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21.01.2019 - 21.01.2022

PROJECT DOCUMENT

“Support to Economic Development at the Local Level in the Republic of Belarus”

Project Number: ENI/2017/386-712, 00108243

Brief Description

The project will focus on activities with regard to local micro, small and medium-sized enterprises (SMEs) and enterprises, aimed at addressing socially important issues (EASIs). Within the framework of the project, EU, UNDP, Ministry of Economy and partners in Belarusian regions will continue cooperation started within the framework of EU Annual Action Programme(AAP) 2011 and 2013 "Support to Local and Regional Development in Belarus" (RELOAD) in order to create jobs and provide direct access to finance for SMEs and EASIs at the local level. The project will allow to scale up a successful local component of RELOAD programme aimed at enhancing cooperation between local authorities and other stakeholders at the local level at different stages of planning and implementing territorial development, stimulating local initiatives and supporting infrastructure of SMEs and entrepreneurship, including their self-organization and enhancing the effectiveness of their activities (in at least 12 districts of the Republic of Belarus).

The project consists of three interrelated components:

- 1) The development of long-term strategies at the local level dealing with formulation of approaches and concrete activities aimed at increasing employment, in particular through participatory analysis of opportunities and bottlenecks for economic development in the project districts as well as identification of the existing issues and development of potential solutions and definition of roles of all stakeholders;
- 2) Building “eco-systems” to support economic activities, including measures to improve legislative framework and build the stakeholders’ capacity with a focus on support to development of SMEs and EASIs;
- 3) Providing access to new financial mechanisms at the local level to enable the development of SMEs and EASIs.

At the end of the project, it is expected that the following results aimed to support local economic development will be achieved:

- 1) Mechanisms are in place in at least 12 districts of the country which can unleash private initiative in order to provide solutions for socio-economic development including job creation at the local level with a focus on youth and vulnerable groups of the population (both men and women);
- 2) The capacities of the specialists from administrations and organizations at the local level

are enhanced;
 3) New jobs and income generation opportunities are created through the improved market positioning and incentivized productivity of SMEs.

UNDP Country Programme Document period:	2016-2020	Total resources required:	USD 9,461,600	
UNDAF Area of Cooperation:	Sustainable economic development	Total resources allocated:		
Atlas Number:	00108243		UNDP:	USD 354,810
Implementation Period:	36 months starting from the date of state registration		Donor (EU):	USD 9,106,790
Management Arrangements:	NIM with UNDP Country Office Support		State contribution:	-
			In-Kind:	-

Agreed by (signatures):

On behalf of the Ministry of Economy of the Republic of Belarus

Mr. Dzmitry F. Matusevich
 Deputy Minister



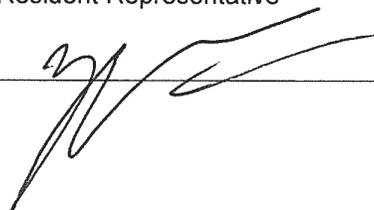
13.11.2018.

Signature

Date

On behalf of the United Nations Development Programme

Mr. Zachary Taylor
 Deputy Resident Representative



Signature

Date



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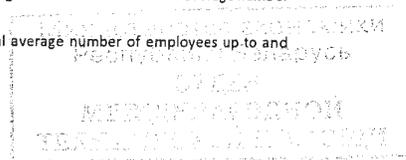
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 МЕНЕДЖЕРСКАЯ КОМПАНИЯ
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KEY TERMS AND DEFINITIONS FOR THE PURPOSES OF THE PROJECT

EASIs	Enterprises aimed at addressing socially important issues. EASIs imply that their commercial activities have a socially useful component. In most cases such enterprises are founded by non-profit organizations. The enterprises create jobs for vulnerable population groups (both men and women), actively support socially important initiatives or provide socially important services to people on a commercial basis.
SMEs	Small and medium enterprise as defined in the Law of the Republic of Belarus <i>On Supporting Small and Medium Entrepreneurship</i> as of 1 July, 2010 No. 148-3 ¹ .
DPD SMEs	District plans for SMEs development. They are action plans on SMEs development in the project districts and one of the key project outputs. They include a set of measures on SMEs development, a set of measures on capacity building, PR activities and other activities that are considered important for SMEs development at the project district level.
FSESII	Fund for Support to Entrepreneurial Socially Important Initiatives. It is established within the project framework for the purpose of stimulating SMEs activities in the area of implementing socially important initiatives. This mechanism methodology will be developed within the framework of the project. The support will be provided on a competitive basis.
ABD	Area-based development – one of the local development methodologies used for development and implementation of DPD SMEs development. The methodology was tested within the framework of RELOAD programme.
Project Steering Committee, PSC	Project Steering Committee, the main mechanism of strategic project management.
LPAB SMEs	Local Public Advisory Board on SMEs development – a local level entity with an objective to plan, implement and evaluate the results of the DPD SMEs implementation.
PR/AR	Public relations and awareness raising.
Action plan	A set of tasks and activities aimed at achieving pre-defined and formulated goals and built in accordance with the methodology of project planning. It includes a description of resources, responsible implementers, indicators and management frameworks.
Capacity building (CB)	The process of increasing the ability of a person or an entity (an organization or a group of organizations) to address certain challenges and reach goals. It is aimed at gaining and developing competences, knowledge and skills, improvement of access to resources, establishing useful contacts, developing partnerships, access to methodologies and obtaining necessary powers from superior bodies and other aspects.
Awareness raising	The mechanism of educating one particular group of people (e.g., instructors, entrepreneurs or civil servants) on a complex of interrelated issues. It may also include information sharing, clarification, training, motivation, etc.
Youth entrepreneurship	Entrepreneurial activities conducted by citizens of the Republic of Belarus under the age of 31 and registered as individual entrepreneurs. Also, Belarusian commercial organizations, founders (principal shareholders) of which are citizens of the Republic of Belarus under the age of 31 employeeding not less than 50% of citizens of the Republic of Belarus under the age of 31.
Business incubator	An entity of entrepreneurship support infrastructure – profit or non-profit organization (enterprise) with an objective of providing assistance to SMEs in launching and running entrepreneurial activities.
Microfinance	Banks and non-banking credit and financial institutions.

¹In accordance with the Law of the Republic of Belarus *On Supporting Small and Medium Sized Enterprises* dated July 1, 2010 No. 148-3), the term *small business* includes individual entrepreneurs registered in the Republic of Belarus; micro-enterprises – registered in the Republic of Belarus profit-making organizations with an annual average number of employees up to and including 15 persons; small enterprises - registered in the Republic of Belarus profit-making organizations with an annual average number of employees up to and including 16 – 100 persons;

The term *medium-sized business* includes registered in the Republic of Belarus profit-making organizations with an annual average number of employees up to and including 101 – 250 persons.



institutions	
Innovation technologies	A set of methods and resources aimed at supporting implementation of a certain innovation.

I. DEVELOPMENT CHALLENGES

Throughout the ongoing restructuring process of Belarusian economy for sustainable socio-economic development, the country faces new challenges that are relevant in the short- and medium-term horizon. In accordance with the Programme of Social and Economic Development of the Republic of Belarus for 2016-2020, the most relevant of them are the strengthening of institutions of market self-regulation, increasing labour productivity and reducing production costs, including increasing the effectiveness of value-added chains (VAC) at local, regional and national levels, increasing the competitiveness of territories, creating new jobs and restructuring the reallocation of resources among sectors of the economy².

