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Resilient nations.

Innovation Challenge Scheme
Operational Manual for innovation
projects with impact on Sustainable
Development Goals (SDGs) and Digital
Transformation in Public and Private
Sectors

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Glossary

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| The main applicant | An IT company, a start-up or a group of initiative in the ICT sector, submitting a proposal for an innovative digital solution in one of the areas of the current competition mentioned at p. 2.1. |
| Collaborative group of companies (CGC) | <p>A group of at least 2 companies/institutions, each coming from diverse fields, where the main applicant is an ICT industry company/start-up/group of initiative, and the co-applicant: a company from a different field or traditional industry, a Business Association, a public institution (local public authority, a Governmental Agency, school, hospital, other), academia or research institution.</p> <p>The group should jointly apply to the initiative of UNDP Moldova.</p> |
| Application | The innovation project proposal submitted to UNDP Moldova through UNDP Digital Transformation Project |
| Beneficiary(ies) | The company(ies) which has been awarded and which signed Award Agreement with the UNDP funding body |
| Concept Note | The form completed by Applicant/CGC 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. |
| Award Agreement | The Agreement between the awarded company(ies) and UNDP, governing the financial award and responsibilities of the Beneficiary during the implementation of the Project. |
| Full Application | 2 nd stage of the application process to the challenge, where the project proposals meeting all the requirements of the concept note evaluation, will be invited to submit full applications |
| Award | The amount of award received by the Beneficiary without returning obligations in order to perform the pilot |
| Intellectual Property (IP) | Intangible property related to the innovative idea, technology, design or concept which can be legally treated and protected. |
| Investment Committee | The Committee in charge for selecting and monitoring the projects, composed of UNDP |
| Management Team | The project management team in charge for implementation of the challenge |

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| Monitoring and Evaluation support | Support provided by UNDP Moldova for the monitoring and evaluation of innovative project implementation. |
| Impact measurement | Support provided by UNDP, through the Business Call to Action (BCtA) and Impact Lab facility, in measuring the impact of the products/services of solutions on specific Sustainable Development Goals (SDGs). |
| Pre-application | 1 st stage of the application process: Concept Note |
| Project | The innovation project implemented by the Beneficiary companies according to the proposed Application and financed by UNDP Digital Transformation Project. This could be a new product, service or market solution. |
| Project Budget | <p>The total project budget of the innovation project, comprising the maximum 50% award and minimum 30% own contribution and/or matching funds from other sources, submitted on the pre-defined form, as part of the full application.</p> <p>The award bodies may evaluate a lower contribution based on individual evaluation.</p> |
| Project Plan | Detailed description of the innovation Project on the pre-defined form, as part of the full application. |

Background

According to the Ministry of Economy and Infrastructure of Moldova, in 2015-2019 the IT industry recorded an increase of more than 3 times the annual sales revenues, reaching a share of 7.1% of GDP (3.1% are generated by IT and 4% by Telecom & Other). The positive evolution in the ICT sector is accompanied by the increase in the number of companies in this period. With the tax regime of IT Park, as well as, due to availability of highly qualified IT engineers, over 700 IT companies (150 out of 700 Moldova IT Park residents are companies with foreign capital, but 85% of turnover is derived from export sales (average at MITP level)) opened their offices in Moldova, contributing significantly to economic growth based on digital innovation.

The main drivers for the digital transformation of the Moldova society are:

1. Existing legal framework that is sufficient to sustain the digitalization at the moment, but it needs to be improved.
2. Political will (e.g., the Digital Roadmap of the Ministry of Economy and Infrastructure).
3. Existing e-Government experience, including the Governmental Payment Service MPay + the e-signature.
4. Moldova is upgrading its administration, policies and infrastructure to EU standards.
5. Developed IT sector and fiscal incentives for the IT industry.
6. High-speed and wide coverage of internet connection.
7. Highly skilled and multi-lingual workforce.
8. Active donor support for digitalization.

The Ministry of Economy and Infrastructure, by approving a Roadmap for digitizing the economy and promoting e-commerce, has embarked on a process of eliminating the constraints on the technological modernization of the entire national economy, preparing a lot of legislative adjustments and actions to support digitalization on various economic verticals.

The Moldova strong e-Government experience in digital transformation, including the centralized database for public services, Governmental Payment Service MPay and the e-signature, is driving changes in Moldovan population's mindset, bringing new opportunities. Such initiatives open up new horizons for the Government-Business-Customer remote, fast & safe interactions and stimulates the economic development.

