with the Project Budget and provisions of Financing Agreement and shall prepare financial statements in accordance with consistently applied accounting standards. At the request of the UNDP, the Beneficiary is obliged to have its financial statements audited by independent auditors acceptable to the UNDP.

The Beneficiary is required to implement the project in accordance with the Project Proposal. Any significant deviation from the Project Proposal (e.g. changes of timetables as defined in the Project Proposal or proposed milestones are not achieved) requires prior written consent of the UNDP.

### ***4.2 Disbursement***

The Beneficiary will open a dedicated project bank account where funds are transferred from the UNDP. The disbursement amount will cover up to sixty percent (60%) of the Project Budget. However, prior to the disbursement, the Beneficiary must submit a bank account statement showing that the Beneficiary has deposited in the dedicated account a minimum of fifteen percent (40%) of the total amount of funds requested for the particular installment (quarterly).

Beneficiary is allowed up to ten percent (10%) expenses variations from the total Project Budget within any of major budget categories. Should the expenses variations related to any major budget category be expected to exceed ten percent, a written request for funds reallocation must be submitted for the UNDP approval.

The UNDP reserves the right to suspend or terminate the financing under the Financing Agreement, or obtain a refund of all or any part of the amount of the financing disbursed, in the case that the Beneficiary fails to perform any of its obligations under the Financing Agreement.

### ***4.3 Monitoring of the Projects***

The purpose of the monitoring is: (i) to assess the progress of the successful project implementation in terms of activities envisaged and the project goal achievements, and (ii) to assure that financial expenditures are in accordance with the Project Budget for the given period. Methods of monitoring include review of submitted progress reports and on-site monitoring visits. The monitoring will also ensure that key information is regularly collected and tracked so the IGS progress can be measured towards the objectives. Baseline information of SMEs will be collected through the impact evaluation questionnaire accompanying Full Application in order to generate information for measuring the results.

The Beneficiary has to deliver quarterly reports on the implementation of the Project, but it depends the beneficiary mode it is entitled to.

#### **4.3.1 Monitoring procedures**

Upon review and approval of the reports by IGS Management Team the project financing for the next quarter will be disbursed. The templates for the quarterly and final progress and financial reports are available as a part of this Operational Manual.

Progress- and financial- reports should be accompanied with copies of invoices and bank account statement relevant for previous period. Bank account statements should show all relevant transactions related to submitted invoices. Furthermore, dedicated bank account statements have to show that the Beneficiary has ensured at least forty percent (40%) of the funds requested for the following quarter.

Any changes to the project (e.g. regarding project implementation, timelines, project budget, deliverables, project staff, etc.) should be communicated to the IGS Management Team in writing as they require the written consent.

## **5 Impact Evaluation**

### ***5.1 Monitoring and Evaluation Indicators***

The Innovation Grant Scheme will be implemented by the IGS Management Team in close cooperation with the Business Innovation Lab Team, in order to achieve the objectives of the LED Project. As a part of monitoring and evaluation (M&E) process the IGS Management Team will provide periodic reports about the disbursement, projects' progress and overall performance in implementation.

The input information for the M&E will be collected as an integral part of i) full application stage, ii) contracting stage, iii) reporting stage. All Applicants entering into the 2<sup>nd</sup> stage (full application) will be required to provide information both on the project development data and on their overall business data.

So, after the projects are contracted, all Beneficiaries will, as provision of the Financing Agreement, provide the particular baseline information after the finishing the project. Additional data of the

same structure in order to generate information for measuring the results of the innovation project grants to will be requested as a part of final report.

Information collected and analyzed will be used as a measure of advancement of the whole intervention towards the LED project objectives. Additionally, that information will be used for overall impact evaluation of the grant scheme. The minimum level of efficiency of the IGSs must correspond to the indicators bellow. The UNDP LED Project shall monitor and evaluate the results of the on the basis of submitted reporting. The complete efficiency of the IGS shall be evaluated one and half year after conducting the complete program.