The project logic is based on the assumption that development of an agile private sector and micro, small and medium enterprises (SMEs), especially at the local level, should be viewed as an essential mitigation factor of short and medium-term risks.

Main project activities will support improvement of the business environment, development of support infrastructure for SMEs and EASIs; developing positive public attitudes toward entrepreneurial initiative of citizens and socially responsible activities; as well as improving access of SMEs and social initiatives to financial resources. These activities will ensure synergistic effects with the implementation of the state programmes in the field of small and medium entrepreneurship, they will create and help to increase the financial well-being of both citizens and the country as a whole.

SMEs have been playing an increasingly important role in the country's economy and in job creation, but they are unevenly developed across the regions and across sectors, and more support is needed to enable their development in districts and towns with low levels of competitiveness. Other forms of social innovations, such as EASIs, are emerging, but the society at large as well as local authorities in the regions are on the whole insufficiently informed about the potential of EASIs to boost employment of the vulnerable groups. Moreover, the tradition of promotion and formation of positive attitudes to entrepreneurial activity among citizens requires additional strengthening, including in populated localities formed around large state-owned enterprises (SOEs), which for many years have been the main employer (monocities).

The existing SMEs, as a rule, are operating in autonomy, characterised by lack of experience in professional engagement and interaction with each other, especially within business associations and other forms of membership organizations and also within modern forms of integration and cooperation, including starting to emerge regional clusters.

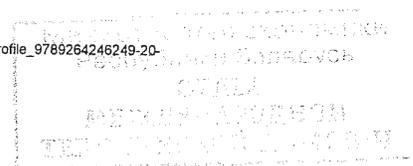
Development Challenges: Background

According to the 2016 SBA³ assessment, held jointly once in four years by OECD, EU, EBRD and the European Training Foundation (ETF), the SMEs sector in Belarus, in comparison with other Eastern Partnership countries, remains underdeveloped. In their development, Belarusian SMEs are facing a number of obstacles for growth. The number of people employed in the SMEs sector as of 1 January 2018 is 1,322,600. According to the National Statistical Committee of the Republic of Belarus, by the end of 2017 the share of SMEs in the GDP amounted to 24.7%, the share of those employed by SMEs in the total number of those involved in economic activities was 30.4%. About 75% of SMEs are engaged in services, 49% of them are in wholesale trade and retail, cars and motorcycles repair. A similar situation is in the sphere of individual entrepreneurship: about 85% of entrepreneurs are engaged in services. Priority areas for SMEs are also construction and different agriculture activities. The structure of SMEs sector remains practically unchanged over the years: the number of micro/small companies prevails, their number steadily grows, and the number of medium-sized ones decreases. Medium-sized enterprises are mostly represented in the production sphere (about 66% of medium-sized enterprises are in industry, construction and agriculture).

Access to finance remains one of the impediment for SMEs growth, in particular access to financing

² http://www.government.by/upload/docs/program_ek2016-2020.pdf

³ https://read.oecd-ilibrary.org/development/sme-policy-index-eastern-partner-countries-2016/belarus-small-business-act-country-profile_9789264246249-20-en#_WhA4hkslFsY#page1



from local sources and long-term financing is generally insufficient. Greater access to finance through formal institutions is one of the key tasks for stimulating entrepreneurship, including women's entrepreneurship.

The government has prioritised the development of the sector in recent years and has launched a number of support schemes, but SMEs continue to rely on bank lending as their main source of funding, while banks generally offer a limited number of specific products for SMEs or lending practices tailored to the needs of small businesses.

Following the recommendations of the 2016 SBA assessment, this project is intended to assist the development of the SMEs sector through support in improving access to microfinance, strengthening the capacity of local actors, including those operating in areas directly related to the SMEs sector. Within the project framework, special attention will be given to the actors operating at the local (district) level outside the regional centres. The project is aimed at:

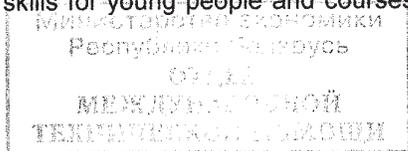
- fostering economic liberalisation efforts to create conditions for SMEs growth;
- developing business support infrastructure, expanding the scope of consultancy services for SMEs (including, potentially, restructured SOEs);
- participatory (stakeholders are involved and actively participate) development and implementation of action plans to support development of entrepreneurship and innovative economy;
- job and EASIs creation, providing knowledge and building skills to enable successful entrepreneurial activities, as well as encouraging women's and youth entrepreneurship;
- enlarging and strengthening of sustainability of access to finance for SMEs in particular through micro-finance tools.

Considering previous projects of the EU in the Republic of Belarus at the local level, the key strategy for the "Support to Economic Development at the Local Level in the Republic of Belarus" project is to enlarge the local development support and engage the SMEs in this process. Special attention will be given to the implementation of the joint participation principles and the involvement of a wide range of stakeholders with the objective of enhancing local growth and competitiveness considering social vulnerability of the population (considering interests of both men and women). The proposed project will be based on the identified specific development priorities, comparative advantages and vulnerabilities of all involved districts. Based on that, it is assumed to work with the local authorities and other local actors to develop and implement DPD SMEs and create new jobs. The primary focus will be on local micro and small enterprises as well as EASIs as drivers of inclusive and sustainable growth and increasing the number of new jobs.

In the manufacturing sector, SOEs account for 65% of gross output volume, with around 59% of all employees working in the state sector. The economies of a number of regions are based mainly on state owned enterprises, which account for over 50% of the gross regional product (GRP). Over 40 towns are mono-industrial and their enterprises, providing jobs for the majority of citizens and playing the core role in the labour market, generating the town budget, and providing housing, social and other supporting services.

However, many of these SOEs are now facing substantial difficulties, partly due to changes in the external factors influencing the country's economy, negative economic trends in the country's trade partners, which affects the demand for traditional exports. As a result, gross value-added in the manufacturing sector was 99,5% in 2016. The value of this indicator increased to 106,0% in 2017. Agriculture reported better results in terms of output (in 2016 it showed modest growth in value added of 3.4%, in 2017 – of 5.6%), but many agricultural firms depend on state financial support and about a third report financial loss.

After years of relying on state structures for guaranteed employment, by no means substantial number of people affected by SOE-redundancies has the skills, knowledge, and culture necessary to take on entrepreneurship and principles of market economy. Small micro-enterprises lack institutional structures, which offer affordable micro-finance, as well as structures where they can go for advice on business plans, tax matters, marketing strategy and so on. The lack of such structures is particularly noticeable in regions. There is a need to increase accessibility of courses in business skills for young people and courses based on the life-long learning approach, which would make



such courses available also to older population at local level.

Vulnerable population groups (both men and women) such as young people, persons with disabilities, families with children, people affected by non-communicable and communicable diseases such as HIV and tuberculosis, migrants and the rural population, especially in Chernobyl-affected areas, elderly people, people with special needs and other vulnerable groups will be more affected by the ongoing economic restructuring processes, the lack of competitiveness and optimization of the social expenditure budget.