Last but not least, touching upon the high-speed internet connection, Moldova has a clear advantage in the region and not only. The end user has access to one of the most developed network communications in the world, conferring Moldova a clear advantage. More than 75% of the Moldovan population uses the Internet, rising the digital awareness to one of the highest levels in the region. Additionally, according to the latest data from the Ministry of Economy and Infrastructure, in Moldova, more than 98% of the communities have a fixed point for accessing the optical fiber network and more than 98% coverage for mobile Internet connection of high speed. Along with the existing friendly legal and fiscal framework, which is supplemented with the support from the donor

community, Moldova has become an interesting country with regards to digitalization even internationally. Nevertheless, the access to the internet connection is very different in rural areas, when being compared to the urban ones.

The COVID-19 crisis has highlighted the need for significant support and investments on digital transformation and effective digital governance, particularly to ensure the continuity and delivery of core government functions. In the past months, business continuity was severely hampered, and many government officials and staff had to continue working in their physical offices not only due to infrastructure issues, but most importantly due to the presence and location of data and information in offline data files and paper-based systems.

Given the COVID-19 pandemic, by the recently elaborated Digital Roadmap of the Ministry of Economy and Infrastructure, the Moldovan Government has committed to promote the digital services for the business environment. Currently, by law, all entities offering administrative public services and each regular citizen is advised to use the MPay Service for the payment of centralized and decentralized public services. Such a service provides a safe digital payment service, supported by all public institutions, giving citizens the option to opt for any payment method legally available in Moldova, without any additional fees. Additionally, each transaction / payment is recorded in real-time, offering the payment traceability advantage. By the current legal framework, the digital documents signed using an advanced e-signature have the same legal power compared to the usual paper document. However, the use rate of these opportunities is very low which surfaced the low level of digital literacy in the country.

The COVID-19 pandemic has revealed the lack of preparedness of the public sector to quickly adapt policies and tools due to lack and low quality of data; to work remotely and online, including in delivery of social services in education, health, mobility and other sectors for specific population groups; and to adapt the performances of services for the economic sectors to the conditions induced by the crisis. One of the underlying causes is the low digitalization of the public sector and its offer.

A significant digital divide was observed between the vulnerable (elderly, rural households, rural children, and youth) and the larger population, as these groups have been unable to access public services such as administrative and health services remotely. This is due to poor digital literacy, lack of hardware, infrastructure, connectivity, etc. Due to pandemic and closure of schools and kindergartens, over 150,000 children of preschool age were unable to attend school and continue their education online due to lack of devices, connectivity issues, educational content not adapted to online teaching, as well as limited teacher familiarization with online methods.

The business community in the country has been affected by the limitations imposed during the pandemic and companies face difficulties in accessing its customers and partners through existing traditional distribution networks. In response to the COVID-19 effects, companies have shifted further to digital commerce, setting up their digital presence through online platforms/marketplaces, including own direct-to customer commerce platforms¹. The pandemic has emphasized previously existing challenges: e.g. insufficient digitalization overall, lack of sufficient business-friendly frameworks, policies and regulations for e-commerce, digitalization of operations, taxation, market access, including online exports. For example, it is difficult to refund VAT for e-commerce exports.

¹ Social and Economic Impact Assessment of COVID-19 in Republic of Moldova, July 2020, UNDP, PWC

Women are even more disadvantaged by a more difficult access to financing, above -mentioned lack of digital skills, and stereotypical attitudes in the communities.

The Government has kept a regular dialogue with the business community through the Economic Council to the Prime Minister to improve the policy response in the context of COVID-19. The Ministry of Economy has drafted and put under public consultation the “Roadmap for boosting the process of digitization of the national economy and development of electronic commerce”² (Digital Roadmap) which identifies a series of critical challenges, including the following:

- Low level of information and investment among M-SMEs regarding the opportunities offered by online commerce;
- Constraints and insufficient information on Government / Business / Consumer remote interaction methods;
- Regulations (customs, tax procedures) discouraging e-Commerce and e-Exports;
- Weak online payment processing services, especially in the field of e-Exports.

To address these challenges, UNDP Moldova launched the Moldova Digital Transformation Project (Accelerating Digital Transformation in Public Sector in the Republic of Moldova Project). The Project aims to improve access to and quality of public services and business conditions through accelerated digital transformation of government processes and business model(s).

Digitalization will contribute to improved governance by increasing the efficiency and effectiveness of government processes, increasing transparency and public access to governmental information – and therefore promoting accountability and public participation, and improving an innovative delivery of public services. Service delivery will become more proactive and responsive to citizens’ needs, promoting a transition from the current “e-government” concept to a new one, of “digital government”. The digital government concept assumes the use of digital technologies as an integral part of the modernization process. The value creation takes place through the engagement of a broad ecosystem of stakeholders and users and promotes a better and more proactive response to citizens’ needs. Therefore, in all the components of the current initiative, support will be provided to the Government to map, analyze and integrate the needs/demand from citizens as end-users into the design and delivery of services. The same will be done for businesses, with a particular focus on the needs of the MSMEs in the post-COVID-19 era. The initiative will also focus on citizen-driven approaches (rather than on citizen-centered), in which the key decisions related to innovation, modernization and digitalization consider the citizens’ needs, the current use of digital processes in government, and will address the limitations and potential inequalities that could be generated if digital services are not tailored to the needs of specific vulnerable groups and affected MSMEs. Digital solutions will be pursued in the central and local Government and will build on current work of UNDP, especially at the local level. Particular focus will be placed on those digital solutions that reduce or minimize overall digital divide among the end-users of public services, contribute to equal opportunities and social inclusion of women and other marginalized groups, supports those business