Altogether, the IGS shall have the following impact on the Moldovan innovation ecosystem:

- Increase the number of SMEs with mainstreaming innovations into business development processes;
- Increase the number of business innovation (new products, processes, services) for existing businesses.
- Raise the overall awareness of innovation in business environment in Moldova, as key component of economy growth.

*Table: Set of indicators to be monitored*

Output Indicator	Baseline	Output (cumulative)	
	2015	2016	2017
Number of SME's applying to the IGS	100	200	200
Number of SME's offering the IGS grants	0	45	45
Number of overall SME's finishing the development of innovative projects	0	0	45
Total amount of funds invested by the IGS in the innovative SME	0	200 000 USD	400 000 USD
Total percentage invested in innovation-tailored training of employees of SMEs	0	10%	20%

Outcome Indicator	Baseline	Outcome (cumulative)	
	2015	2016	2017
Total amount of funds invested by the private sector in the innovative SME's (matching funds to the SME's benefiting from the grant	0	100 000 USD	300 000 USD
Total amount of employees employed by the SME's receiving the grants from IGS	TBD	+10	+30
Growth of total revenue made by all SME's receiving the grants from IGS	TBD	+10%	+20%
Total number of new high-technology jobs created within SME's benefiting the grants	0	10	30



## 5.2 Impact evaluation of the IGS

The thorough impact evaluation exercise will be implemented by collecting and analyzing data of the companies applying to the IGS in order to quantitatively assess the benefits and usefulness of the support scheme for innovation projects in Moldovan economy environment. The goal of such impact evaluation is to provide the evidence-based input to future policy interventions of the Government, according to the National Innovation Strategy.

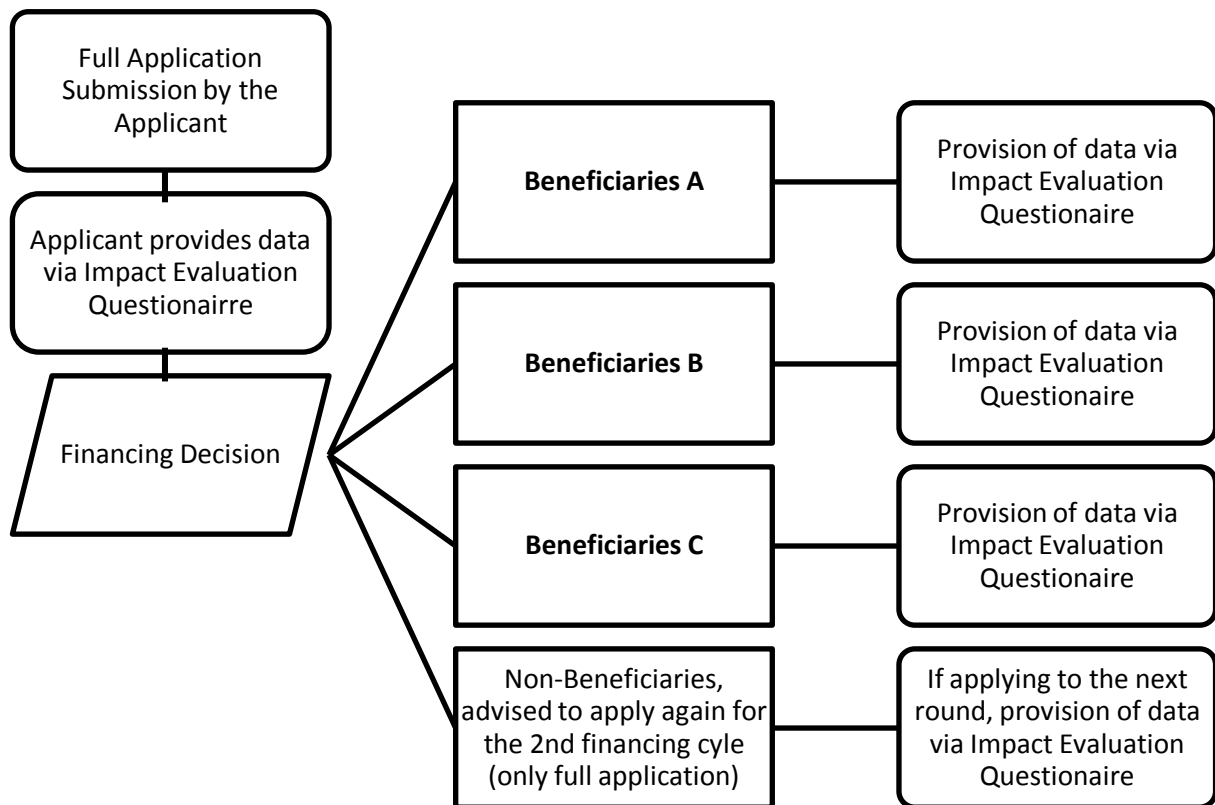
In order to collect sufficient and reliable information, as described in previous section, all Beneficiaries will be required to provide the data requested via the web-based impact evaluation questionnaire. Additionally, all Applicants who will be scheduled for grants in the next years' cycle will be required to provide the requested data. The impact evaluation questionnaire is specially designed in order to assess which are key cross-cutting constraints to innovative business development and how to diminish them by upcoming governmental policy measures.