The President's Decree No.325 of 30 June 2014 provide several organisational options for structuring microfinance activities which focus on providing access to finance to SMEs. However, as some of the existing microfinance organisations admit, they do not yet have capacity to work with SMEs and this is where the project can add value by improving microfinance organizations' opportunities and preparing them for active work with SMEs. Such type of support as building capacity for getting microfinance loans could be targeted, first of all (but not exclusively), at SMEs which will benefit from business advisory services under the EBRD Advice for Small Businesses programme (ASB).

While SMEs are already an established form of doing business in Belarus, EASIs are an emerging and growing field of business. Following the definitions of the European Commission's initiative on entrepreneurship aimed at addressing socially important issues (EC terminology – social entrepreneurship) and its study report, EASIs are viewed as commercial structures whose main objective is not making a profit for their owners or shareholders, but to rather large degree – introduction of changes aimed at addressing socially important and socio-economic issues. However, in the recent years, there have been individual examples of such commercial entities operating at the same time as business entities bringing profits to their owners and also fulfilling a number of social functions. The expansion of such experiences, building capacities and support for such initiatives can help increase effectively this sector in Belarus. The core of their functioning is providing entrepreneurial and innovative services to the market and utilization of made profit, firstly, to contribute to addressing socially important issues and provision of public goods. However, being a new approach to doing business, such enterprises require support to development, in particular, in terms of relevant legal and institutional frameworks, access to capital, access to markets, business support and development services, training, research and public awareness and acceptance.

These measures will help to put in place the “eco-systems”⁴ required to make private initiatives successful and sustainable, including introduction of appropriate legislation and other regulatory measures, awareness raising, business and other skills training, and access to affordable finance. The key objective of the state programme “Small and Medium Entrepreneurship in the Republic of Belarus” for 2016-2020 is developing small and medium entrepreneurship as one of the factors for ensuring a stable and high level of employment and economic growth. The following specific objectives are put forward in the programme to achieve the key objective: improving the business environment; promoting the development of SMEs; improving the support infrastructure for SMEs; developing positive public attitudes toward entrepreneurial initiative of citizens.

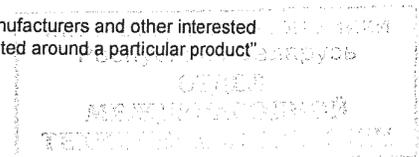
In accordance with the programme, it is planned that by 2020 the SMEs share in the country's gross value added will reach 40% and the number of people employed in SMEs as well as sole entrepreneurs and their employees will grow to 39.6% of total employment. Reaching these targets, taking into account the dynamic of SMEs development, requires additional input and joint efforts of all the stakeholders.

II. STRATEGY

Based on the positive record of the EU in introducing and promoting new, more effective approaches to regional development in the Republic of Belarus, **the main idea** of the project is to support the successful economic development at the local level.

Overall objective of the project is support economic initiative, competitiveness and innovation for

⁴ Eco-system – “wide system of complementary organizations; community of clients, suppliers, lead manufacturers and other interested parties, finance communities, trade associations, trade unions, state and non-state institutions, concentrated around a particular product” (cited according to «Труды БГТУ», 2017, №7, p. 40)



inclusive development at the local level in the Republic of Belarus.

The project will directly build on the methodology, results and lessons learned from the current EU AAP 2011 and 2013 "Support to Regional and Local Development" (RELOAD). It will build on the area-based development (ABD) approach as well as the EU Territorial Approach to Local Development, will capitalise on the partnerships already established around ABD initiatives, ABD passports (if available) developed within the RELOAD programme, and will reflect the main lessons learned in terms of more focus on local entrepreneurship, more innovative approaches, continued citizen engagement, narrower geographic coverage, and enlargement of access to direct funding such as microfinancing facilities.

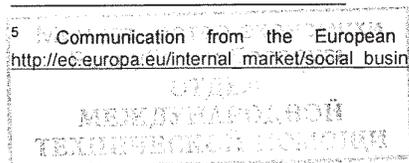
However, as experience of the RELOAD programme shows, the level of organizational capacity, level of competencies for project management, results-based management and culture of participative planning currently existing in the Belarusian regions still requires additional support in terms of both competences and awareness. On the other hand, local actors often have experience in participative planning and implementation of local initiatives focused on local socio-economic development obtained from other programmes implemented by international (including UNDP) and non-governmental organizations. This experience indicates the emerging practices of participative involvement of local actors but still require additional efforts to introduce the practice of participative development of SMEs development plans targeting the whole territory beyond individual local initiatives.

In the framework of this project, it is planned, in addition to ABD approach, to test a number of methodologies including UNIDO methodologies (on fostering industrial diversification at the local/regional level), Local Economic and Employment Development (LEED) by OECD, Germany's REFA (for cooperation and optimization of production processes and value added chains at the local level) and other approaches, that allow to introduce project and programme based approach to regional economic development as well as contribute to regional economic development. In this process, all elements of the project cycle – from planning of regional economic development activities (analytical phase, stakeholders and challenges analysis), through formulation and endorsement (based on results-based management principals) of District Plans of SMEs development (DPD SMEs), its assessment at the local level as well as its contribution to economic impact at the regional and/or national level, to provision of resources, implementation, monitoring and evaluation of the results – will be organized by the local actors of the target districts. The proposed methodologies presume continuity and cyclicity of development processes, in which the evaluation of the results achieved by DPD SMEs must support the analytical phase of the subsequent project cycle. All competencies for the implementation of this approach should be formed at the local and regional level, while the measures envisaged in DPD SMEs should ensure their sustainability, continuity and consistency.

The European Commission Communication "Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation"⁵ focuses on EASIs (EC terminology – social entrepreneurship) as drivers of inclusive growth and employment for all as well as a way "to promote a highly competitive social market economy". According to the document, "social enterprises contribute to smart growth by responding with social innovation to needs that have not yet been met; they create sustainable growth by taking into account their environmental impact and by their long-term vision; they are at the heart of inclusive growth due to their emphasis on people and social cohesion." Since September 2015, the European Commission launched a new bottom-up phase of co-creation with all stakeholders, and introduced a new course of action (WG 4 "External dimension of social enterprises" in the European Commission's expert group on social entrepreneurship - GECES). Since then, respective directorate of the European Commission is also coordinating the external dimension of the EU policy on Social and Solidarity Economy (SSE), including social enterprises, social impact investing (G8 Task Force), inclusive business (G20 since the Turkish Presidency).

To stimulate the development of SMEs and EASIs, a tool called FSESII is envisaged in this project. Methodology and detailed mechanism of the Fund functioning will be developed during implementation of the project. The options to increase the funds for the FSESII in a comparable amount of co-financing provided by national sources, including with the assistance of the

⁵ Communication from the European Commission, Social Business Initiative, 25 October 2011, accessed at http://ec.europa.eu/internal_market/social_business/docs/COM2011_682_en.pdf

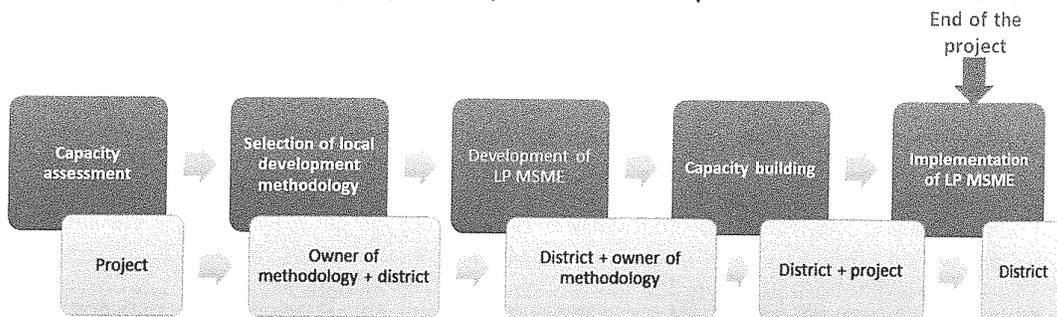


Development Bank of the Republic of Belarus, with which UNDP signed Memorandum of Understanding on 1 March 2016, will be explored and analyzed.