² Draft document “Roadmap of for boosting the process of digitization of the national economy and development of electronic commerce”, May 2020, Ministry of Economy and Infrastructure of the Republic of Moldova

sectors and M-SMEs that have high to very-high potential contribution to sustainable human development, particularly in most dynamic sectors of the economy.

One of the activities under the Project is launching the series of Innovation Challenges to involve and encourage as much as possible the Moldovan IT vibrant private sector to generate innovative solutions in **digitalization of administrative and social services** in education, health (as two pre-identified), and other sectors, ensuring a transfer of solutions from the private sector, their adaptation and scale-up.

These Innovation Challenge events are envisioned to serve as the test or pilot prior to establishing the Moldova Innovation Fund to be established and institutionalized with the support of the Project.

The current competition is being administered by UNDP Moldova and this innovation challenge procurement process will be done according UNDP POPP, including the award agreement and evaluation team.

It is expected that UNDP Moldova partners in the next challenges will be eGov, ODIMM, ATIC, Moldova IT Park, Green City Lab, etc.

However, ODIMM, ATIC, Moldova IT Park, Green City Lab agreed to partner even in this challenge with UNDP Moldova to ensure a wider reach-out to the potential applicants, prompt and specialized support to the beneficiaries during the project implementation phases, but also ensuring the national synergy and consistency in supporting the digitization Agenda of the country.

The roles of each of the partner institutions are shortly described below:

UNDP: With **Accelerating Digital Transformation in Public Sector Project and Green City Lab**, UNDP Moldova aims to improve access to and quality of public services and business conditions through accelerated digital transformation of government processes and business model(s) and promote innovation, as well as, collaborative experimentation within the Government, in the private sector, internally in UNDP Moldova, and in collaboration with external partners.

UNDP Moldova, through this Project, is strategically positioned as an integrator of programmatic solutions with innovative mindset, including bringing forward digital components in supporting accelerated delivery of the SDGs.

1 Basic concept and characteristics of the Innovation Challenge for SDGs and Digital Transformation in Public and Private Sectors

1.1 Innovation Challenge objectives

Main goal of the Challenges is to provide support to and engage with private sector companies in accelerated achievement of the nationalized SDGs, mainly through direct and matching cash and knowledge support to companies for the testing and up-scaling of innovative products, services or solutions for sustainable development, as well as, for accelerating digital transformation in public and private sectors in the Republic of Moldova.

Main objectives and areas of support of the Innovation Challenge for the SDGs are:

- A. Engage with private sector for testing and up-scaling of innovative products, services or solutions aligned to SDGs, aiming to support digitization in public and private sectors, and with measurable and positive impact on the inclusion of vulnerable people and overall wellbeing of people.
- B. The challenge will support solutions underpinned by ICT sector in the following prioritised areas, though solutions in other SDG related areas will also be considered:
 - Improved access to health, health practices and well-being
 - Education and digital literacy
 - Improved practices in agricultural and food industries
 - Energy, green economy, circular economy and clean environment
 - Improved practices in manufacturing industries and product quality
 - Logistics automation
 - Tourism digitalization
 - E-commerce and improved supply chains
 - Cyber security and fintech
 - Improved access to and delivery of Public Services (at the local and/or central level). Pilots could be implemented in partnership with Governmental Agencies, LPAs, schools, hospitals, other)
 - Other related to SDGs.

Note: the solutions aiming to advance digitisation in the private sector shall address sectoral needs. If the project's aim is to develop and pilot the solution within an SME, it should be easily scalable to other SMEs from the same sector.

Solutions for the following industry sectors will not be considered: 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.

C. Measure and make visible the impact of such innovative products, services or solutions on specific nationalized SDGs, inclusion of vulnerable people, and on the objective and subjective well-being of the population. Such measurement will be possible through the BCtA and Impact Lab facilities of UNDP Istanbul, to which the beneficiaries will be connected.