The impact evaluation data will be collected in following way:

- i) All Applicants reaching the Full Application stage will fill-out the simple impact evaluation questionnaire together with submitting Project Plan and Financial Plan.
- ii) After the whole evaluation process is finished, all Applicants which are valued over the threshold are required to sign agreement on providing data on their project and overall business development. Those include three groups:
  - A. Beneficiaries who received grant amount in cash
  - B. Beneficiaries who received mixed cash and consultancy in same amount
  - C. Beneficiaries who received only consultancy
- iii) Those Applicants which have not passed evaluation and are ranked by their evaluation scores below the threshold will be instructed to apply on the next call in one year, taking in account feedback they received from the evaluators and/or Investment Committee.
- iii) After the project cycle is finished in one year, all Applicants which are valued over the threshold (including A, B, and C-mode Beneficiaries) are required to provide the data on the project implementation (if applicable) and overall business development via the same impact evaluation questionnaire.

The schematic view of the impact evaluation requirements set upon the Applicants is presented here.





## 6 Annex A: Concept Note Form

Cf. separate document.

## 7 Annex B: Project Plan Form

Cf. separate document.

## 8 Annex C: Financial Plan Form

Cf. separate document.

## 9 Annex D: Curriculum Vitae Form

Cf. separate document.

## 10 Annex E: Evaluation Grid: Business, technological and financial

<i>Criteria</i>	<i>Explanation</i>	<i>Points</i>
<b>INNOVATIVENESS CRITERIA</b>		
Degree of innovation	a) The innovation is built on the completely new idea and/or latest technological developments, is radically new and is superior to similar solutions. It will lead to new product, process and service on the market.	7 – 10
	b) The innovation should result in a product, process or service that is better than similar solutions and it brings evident development to existing industry or introduces some new niches.	4 – 6
	c) The innovation is unlikely to lead to a new or significantly improved product, process or service.	0 – 3
Geographical impact of innovation	a) A global or at least regional impact could be expected from the results of the project.	9 – 10
	b) The proposed innovative product, process or service is new in some features but could be deployed only in the domestic market, but there could have an important impact.	6 – 8
	c) The proposed product, process or service could hardly exhibit any impact on even local market.	0 – 5
Degree of innovation risk	a) The innovation represents a potential breakthrough in an emerging technology or non-technological sector with potential high impact. The technological and market risks are high, but the Applicant has a considerable expertise in this industry sector.	9 – 10
	b) The market and technological risks are moderate, or the non-technological innovation is of moderate impact. The Applicant has a solid experience within the industry sector.	6 – 8
	c) The proposed innovation represents already known idea with no or very small impact on the industry. The technological risk is minor and innovative idea is of low impact.	0 – 5
<b>MARKET CRITERIA</b>		
Market size	a) The innovative product, process or service has a potentially very large and growing market with only limited competition.	9 – 10
	b) The innovative product, process or service has moderate market prospects but the market will not grow or is open to competition.	5 – 8
	c) It is unlikely that a profitable market for the developed products, processes or services exists.	0 – 4
Market access and risk	a) The Applicant is already present on the relevant market or is qualified to commercialize innovation. The market obstacles for access are clearly identified and specific measures to reduce risk proposed.	9 – 10
	b) The Applicant is only capable of accessing the market at some extent. Several barriers to the market have been identified and some specific measures to reduce risk have been proposed.	5 – 8