General Implementation Strategy

Recommendations of the mid-term evaluation and lessons learnt from AAP 2011 and 2013 "Support to Regional and Local Development in Belarus" – RELOAD programme, especially the UNDP component implemented at the local level, were considered in developing this project. Conducted analysis allow to conclude that for designing DPD SMEs, it is important to ensure not only environmental and social sustainability but also a stronger focus on dynamic economic development, innovation in entrepreneurial sector, development of value chains. For the harmonious and sustainable development, it is also important to focus on the development of entrepreneurship and the competitiveness of the region as a whole and regional/local businesses in particular, as they are key players in ensuring the region's competitiveness, maintaining a focus aimed at supporting a sustainable economy and stimulating private sector growth. Youth entrepreneurship is also a particularly important priority that should be targeted in the regions to assist in retaining university graduates and qualified workforce, as well as to encourage sustainable and competitive private sector growth.

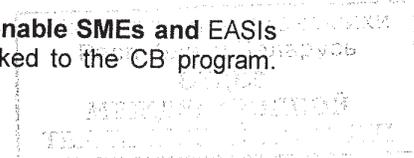
General vision of the project implementation process at district level



Specific focus during the implementation of the project activities will be made on thorough analysis of training needs and/or baseline studies (initial state studies) at the start of the project activities. In the course of these activities, baseline indicators will be determined and established, which will allow, among other, to monitor and ensure effective use of project resources and measure the degree of achievement of the project results.

The project logic is reflected in the following sequence and interlinkages of activities set:

- **Inclusive development of the strategic vision at the district level.** This involves the participatory analysis of opportunities and bottlenecks for local industrial and economic development, as well as identifies gaps, potential solutions and roles of each stakeholder (including equity of men and women) in addressing the challenges. Comprehensive DPD SMEs will be developed as the result of these activities and endorsed by the local government or executive authorities.
- **Comprehensive capacity building (CB) programme** targeted at a wide range of stakeholders on local, regional and national level. The CB program will include (1) an expert (analytical) phase necessary to support the process of DPD SMEs development and (2) a target phase, which is based on a thorough analysis of needs of the wide range of stakeholders – from local authorities and entities involved in the policy-level dialogue for DPD SMEs development to business owners, start-ups and capacity building service providers and representatives of SOEs. Respective PR campaign on informing and raising awareness will be developed and implemented to support this process. The programme will be based on the capacity building action plans and PR/AR action plans come as a part of the DPD SMEs. The adaptation of the relevant methodologies and approaches to be used in the project will be also performed at this stage.
- **Ensure access to financial mechanisms at the local level to enable SMEs and EASIS development.** To ensure high efficiency the activities will be linked to the CB program.



Financial mechanisms will allow emerging and developing SMEs and EASIs to apply newly acquired skills and capacity to initiate business activities.

In the most industrialized districts under development of DPD SMEs a starting point has to be the identification of the competitive advantage and leading manufacturing entities on the given territory. The next stage is the development of DPD SMEs involving all stakeholders, i.e. (local) universities and research institutions, private companies' managers and government institutions (local, regional and national). This stage is key for diversification and modernization at local / regional level. By so doing a dialogue between public and private sector will be established and common vision of the future of the territory endorsed involving all of the stakeholders – representatives of enterprises, academic circles, state authorities. To support this process, establish dialogue between stakeholders, identify obstacles for local entrepreneurship, promote innovation and other issues, it is needed to conduct a number of workshops with the participation of local managers and representatives of local authorities among others.

Approach to DPD SMEs development

To support the development of DPD SMEs, it is suggested to use the “learning by doing” approach at the institutional level.

The endorsement of the future vision of the territories (districts) and assessment of key local stakeholders their capacities and interests will be done through the parallel use of two instruments: design and analysis of a **portfolio of initiatives** submitted to the contest of initiatives in each district and **expert assessment of specific district capacities**.

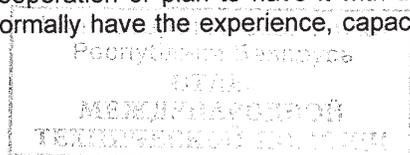
An analysis of the portfolio of initiatives in each district will allow to determine the actual (rather than merely declared) range of interests, identify the most promising productive and technological linkages and value chains which will serve as the basis for cluster formation, find the most active local actors having capacities for innovations and collect other relevant baseline information necessary for the identification of a possible vision for the territory development. Analysis of the portfolio of initiatives, formed during the contest of local initiatives under Activity 3.1.2. will allow for the mapping of initiatives capable of generating innovations and enhance competitiveness of the district (as basic tool). As part of the same Activity, separate lots for calls for proposals can be announced under Activity 3.1.1. and Activity 3.3. Decisions on the announcement of additional lots are taken by the PSC based on the regulations and concept developed and proposed by the project's team.

The analysis of the portfolio of initiatives will be done with the view to the existing strategic planning documents: ABD passports, NSSD-2030, national programmes, socio-economic development programme and others.

The regional innovation systems (RIS) alongside clusters can be used as policy frameworks for achieving industrial diversification, job creation and long-term regional development and can be particularly explored in the regions who chose UNIDO as their core methodology.

To conduct the **expert assessment of the districts' capacities** local and international experts in the relevant fields will be engaged. The expert assessment will be done based on the theories and successful practical experience of territorial development. For example, for the territories where cities are formed around big industrial enterprises (mono-cities) the assessment should also focus on typical for mono-cities issues, industrialization and economic integration.

To develop DPD SMEs and conduct managing and monitoring activities over its implementation, Local Public Advisory Boards (LPABs) are to be set up/reorganized/supported. In the districts where such LPABs are already in place, they will be reorganized/updated in line with this project vision and their respective activities. In addition to the representatives of local authorities, representatives and participants of the initiatives, winners of the contests of local initiatives, will be invited to take part in the LPAB. To participate in LPABs, representatives of non-governmental organizations having many years of experience in actions focusing on local socio-economic development and sustainable development at the regional or national level will be also invited, especially if they have already had cooperation or plan to have it with the local actors from the project districts. Such organizations normally have the experience, capacities and resources for the implementation of local initiatives



- Preparing and conducting a series of review presentations for each of the project districts, including discussions of whether these methodologies can be used for the specific district. The members of the LPAB will be provided with the expert reviews of different methodologies and argumentation put forward by the experts to select a particular methodology;
- Organizing a number of study and exchange tours, both within the Republic of Belarus and beyond (for more details see the description of activities), during which the participants will study the successful practical experience of regional development with the use of relevant methodologies of regional development;
- Identifying local, national and international institutions, bearers of competencies and experiences of implementing the chosen methodologies. This will include facilitation of building partnerships with such organizations for each of the project districts and including their representatives into the LPAB;
- Management of and support to the process of discussing and selecting by local actors of a specific methodology of regional development and identifying an "institution that can take up the function of supporting local economic development" (Local Economic Development Support Institution, LEDSI). This institution can be set up as a new entity within the project or the relevant function can be given to the existing non-commercial organization in the target district (a department of local authorities, a non-governmental organization, union of legal entities (association and union) an establishment). Before the establishment or approval of such an entity its role is performed by the LPAB.