1.2 Types of innovation projects supported

The preferred projects applying to challenge are **innovative solutions** aligned to the objectives stated above. Projects should satisfy all of the below **criteria**:

- A developed idea of the innovative services/products/solutions ready for prototyping and testing; or a prototype ready for testing and/or scale up. For the prototype solution, the applicant will provide evidence that it is technologically and economically feasible;
- Innovative, including new on the market, or possibly a solution that is significantly improved, having a digital component in it;
- Scalable and replicable, i.e. could be easily used and replicated by the public sector agencies/institutions in delivering better services to people, businesses, or inter-agency services, or, if solution is developed for private sector needs, it is sectorial and could be replicated within a short period of time on same market/country, or exportable (depending on the solution).
- Feasible, i.e. the solution does not require changes in the current legislation and could be anchored within the existing legal framework;
- With measurable impact on Moldova digitalization and SDGs. A preliminary estimate of SDG impact will be done by the applicant, which will further be detailed with support from UNDP BCtTA's and Impact Lab toolkits.
- Additional criteria applicable to collaborative projects:
- In case of collaborative projects, it is required that the CGC involve partners that represent at least 2 different public or economic sectors, academia or other research institutions, public authorities, with the main applicant from ICT sector, i.e. ICT and Health, ICT and HV agriculture, ICT and education, ICT and tourism, other.

Examples of possible business and public service challenges and constraints that applicants could eventually focus on are: more proactive and responsive to citizens' needs public sector's delivery service; digital literacy (both in the public and private sectors) to facilitate inclusive digital transformation that considers gender, age and vulnerability divide; talent management and retention of skilled labor force; access to finance for prototyping of new products and services that require collaborative innovation; export promotion through innovative approaches, digitization of public services, smart city solutions with accent on software elements (no hardware infrastructure will be considered) and other. The supported projects are in phase of innovation development, or prototypes have been already tested, and are based on a comprehensive business plan, addressing the specific identified challenges and demonstrating high potential in terms of access to market, company competitiveness and growth, improved accessibility and management of public services. **The concept**

should represent considerable novelty to the national or global market: e.g. innovative products, processes, services or market application.

In innovation development projects, the examples of financing activities may include: prototyping, design, testing, upscaling, performance verification, 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 of 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 and/or upscale of the tested prototypes. For public services component- a clear proof of partnership should be presented.

1.3 Amount of awards

A single award will cover maximum 40,000 USD (co-funded by the UNDP) or maximum fifty percent (50%) of the total project amount (what is lower) for innovation pilots, be it new or improved products, services, processes or business solutions. In case of the CGC, such contribution normally will be equally divided between the companies in CGC or depending on the specific requirements of the specific collaborative project. Same is valid for the case of the matching contribution, which shall be decided internally in the CGC and distribution presented to UNDP Moldova.

Co-financing of at least fifty percent (50%) of the total project budget is to be secured by the applicant from their own investments or from other sources, **only in financial contribution**. Acceptable co-financing includes companies' own investment, private investors, loan financing, public financing or co-financing, other financial contribution. The total amount of Awards cannot be increased during the course of the Project. Any re-allocation during project implementation shall be agreed in advance with the management of the Innovation Challenge.

The total number of financed projects will be within the available budget of **100,000USD** for the current competition. Since only UNDP is providing funds for this innovation challenge, the procurement process will be done according UNDP POPP, including the award agreement and evaluation team.

1.4 Duration of the project

The project and the project budget must be designed so to be completed within 6-10 months. However, the project may be extended for maximum of additional six (6) months under exceptional circumstances, upon prior notification and approval from UNDP Moldova.

1.5 Eligible applicants

Eligible applicants to the Innovation Challenge Scheme are:

- **The main Applicants** are legal private sector entities from ICT sector, registered (or in process to be registered) under the applicable Moldovan Entrepreneurship Law:
 - Moldovan privately owned IT companies, registered and operating in Moldova;

- Start-ups and groups of initiative in the process to register the IT company under Moldovan legislation (registration shall take place before contract signature);
- **In case the application is submitted by CGC:**
 - The main applicant is a Moldovan privately owned IT company;
 - Co-applicants from private sector are 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.
 - Co-applicants can also be an Association, Governmental Agency, LPA, school, hospital, University or other research institution, other institutions representing public, private and/or associative sectors.
 - The entities forming the CGC have no shared economic and financial interest; one company/institution is not owning shares or other interest in the other company/institution in the same CGC and this applies for the entire CGC independently from the number of participating companies/institutions;
- The Applicants (and co-applicants) must not possess outstanding debts in terms of public contributions.
- The Applicants (and co-applicants) must not have accumulated losses above the equity value.
- The Applicants and individual owners have not been convicted for crimes connected to business operations.

2 Application process

2.1 Description of application process

The MICS Awarding will be conducted through an open selection procedure in two stages (Pre-application and Full Application).

The selection process is designed according to the principles of merit, transparency, equality and rational use of funds. Innovation projects are submitted exclusively through UNDP Moldova electronically to the address indicated below. 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 Award Agreement.

2.2 Instructions to the application process

Interested companies/start-ups/groups of initiative apply through the open call published on <https://sc.undp.md/tnddocadd/2311/> and/or on the UNDP/ATIC/ODIMM/Moldova IT Park websites.