	c) Competitors may launch a related product on the market at the same time, or market is already completely saturated or too small, and the prospects of Applicant to access the market are very limited.	0 – 4
<b>PROJECT QUALITY CRITERIA</b>		
Project contribution to the company	a) The results of the project will lead an Applicant to a long lasting, competitive position in his business sector. The project results will support competitiveness of existing key products/services or new related products/services of the company	9 – 10
	b) The achievements of the project should lead to an increase in competitiveness in strategic business areas for the company. The project results could support the existing portfolio of the company. The project will create new opportunities in the value chain for the company.	5 – 8
	c) The results of the project will have little impact on the future competitive position of the company.	0 – 4
Project Team	a) Project team possesses key, complementary qualifications and has strong strategic or commercial interest to implement the project and to achieve the results.	7 – 10
	b) The project team possesses reasonable qualifications to reach project targets but completeness of the team can be improved.	4 – 6
	c) The project team has no sufficient expertise overall to implement the project.	0 – 3
Project Plan: Methodology and planning approach	a) The methodology is precisely formulated and all key aspects of the project planning have been taken into account of.	7 – 10
	b) A suitable methodology has been proposed, but not all aspects have been thoroughly detailed. Project breakdown of cost and resources to activity level, market analysis as well as assumptions and risks are part of the planning but not at fully satisfactory.	4 – 6
	c) The methodology is incoherent or unrealistic or incomplete.	0 – 3
Project Plan: Deliverables	a) The relevant deliverables are clearly identified and realistic and quantitative indicators will be available to fully assess progress of the project.	7 – 10
	b) Deliverables and time schedule are included but some aspects are not realistic or clear.	4 – 6
	c) The proposal lacks clear deliverables or these are unachievable within the duration or with the team of the project.	0 – 3
<b>FINANCIAL EVALUATION CRITERIA (Every criteria should have at least 4 point in order to get positive evaluation)</b>		
Project cost feasibility	a) Types of expenses and their amounts fully meet the needs of the project implementation. The total development costs are realistic given the duration.	7 – 10
	b) Expenses and their amounts do not correspond fully to the needs of the project implementation. It is necessary to correct and add or remove some types of expenses. But the total cost is within	4 – 6

	<p>acceptable level of the realistic budget.</p> <p>c) Expenses and their amounts do not correspond to the needs of the project implementation. The total cost of development is not within acceptable percentage of the realistic budget and it is too low (or too high). The implementation is not feasible within the proposed timeframe.</p>	0 – 3
Project costs explanation	<p>a) Costs are fully coherent with list of eligible &amp; non eligible costs from this Operational Procedures. Costs are arranged in categories according to the guidance. A clear breakdown of the budget is provided and evidence of own and external funding is clearly demonstrated.</p>	7 – 10
	<p>b) Costs are not fully coherent with list of eligible &amp; non eligible costs from this this Operational Procedures. Costs are not arranged in categories according to the guidance There is no clear breakdown of the budget provided and evidence of own and external funding is not clearly demonstrated. It should be fixed.</p>	4 – 6
	<p>c) No satisfactory breakdown of the project budget and financing has been provided.</p>	0 – 3
Financial capacity of the applicant and matching funds provision	<p>a) The applicant has demonstrated its own financial capacity to participate. Company has its own resources and necessary liquidity to ensure its financial contribution to the Project or satisfactory investor.</p>	8 – 10
	<p>b) The applicant is in the near term expected to have the financial capacity to implement in the project, with clear demonstration that it will ensure necessary liquidity (letters of intent by the bank or investor, or private funds...)</p>	4 – 7
	<p>c) The applicant has to provide another proof to be able to finance its participation.</p>	0 – 3