The LPAB will select the methodology for local/territorial economic development. The PSC will endorse the choice of the methodology for each of the project districts. The chosen methodologies will be adapted to the conditions of Belarus, necessary materials will be translated into Russian/Belarusian. The implementation of the methodology will be monitored by the project team with the support from the relevant experts. Later, the experiences of the implementation will be put together and conceptualized in the form of dedicated guidance notes and manuals for the theory and practice of the selected methodologies (under Activity 2.4).

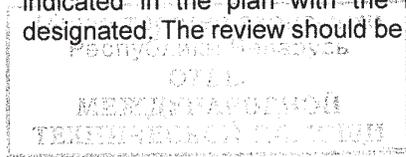
DPD SMEs structure

DPD SMEs will be developed through the comparison between the current capacity of the territory and its actors with the vision of the desired future developed by the project experts and with the involvement of local and national stakeholders. Any given DPD SMEs will include as a minimum the following sections:

1. Comprehensive action plan for the development of small and medium entrepreneurship;
2. Action plan on capacity building for local actors. This action plan will focus on building the institutional capacity of key stakeholders of each individual DPD SMEs, institutional capacity at the local (district) level (stakeholder cooperation, attracting of investors, regulatory aspects, etc.), as well as the competencies of local experts (project management approach, specific thematic competencies and etc.).
3. Action plan in public relations and awareness raising (PR/AR action plan).

Each of the three action plans will be based on results-based management principles and logical framework approach, which includes objectives, their outputs, expected outcomes and impact at the strategic policy level. Responsible actors and beneficiaries as well as monitoring and evaluation indicators will be identified for each level of results. Basic criteria for the RBM-based planning models should be observed, (for example, outcomes cannot be a direct and exclusive result of the project or initiatives activities, indicators should be based on S.M.A.R.T. criteria, etc). In other words, the action plans should provide a measurable and manageable, suitable for evaluation and analysis contribution to the achievement of the objectives of the DPD SMEs. Document will be gender neutral and bring together the interests of both men and women.

DPD SMEs should cover at least a medium-range period of time (3 to 5 years) with the mandatory midterm evaluation of results and review, if needed, in two years. This requirement should be indicated in the plan with the resources allocated for this activity and responsible persons designated. The review should be performed with the involvement of all stakeholders, especially the



ones who took part in the development of the plan.

One of the key principles for the selection of the methodology and the development of the DPD SMEs based on it is decentralization, that is, giving to the local level the responsibility for analyzing, planning, implementing and managing the process of territorial development.

DPD SMEs should be endorsed by the PSC and recommended for approval at the district level. This procedure is necessary for internal substantive monitoring and quality control of the DPD SMEs as one of the key outputs at the local level. The project team will propose criteria based on results-based management principles, regulations and approval procedure for the DPD SMEs. The PSC, while considering its endorsement for the structure and approval of the DPD SMEs, can consider the possibility of additional preliminary expert evaluation of DPD SMEs (before the PSC endorsement), for instance based on the evaluation methodology applied for concept notes of the projects funded by the EU (by two independent experts following a single set of guidelines and submitting their conclusions for the endorsement of reviewing committee as embodied by the PSC). For conducting this expert evaluation, independent (who have not been engaged in the development of specific DPD SMEs) national and/or international experts can be involved.

The DPD SMEs developed and approved in all project districts should be provided with project funds and with local and national budgetary resources (within the framework of relevant state and national programs) and extra-budgetary resources, including cooperation of the project districts with national non-profit organizations in the framework of other projects. In particular, we refer to the resources received from the funds of the EU projects "Mayors for Economic Growth" and "Partnership of Civil Society Organizations and Local Authorities for Development", projects and programmes of specific EU countries, as well as in other programmes and projects of international technical assistance.

The **Action Plan for the Development of SMEs (1)** is the core part of the DPD SMEs. Its structure and content will be defined in accordance with the methodology of local development chosen for the specific district.

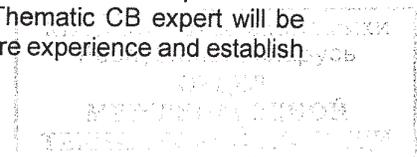
This Action Plan should include, as a minimum, priorities and criteria for the calls for proposals being conducted in 2nd-3rd project year for local initiatives which will be conducted as part of the work for developing a support infrastructure for entrepreneurship, innovation start-ups, microfinance and FSESII facilities. It should also include measures for transferring competencies at the local level to key stakeholders and ensuring continuity and sustainability of these competencies.

To thoroughly develop the **Capacity Building Action Plan (CB Action Plan) (2)** there will be identified gaps in knowledge, competencies, local and national regulations as well as other obstacles and difficulties overcoming which will allow a district to achieve vision of the desired future. In practical terms, this will be done during **the expert phase** through the following activities:

1. Analysis of competencies, knowledge and skills the availability of which allowed the reference territory to become a "success story";
2. Analysis of the portfolio of initiatives, identification of possible strategies for enhancing the outputs, outcomes and impact of these initiatives;
3. Survey of the members of the LPAB and local stakeholders regarding their vision of needs and other methods of assessment allowing for identifying relevant actions for the improvement of capacities of local actors;
4. Mapping of local CB providers and other competent actors for their subsequent invitation to joint planning of capacity building and their inclusion into a local and/or national roster of capacity building providers for local economic development.

The implementation of the expert phase is carried out under the management of the Project Team, with the assistance of expert support for the chosen methodology bearer, with the active involvement of local and national experts (both men and women) in regional economic development issues and the specifics of work within particular project district.

To build up on the expert phase of the programme, for each of the target districts and based on the comprehensive analysis of needs an **CB action plan** for local actors will be developed. Some parts of this plan common for all or some of the project districts will be integrated into a comprehensive national CB programme under the Output 2 (see below), where the Thematic CB expert will be responsible for implementation of this programme, to optimize costs, share experience and establish



relations.

The CB action plans will use traditional CB tools (lectures, training sessions and international study-tours) as well as modern interactive methods of work (workshops, hackathons, in country study visits) along with activities aimed at CB of educational providers to ensure sustainability of CB measures after the end of the project. Training scholarships are provided for local experts to support research work and publications on topics related to DPD SMEs.

Special attention will be paid to building capacity / its utilization of officials and state employees as well as nongovernmental organizations in order to enhance their knowledge and skills needed for the implementation of the third component.

To implement the program and action plans existing service providers are mobilized at different levels (local, regional and national) and, if necessary, foreign contractors and experts are invited. One of the areas is the strengthening of interaction with non-profit organizations, which actively participate in the implementation of the projects in the sphere of economic and social development, public and private educational institutions and educational centres.