There are two stages of application process implemented consecutively:

1st stage: Application with Concept Notes, and

2nd stage: Application with full Projects Plans.

Only those applications that were positively evaluated at the 1st stage are eligible to apply to 2nd stage and will be invited by the management team to write the full Project Plan.

While preparing the Application, the following rules apply:

- A. Only one Application per applicant is allowed;
- B. Re-submission of modified and improved Applications submitted after the closing date is not allowed;
- C. Only Applications submitted to the serghei.botezatu@undp.org e-mail address will be considered;
- D. Deadlines of both application stages are to be strictly respected;
- E. In the evaluation process, only complete Applications will be accepted. Documents required by hard copies must not be sent by mail to UNDP before so requested, if the Award is offered to the Applicant.

2.3 Project Application Documentation

2.3.1 Pre-application: Concept Note

In the pre-application stage, the applicants should submit only a filled out pre-defined form of **Concept Note** (attached, Annex A), where the concept of innovation project is shortly and concisely described (including the idea and the potential market), 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** of the key persons involved. The Full Application have to be submitted on pre-defined forms (attached, Annex B) filled out completely and sent via email to serghei.botezatu@undp.org until the stated deadline. A template for the Financial Plan is provided as Annex C, which can be optionally used by the applicants. Companies should also present a standard cash-flow and investment plan with ROI calculations. There is no standard form for the CVs.

The Project Plan (full project proposal) should contain the detailed elaboration of the innovative concept, analysis of the existing and future market, prediction of the commercialization potential, revenue models ensuring sustainability. Envisaged development activities can include: staff engagement, necessary material means and needed advisory services and trainings. The Projects should be tackling cross-cutting constraints for innovation and proposing specific (collaborative) technical and conceptual innovative solutions to such constraint that would ultimately become a public good and would further inform policy makers about the most feasible solutions to overcome such barriers. For the collaborative innovative solution, this is the one that is jointly developed, proposed and ready to be co-financed in the implementation phase by the CGC.

Also the detailed Project budget has to be submitted predicting all project expenses during implementation phase of 6 to 10 months, including both the award 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 collaborative 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 collaborative 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 or to be scaled up.
- 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 innovative product/process/service and successful preparation for commercialization or scale-up.
- Assessment of internal gaps in terms of resources, skills and knowledge needed to ensure full implementation of the project and its sustainability.

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 the online platform.

2.3.3 Corporate and other documentation

The Application supporting corporate documentation, are submitted individually only by those Applicants who have passed complete evaluation of the Full Application in 2nd stage and are offered the Award Agreement. In case the necessary documentation is not submitted within the required deadline, the Applicant will not be financed.

The documentation includes obligatory and non-obligatory items:

- Business Registration Certificate issued by Authority (start-ups and groups of initiative will provide this before contract signature);
- Certificate of proof of lack of tax debt issued by Authority (in case of start-ups or groups of initiative, this is relevant for individual team members);
- Proof of matching funds: company financial contribution (e.g. financial revenue acquired through current business operations), investment contract (e.g. capital contributions), credit agreements with the banks or financial institutions, financial inflows expected from the ongoing and future business operations and similar sources;

- For the CGC, a commitment letter stating co-applicants support and involvement during the whole project.
- 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 Award Agreement, if applicable).

2.4 Eligible and non-eligible expenses

On a competitive basis, the award should be used by the Applicant for innovation development activities in following group of expenses, independently of the weight:

- Gross salaries of development staff directly involved in the project, on the proportion of time allocated to the project
- Small equipment and supplies with a proven intent to support the prototype/implementation process or other (no day to day equipment usage will be accepted)
- Technology, design, business, development and other consultancy services like quality certifications, copyright and patent application and fees strictly linked to the innovation and its deployment;
- Costs of tailored training of the staff specifically required under the projects
- Training of end beneficiaries;
- Other costs incl. travelling connected to implementation of innovation project (subject to Covid-19 imposed restrictions);
- For the solution designed for public sector, costs can also cover expenses linked to deploying the prototype within the partner institution, and within the admissible categories, except salaries and fees for the employees of the public institution;
- Visibility materials, agreed in advance with UNDP/ATIC/ODIMM/Moldova IT Park, only in case they refer to raising public awareness about the improved access to public services.

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 Innovation Challenge 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 similar scheme, program or institution, Financial awards;

- 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, remain with UNDP, who will issue appropriate licenses to the developer of the idea. Further, the Applicant will need 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, the following principles should be respected to the maximum possible extent when assessing innovation projects:

- Open and transparent competitive process, based on UNDP POPP, including the award agreement and evaluation team.
- Promotion of key human rights. In particular, the right for work and the right to have access to the developments in science and technology will be promoted.
- Promotion of equal opportunities, inclusion of vulnerable people, and access of women and men and minorities 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. Women led companies are encouraged to apply.
- 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.

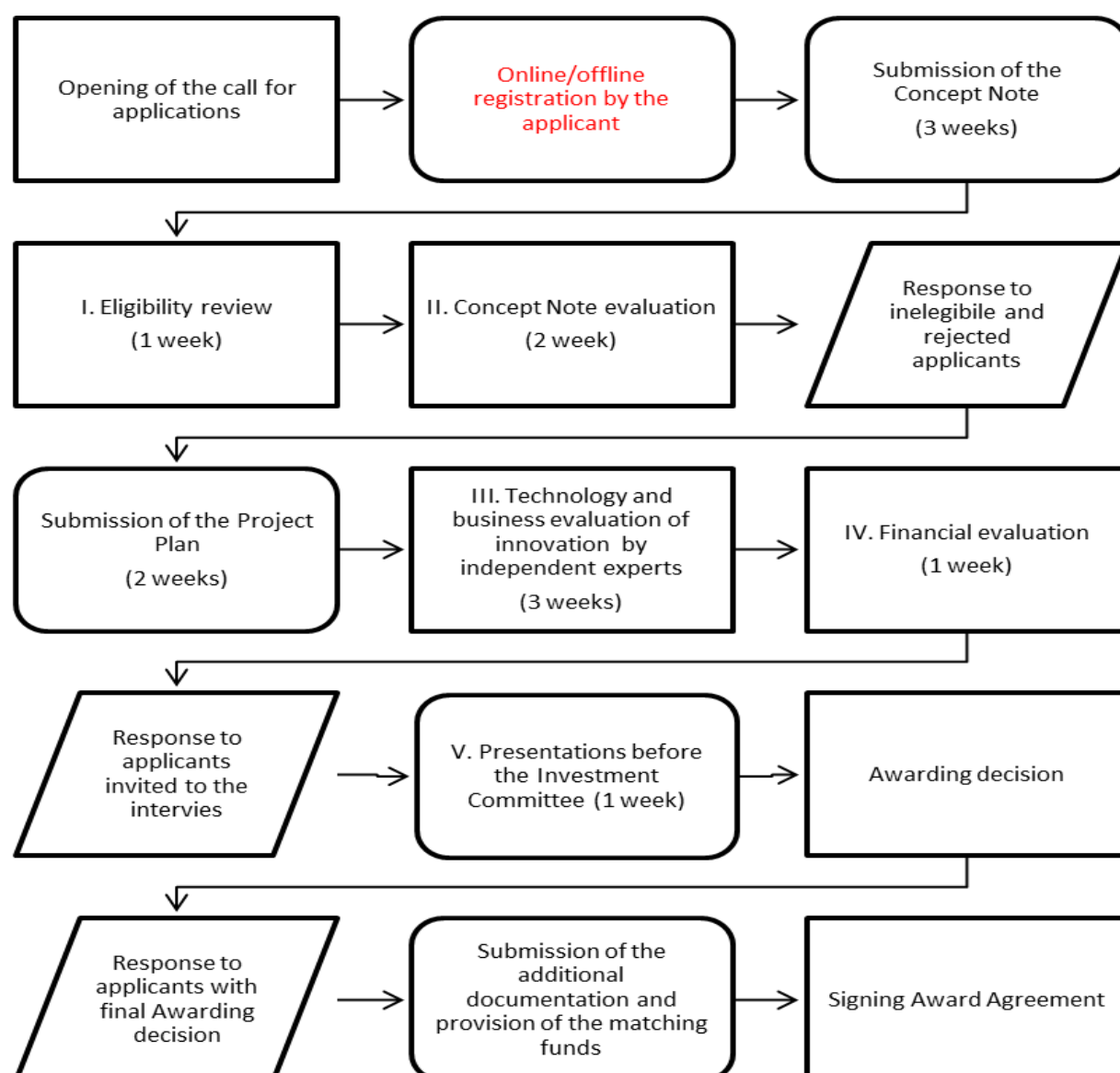
- Ethical and other good practice in business - The ethical and other good business practice in the sense of the UNDP corporate values will be supported.
- Scalability.

3.2 Management and the Investment Committee

The Investment Committee in charge for selecting and monitoring the projects. It will consist of independent experts from UNDP. International expertise could be involved, depending on the specific needs, in the evaluation of the applications.

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 2.5. above. 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 goals through analysis of project ideas. The Concept Note evaluation is performed by the Investment Committee members. A Yes/No approach will be applied for assessing if the applicants meet the Concept Note evaluation criteria.

Those Concept Note evaluation criteria are: **Innovativeness criteria (max 40 points); Market and sustainability criteria (max 30 points); Project quality criteria (max 40 points); Financial evaluation criteria (max 30 points).** For more details, please see Annex D below.