Public relations and awareness raising action plan (PR/AR Action Plan) (3) will be developed in line with a model used for planning the activities for the CB Action plan. Its development also includes expert and target phases.

Each of PR/AR Action plan will contain at least 4 priorities:

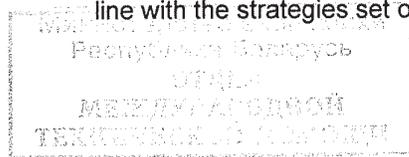
1. Activities to support each DPD SMEs at the level of working with public;
2. Information support of the calls for proposals for the initiatives (across all project tools);
3. Creation of a "trend for entrepreneurship";
4. Creating a positive image of the initiatives supported by the project.

In addition to the activities aimed at the popularization of the project, studies for obtaining analytical information as well as tools for low-cost monitoring of the effectiveness of the campaign will be included in the PR/AR Action Plans. Preliminary analysis of effectiveness will include work with focus groups of target audiences (focus group will include both men and women). The implementation of campaign activities will involve stakeholders (Development Bank, Belarusian Fund for the Financial Support of Entrepreneurship, EU, UNDP, credit organizations, etc.), as well as programmes stimulating entrepreneurship and self-employment. It is reasonable to link activities included in the Action Plans and the DPD SMEs to the dates of national and local events as well as other newsworthy events that can be used to achieve the project objectives and tasks of the DPD SMEs.

The basic tool for implementing the PR/AR activities will be "PR/AR campaign". Each specific campaign will be based on a model of professional development of PR campaigns: identification of target groups, perceptions, opinions and actions which are important to raise interest in and stimulate business activities of SMEs (representatives of governmental institutions, public figures at the regional level, media representatives, etc.); identification of existing stereotypes and perception issues; development of information campaigns aimed at promotion of target messages and adjustment of the existing stereotypes and perceptions. The objectives of the PR/AR campaigns will be determined on the basis of the general and specific objectives of the DPD SMEs.

The expert phase of the PR/AR Action plan development partly overlaps with the analytical stage of DPD SMEs on the whole and Action Plan for the development of the SMEs in particular. During this stage, tasks and challenges related to the main areas of external relations of the project will be captured:

- Informing the public and providing public coverage to the project's activities and the work of the LPAB, including information about the activities implemented at the local level and aimed at the broad distribution of information about calls for proposals for the initiatives and their results;
- Raising awareness of the public about the key topics and strategies of the project;
- Strengthening public relations and nudging the public opinion towards the objectives and in line with the strategies set out in the DPD SMEs.



The baseline analysis and the strategy for changing the public stereotypes of perception and behaviour, which are in the sphere of project interest, should form an essential part of the PR/AR Action Plan. The image of the entrepreneur, the authority of socially responsible behaviour, the reputation of innovators and so on would be among the identified topics. Outcomes and impacts built in the hierarchy of tasks of Action Plans must explicitly overlap with the general logic of the DPD SMEs. Responsible actors and target groups, in particular SMEs organizations, local opinion leaders, local authorities and other actors involved in local decision-making, editors and journalists of local media, should be identified at each result level.

Additional attention will be paid to the training and use of capacity of local media and news resources for ensuring modern and creative approaches to information campaigns. To implement the programme, capacities of relevant providers at different levels (local, regional, national) will be mobilized, and foreign experts and providers will be invited as well, if necessary.

The responsibility for the development and implementation of the PR/AR action plans will be borne by local actors with the mentor and expert support from national and international experts. This support should be organized in a way that by the end of the project the project districts are fully equipped with their own expertise and capacities allowing them to conduct similar PR/AR campaigns without external support. All activities in the field of set of measures implementation dealing with PR/AR and external communications activities at the local level will be implemented by local actors to the extent level allowed by available capacity and expertise at the local level.

Common project activities and coordination

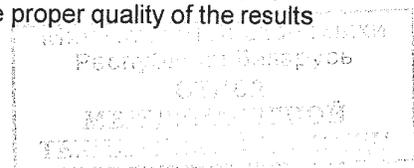
The project management team and the thematic coordinators in cooperation with project partners / contractors should ensure effective support and coordination of the development and implementation of both the DPD SMEs in general and their components in particular. Among other things, in order to optimize the use of available resources, to stimulate the exchange of experience between project areas and to improve overall performance, the project management team will accomplish the following tasks:

1. In case of identifying similar needs, the team will implement activities for organizing and conducting joint (common for several or all project areas) trainings, seminars, other activities aimed at improvement of competencies;
2. Organize a common process for developing a common style, design, templates, logos for the PR/AR campaigns; the visual production will be used in each of the project districts for visualization of the strategies developed;
3. Organization of activities which are pre-defined for the whole project and common to all districts or some of the project districts as implemented jointly with the participation of the representatives of a number of districts as well as unified for several districts (educational visits, trainings for local providers of educational services, etc.).

Thus, it is assumed that the districts operate as independently as possible, but they receive the necessary assistance and support at the project management level and similar actions to achieve similar goals and objectives are also coordinated at the project level. For example, in order to implement the PR/AR action plan, it is implied that an action plan is developed and implemented by each district independently, and responsibility for development and implementation remains at the local level. At the same time, the style, the evaluation of target audiences, the coverage evaluation system, logos, templates and other visual products used within the campaign should be developed centrally under the guidance of the project management team or selected contractor/partner.

Coordination activities of the project management team will be developed on the basis of an analysis of the portfolio of Action plans and will be included in to the work plan of the project, which will be approved by the PSC. They will be systematized in the form of two action plans implemented by the Project Management Team: CB Programme and the PR/AR Programme.

The thematic experts of the CB and PR/AR should have the competences to manage the project portfolio (in this case, the portfolio of Action plans) in order to ensure the proper quality of the results and effects of the implementation of the Programmes.



Mechanisms for the national policy level

To organize a constructive dialogue at the national policy level for the development and support of local-level SMEs, the work of Public Advisory Council for Entrepreneurship Development (PACED) under Ministry of Economy will be supported. Representatives of the concerned ministries and other regulators at the national level, local authorities, representatives of national NGOs dealing with regional and local development issues, business representatives and representatives of the academia will be invited to participate in PACED sessions.

There are three main tasks for the PACED within the project:

1. Work aimed at identifying barriers and the most effective incentives for SMEs and establishing and supporting a dialogue at the highest level for the subsequent assessment of the need for changes in national legislation to improve the legislative framework governing activities of SMEs and EASIs.
2. Consideration and discussion of specific approaches for mobilizing resources, both national and foreign, for the development of SMEs.
3. Development of specific recommendations that are in line with national legislation and aimed at supporting SMEs and EASIs that are designed for long-term perspective and implementation in the post-project period, based on the best practices and lessons learned from the project, comprehensive in their own way, designed for application at various levels of management: local (district), regional (oblast) and national (republic).

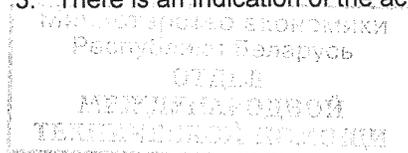
In order to increase the effectiveness of PACED and prepare the grounds for the development of recommendations for updating the legislation, at the initial phase of the project, a comprehensive national study will be conducted. During preparation for the study it should be explored the possibility of combining this action with an SBA study using the OECD methodology, and it is assumed that the PACED will participate in it as a national entity. The study will focus on SMEs in whole and EASIs in particular. The research objectives will be to systematize the existing data, analyze the potential of EASIs, suggest indicative measures to support SMEs and EASIs and draft recommendations based on the existing practices in other European and CIS countries.