- 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 sustainable, bringing positive sustainability results and impact; is the model described in a convincing way explaining plans for the 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 Investment 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 by the members of the Committee, the Applicant will get notice of not fulfilling these 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, following the evaluation grid in Annex D: Full proposal evaluation Grid: Business, technological and financial.

The Applicants have to send 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 Investment Committee.

General evaluation criteria for the Applications have to consider the fact that the Challenge is for innovative projects in pre-commercial stage in development of innovation from idea to market, or in scale-up stage. Selection criteria are:

- 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 and impact on SDGs (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 Investment Committee.

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 the companies.

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. By the end of this Phase, the shortlisted Applicants who are ranked 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, as a third, decision-taking mark, which will be used for formation of the final ranking list.

3.3.8 Awarding decision

The final decision for awarding is made according the final ranking list. Only the Projects which received the total number of points above the threshold defined by the Investment Committee can be proposed for awarding.

The awarding decision of the Applicants with evaluation score over the threshold is guided by the principles of impartiality, transparency, rationale use of funds.

Following the decision to award the prizes, the Applicants will be offered to sign the Award Agreement.

3.4 Award Agreement

After finished evaluation the Applicants are offered the Award Agreement. The Agreements financed by UNDP Moldova shall be signed in USD, on the template of UNDP:

[https://popp.undp.org/_layouts/15/WopiFrame.aspx?sourcedoc=/UNDP_POPP_DOCUMENT_LIBRARY/Public/PSU_Innovation_CSO%20engagement%20and%20E-tendering_Model%20Innovation%20Challenge%20Agreement%20\(company\)%20-%20Jan%202016.docx&action=default](https://popp.undp.org/_layouts/15/WopiFrame.aspx?sourcedoc=/UNDP_POPP_DOCUMENT_LIBRARY/Public/PSU_Innovation_CSO%20engagement%20and%20E-tendering_Model%20Innovation%20Challenge%20Agreement%20(company)%20-%20Jan%202016.docx&action=default)

The Award Agreement 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 Award Agreement, the Applicant sends by mail original corporate documentation as stipulated in Section 3.3.3. This documentation, together with Project Plan and the final Project Budget, is the constituent part of the Award Agreement.

Awarding is done under the general provisions of the Award Agreement, and the payment is done based on UNDP rules. In the Award 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 Avoiding the conflict of interest:

Evaluators that have been or are involved in the preparation of specific project applications that will apply to the Challenge 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.

4 Implementation and monitoring of the Projects

4.1 Implementation of the Projects

The Beneficiaries of the awards have to carry out the Projects carefully and efficiently in accordance with the Project Plan and Project Budget, respecting provisions of the Award Agreement. The CGC shall use the financial award in accordance with the Project Budget and provisions of Award Agreement and shall prepare financial statements in accordance with consistently applied accounting standards.

The beneficiaries are required to implement the projects 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 Moldova.

4.2 Disbursement

The Beneficiary will open a dedicated project bank account where funds are transferred from UNDP. The disbursement amount will cover up to fifty percent (50%) 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 thirty percent (30%) of the total amount of funds requested for the particular installment (quarterly).

The award will be disbursed in 2 or more installments, based on the planned work plan, and agreed with each beneficiary. The upfront installment will not exceed 30% of the total amount of the award. At least 10% of the award will be disbursed upon acceptance of the final project report, which will also include the financial report.

Beneficiary is allowed up to ten percent (10%) expenses variations from the total planned 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 Moldova approval.

In the case that the Beneficiary fails to perform any of its obligations under the Award Agreement, the UNDP Moldova shall be under no obligation to issue any further payment upon termination of this Award Agreement, and may, at its sole discretion, require that all or any part of the payments made by UNDP Moldova to the Beneficiary be repaid to UNDP Moldova.

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 progress can be measured towards the objectives. Baseline information from the applicant(s) will be collected through the impact evaluation questionnaire accompanying Full Application in order to generate information for measuring the results.

4.4 Monitoring procedures

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

5 Impact Evaluation

5.1 Evaluation of pilots

The impact of the innovative solutions will be jointly measured by UNDP and the ‘anchor’ company. In partnering with UNDP, the company will get free-of-charge access to the resources of the UNDP’s Impact Lab of the Business Call to Action initiative. The impact is measured and reported by the company directly to UNDP Moldova and larger audiences. UNDP offers technical assistance and knowledge support. In parallel, UNDP could support the ‘anchor’ company in gathering and analyzing ‘thick’ data on perceptions of end-clients of the new solution and their satisfaction with the results it brings. Such data collection will be supported by the UNDP’s Center of Excellence in Complexity of the UNDP’s Istanbul Regional Hub and/or UNDP Global Center in Singapore.

6 Annex A: Concept Note Application Form

Cf. separate document.

7 Annex B: Full Proposal Evaluation Grid

Cf. separate document.