The functioning of PACED will include the organization of dedicated segments in the conferences, workshops, round tables and other events of the project.

Mechanisms of financial support to SMEs initiatives

To support the DPD SMEs with financial resources, the project envisages a number of mechanisms that share several commonalities. In particular, all funding mechanisms are based on competitive selection: this means that the allocation of resources is done exclusively through calls for proposals organized by the project's team, project partners or in other ways endorsed by the PSC. Accordingly, each call for proposals must be supported by a number of documents and standard activities regardless of who is the organizer and at which stage of project implementation it is organized. These documents and standard activities include as follows:

1. Regulation of a call for proposals, containing overall project objective, objectives, mechanisms for application as well as the narrative part explaining how this particular call for proposals can support achieving the objectives of the specific DPD SMEs, clearly defined appraisal and selection criteria based on a complex scale of scoring and qualitative estimates will be part of the regulation, including criteria taking into account the interests of both men and women;
2. A template for the application or other mechanisms for submitting local initiative concepts, plans and budgets;
3. There is an indication of the actor who is authorized to accept applications;



4. A description of the mechanism of selecting the winners: by default, decisions for the support of local initiatives are taken by the PSC by consensus, but this right can be delegated – by a decision of the PSC (for example, for initiatives with a small budget, it can be delegated to a committee consisting of three PSC members);
5. A plan for notification of potential applicants about the calls for proposals: information campaign or any other relevant mechanism providing broad, public, active and inclusive communication to all potential stakeholders (see PR/AR plan above);
6. Package of documents which should be accepted and filled in by the winners allowing to conclude funding contract with UNDP.

A summary of supporting mechanisms is provided in the table below:

	Support of business-incubators	Support of start-ups and cluster initiatives	Support of microfinance facilities	Support of FSESII
Quantity of supported initiatives * Average size = Total Budget	12* USD 100,000= USD 1,200,000	61*USD 25,000 (for start-ups) 24*USD 60,000 (pilot cluster initiatives)= USD 2,965,000	1*USD 120,000 (CB programme)+ 12*USD 20,000 (direct support) = USD 360,000	45* USD 40,000= USD 1,800,000
Total: USD 6,325,000	USD 4,165,000		USD 360,000	USD 1,800,000

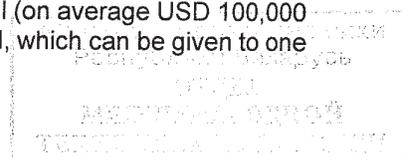
For each of these instruments, in the framework of Output 2 (see above), a detailed implementation methodology will be developed and endorsed by the PSC. Particular attention will be paid to methodology of implementation of FSESII mechanism. After the methodology for each facility is developed, approved and tested with achievement of the confirmed results, the PSC by its decision can adjust (redistribute within the relevant area) the indicative total budgets allocated for each of the mechanisms as well as the size of an individual initiative under specific instruments.

Below is indicated a vision and key methodological and strategic principles for the functioning of each of the above-mentioned mechanisms.

Detailed mechanisms as well as organizational arrangements should be developed by the project team and approved by the PSC.

Facility for financial support of business incubators

Based on the competitive process undertaken by the project, at least 12 initiatives (at least one in each project district) will be selected to act as providers of support for the existing or newly created business incubators, the Entrepreneurship Support Centers (ESC) or other organizational forms of SMEs support in the project district. These initiatives can be organized in partnerships with local/regional/national business support organizations, entrepreneurship development and support centers, training institutions and other organizations involved in providing business services. The selected initiatives will have to be approved by the PSC. Total indicative amount of the support provided to the selected initiatives will amount to USD 1,200,000 in total (on average USD 100,000 each). Within one district total support of up to USD 100,000 is provided, which can be given to one



finalist of the competition or divided between two finalist initiatives. Compulsory condition for receiving financial support will be co-financing either financial or in kind.

The existing business incubators and the legal entities willing and having the capacity to receive the status of a business incubator will be supported within this activity.

Examples of such organizations:

- Already operating business incubators that promote economic growth and development, organizations that support socially-oriented enterprises, recent graduates and young people wishing to work in the field of private entrepreneurship, and vulnerable groups of population, including women entrepreneurship;
- Incubators focused on specific targets, such as job creation, industrial restructuring and diversification, increasing the competitiveness of individual enterprises, clusters, territories;
- Incubators supporting companies, whose activities are based on the application, transfer and dissemination of innovative technologies (start-ups). Such incubators are usually linked to universities, research institutes and/or science and technology parks and, thus, focus on specific industrial clusters and technologies. For the purposes of this project – technological incubators.

Facility for financial support of start-ups and cluster initiatives

Support to innovation start-ups will be provided through financial support of joint/partnership initiatives, including public sector entities, educational establishments, scientific and research centres, non-profit organizations that can produce start-ups in the target regions.

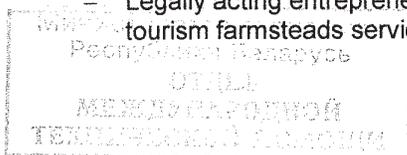
Indicatively 61 finalists will be competitively selected and receive financial support to the total indicative amount of USD 1,525,000 (average support amount USD 25,000).

The priority will be given to the business ideas:

- Targeting transformative economic, social and/or environmental change through the application of innovative and practical approaches to the benefit of society in general, with an emphasis on underserved populations and socially vulnerable groups, taking into account the interest of both men and women;
- Having multiplying effect;
- Implementing inclusive approach, including the creation of inclusive jobs;
- Being financially viable.

In supporting cluster initiatives (24 initiatives will receive financial support to the total indicative amount of USD 1,440,400, average financial support USD 60,000), priority will be given to the following areas:

- Creation of a cluster development centre;
- Services/manufacturing supporting value chains of the territory as described in the respective DPD SMEs;
- Export-oriented manufacturing;
- Implementing innovative/state-of-the-art technologies, transferred from EU;
- Agro-allied business;
- Sustainable tourism;
- Energy saving and environment;
- IT-enabled businesses, including start-ups digitalising public/social services;
- Legally acting entrepreneurs without establishment of a legal entity (crafts, agro-tourism farmsteads services, etc.



- Others as defined in consultations with stakeholders/partners and endorsed by the PSC.

Compulsory condition for receiving financial support will be co-financing either financial or in kind.

Tool of microfinance support

The goal of *Activity 3.2.* is to support the establishment of a reliable facility to provide microfinance as an essential condition to boost the development of SMEs sector and strengthen the capacity of the potential clients.

The establishment of the microfinance tool will be preceded by a baseline study of microfinancing institutions/services available on territory of Belarus. The objective of the study will be identifying the optimal size of microfinance support, the financing conditions, etc. The recommendations of the study will also address the specific challenges identified during the implementation of Output 1, information on which contain DPD SMEs, and specify objectives to be achieved through the microfinancing scheme (e.g. address social exclusion, employment of youth and redundant workers in the regions). Recommendations will also be made regarding the key institutional arrangements and procedures.