Annex D: Full proposal evaluation Grid: Business, technological and financial

| Criteria | Explanation | Points |
|---|--|--------|
| INNOVATIVENESS CRITERIA | | |
| Degree of innovation | a) The innovation is built on the completely new and fully collaborative 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 CGC 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 CGC has a solid experience within the industry sectors. | 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 |
| MARKET AND SUSTAINABILITY CRITERIA | | |
| Market size | a) The collaborative innovative product, process or service has a potentially very large and growing market with only limited competition. | 9 – 10 |
| | b) The collaborative innovative product, process or service has moderate market prospects but the market will not grow or is open to competition. | 5 – 8 |
| | | 0 – 4 |

| | | |
|-------------------------------------|--|---|
| | c) It is unlikely that a profitable market for the developed products, processes or services exists. | |
| Market access and risk | <p>a) The CGC and its members are already present on the relevant market or are qualified to commercialize innovation. The market obstacles for access are clearly identified and specific measures to reduce risk proposed.</p> <p>b) The CGC 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.</p> <p>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 CGC to access the market are very limited.</p> | <p>9 – 10</p> <p>5 – 8</p> <p>0 – 4</p> |
| Alignment to specific SDGs | <p>a) The collaborative innovative product, service or solution has very high potential to impact on the people's wellbeing, either objective or subjective wellbeing.</p> <p>b) The collaborative innovative product, process or service has moderate impact prospects</p> <p>c) It is unlikely that the products or services will bring any measurable impact.</p> | <p>9 – 10</p> <p>5 – 8</p> <p>0 – 4</p> |
| PROJECT QUALITY CRITERIA | | |
| Project contribution to the company | <p>a) The results of the project will lead an CGC 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</p> <p>b) The achievements of the collaborative project should lead to an increase in competitiveness in strategic business areas for the participating companies, ideally in an equal manner. The project results could support the existing portfolio of the participating companies. The project will create new opportunities in the value chain for CGC.</p> <p>c) The results of the project will have little impact on the future competitive position of the participating companies.</p> | <p>9 – 10</p> <p>5 – 8</p> <p>0 – 4</p> |
| Project Team | <p>a) Project team possesses key, complementary qualifications and has strong strategic or commercial interest to implement the project and to achieve the results.</p> <p>b) The project team possesses reasonable qualifications to reach project targets but completeness of the team can be improved.</p> | <p>7 – 10</p> <p>4 – 6</p> <p>0 – 3</p> |

| | | |
|---|--|---|
| | <p>c) The project team has no sufficient expertise overall to implement the project.</p> <p>Note: In case of equal scorings between two proposals, the team with more gender parity would be prioritised. This is to support gender equality promoted by the organising institutions.</p> | |
| Project Plan: Methodology and planning approach | <p>a) The methodology is precisely formulated and all key aspects of the project planning have been taken into account of.</p> <p>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.</p> <p>c) The methodology is incoherent or unrealistic or incomplete.</p> | <p>7 – 10</p> <p>4 – 6</p> <p>0 – 3</p> |
| Project Plan: Deliverables | <p>a) The relevant deliverables are clearly identified and realistic and quantitative indicators will be available to fully assess progress of the project.</p> <p>b) Deliverables and time schedule are included but some aspects are not realistic or clear.</p> <p>c) The proposal lacks clear deliverables or these are unachievable within the duration or with the team of the project.</p> | <p>7 – 10</p> <p>4 – 6</p> <p>0 – 3</p> |
| FINANCIAL EVALUATION CRITERIA (Every criterion should have at least 4 point in order to get positive evaluation) | | |
| Project cost feasibility | <p>a) Types of expenses and their amounts fully meet the needs of the project implementation. The total development costs are realistic given the duration. The distribution of costs within CGC is close to equal.</p> <p>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 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> | <p>7 – 10</p> <p>4 – 6</p> <p>0 – 3</p> |
| Project costs explanation | <p>a) Costs are fully coherent with list of eligible & non-eligible costs from this Operational Procedures. Costs are arranged in categories according to the guidance. A clear breakdown of the budget is</p> | 7 – 10 |

| | | |
|--|--|---|
| | <p>provided and evidence of own and external funding is clearly demonstrated.</p> <p>b) Costs are not fully coherent with list of eligible & 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> <p>c) No satisfactory breakdown of the project budget and financing has been provided.</p> | <p>4 – 6</p> <p>0 – 3</p> |
| Financial capacity of the CGC and matching funds provision | <p>a) The CGC has demonstrated its own financial capacity to participate. Participating companies have their own resources and necessary liquidity to ensure financial contribution, ideally close to or equal contribution, to the Project or satisfactory investor.</p> <p>b) The CGC 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> <p>c) The CGC has to provide another proof to be able to finance its participation.</p> | <p>8 – 10</p> <p>4 – 7</p> <p>0 – 3</p> |