Within the contest, financial support will be provided to one competitively selected microfinance initiative to develop and carry out a set of activities to strengthen the capacity of potential beneficiaries of microfinance support in all project districts. For this purpose, support of up to 120,000 USD will be provided. The activity of the recipient of the support should include the overall development of the education program taking into account, among other things, the information on problems received during the implementation of Output 1, and the program itself should include, but not to be limited to, trainings for trainers, on-the-job training, financial literacy training, business ideas, the basics of business planning, establishing relations of cooperation and partnership between enterprises, the basics of entrepreneurship, etc. The main goal of the activities should be to provide potential clients with the necessary knowledge and skills for targeted and competent use and servicing of micro financial tools of support (loans, micro leasing).

As part of the program, support should be provided to build the capacity of at least 200 SMEs and EASIs.

Also, on a competitive basis, organizations interested in providing micro financial services will be selected, one for each project district. To increase lending activities, signing micro leasing contracts and make microfinance tool more available to those who want to develop micro-enterprises, these organizations will be offered support at the total amount of 240,000 USD (up to 20 000 USD for each finalist of the competition). These funds can be used to support the selected providers in establishing grace periods or developing other incentives while providing micro loans for SMEs/Start-ups, including individual entrepreneurs, owners of micro-businesses and agrifarmsteads, craftsmen, etc. These funds should be no more than a certain percentage of the total amount spent by the provider on these activities. The exact percent will be defined in the course of the project implementation.

Support from this facility will be allowed only for initiatives/start-ups that will be able to provide evidence that the strategy they are implementing is making a real contribution to the DPD SMEs. The criteria of eligibility of initiatives / start-ups will be coordinated with the facility providing financial support to social, business and technological start-ups aimed at addressing socially important issues.

The supported microfinance providers should prove availability of their own money, which the provider will use for micro financial support, and provide strategies and plans for using the provided support. Financial support aimed at implementing incentive measures for SMEs / start-ups, cannot be used on reimbursable basis (providers are not allowed to ask SMEs to pay back provided financial resources).

The following basic criteria for initiatives will apply:



- Support will be provided only to those initiatives that can justifiably prove how the respective investments can help achieve the objectives of the specific DPD SMEs цели проекта; the information concerns relevant sections of the DPD SMEs should be made available for potential applicants as well as all stakeholders;
- Preference will be given to young entrepreneurs and representatives of vulnerable groups of population identified in the DPD SMEs;
- Business projects with clearly articulated and achievable social effect and taking into account the interests of both men and women;
- Business projects envisaging the application of innovative technologies.

The rules and regulations for micro financial support will be developed in collaboration with the national experts and approved by the PSC.

The selected microfinance providers will conclude relevant agreements with UNDP. The project team will provide necessary support to the funding recipients in the sphere of project management, monitoring and reporting on the use of funds.

Support of FSESII facility

The FSESII facility should become an innovative instrument for the support of EASIs. Detailed mechanism of the Fund functioning will be developed with the involvement of local and international experts and endorsed by the PSC during the implementation of the project. The facility will provide specific support to those enterprises whose business model is aimed, among other things, to achieve social impact. Support will be provided only to those initiatives that are implemented in the target districts and making a contribution to the achievement of the objectives of the respective DPD SMEs.

The main focus of the facility is to support those initiatives that can demonstrate the achieved results in the field of addressing socially important issues. At the same time, these initiatives working on behalf of organizations or their participants as physical persons should be able to invest financial resources in the achievement of their set goals as well as attracting funds from other external sources and partners' funding resources.

Under this instrument, it is planned to support a total of 45 initiatives at the average of USD 40,000 per initiative, for the total amount of USD 1,800,000.

After receiving the support under this instrument, the initiatives can use the resources for the achievement of their own social goals. It is planned that the implementation of this instrument will also allow to go beyond the traditional circle of organizations and initiatives that do social work mostly with the support of international donors.

Another option for the implementation of this facility is to consider setting up dedicated internal funds within the structure of SMEs (both as a separate legal entity and as part of the specific SME) aimed at the achievement of social impact and replenished from the resources of the respective companies. The concept and commitments taken by the specific company for such an internal social impact fund can be the content of the application submitted for the call for proposals under the FSESII facility, and the resources of the project can be used for co-funding (of no more than 50%) of the activities done by the company's fund.

National and international experts will be engaged to develop a detailed concept and regulations for this instrument. Both the concept and regulations will be endorsed by the PSC.

EU Policy Framework

In line with the Multiannual Indicative Programme for EU support to Belarus (2014-2017) support to local and regional economic development is one of the three cooperation priorities. Delivering assistance in this sector will build on existing programmes (Annual Action Programmes 2011, 2012

and 2013) focusing on supporting regional and local development as well as “green” economy. Considering the existing disparities between capital and regions, support to local and regional private initiatives, SMEs and EASIs should be viewed as a key area of intervention that complements current national efforts. Important accompanying measures should encompass human capital development and entrepreneurship learning especially on the local level with wide involvement of civil society organisations.

Action plan or “the roadmap” for EU Engagement with Civil Society in Belarus sets an additional EU policy framework for the foreseen support to entrepreneurship, aimed at addressing socially important issues, promoting social accountability mechanisms and co-production schemes between the CSOs and local authorities.

The proposed intervention is as well in line with the recommendations of the “Review of the European Neighbourhood Policy”, stating that enhancing economic governance, strengthening fiscal stability and supporting structural reforms for improved competitiveness and inclusive growth and social development, are keys to developing country's economic resilience. The modernisation of the economy, fostering innovation, the creation of jobs and boosting skills and promoting economic, social and territorial cohesion are other key aspects. Furthermore, along the lines of the same document, the proposed programme will seek to step up cooperation with the International Financial Institutions, notably the European Bank for Reconstruction and Development (EBRD) and the World Bank.

Finally, in line with the strategic document of the SMEs Flagship up to 2020 "EU support to SMEs in the Eastern Partnership 2014-2020 – The way forward for the SMEs Flagship Initiative"⁶ the proposed action targets SMEs in Belarus as a key element of the development of the Eastern Partnership (EaP) countries, contributing to counteracting unemployment related to the down-sizing of the public sector and creation of jobs.

Links to UNDP Programming

The project is in line with the national efforts to achieve Sustainable Development Goals (SDGs): SDG 17, "Strengthening the means of implementation and revitalization of the Global Partnership for Sustainable Development", as well as the accompanying SDG 8 on sustainable development "Promoting inclusive and sustainable economic growth, full and productive employment and decent work for all ", as well as SDG 10" Reducing inequality within and between countries ".

The project will contribute to the following programmatic documents:

The *United Nations Development Assistance Framework (UNDAF)* for the Republic of Belarus for 2016-2020 has an expected Outcome 2.1., which will be addressed in this project, namely, “by 2020 the competitiveness of the Belarus’ economy will have been improved through structural reform, accelerated development of the private sector and integration in the world economy”.

Under the Priority Area 2 of the UNDP *Country Programme Document for the Republic of Belarus* for 2016-2020, UNDP has undertaken to “support the country in developing sustainable economic conditions at the local level by facilitating measures to attract investment, support innovation, develop SMEs and promote inclusive gender-balanced employment”. UNDP has undertaken to direct its efforts in supporting Belarus to shift from a highly energy-dependent economy to energy efficiency and “green growth” while maintaining inclusive and sustainable social policies. UNDP will support the country in developing sustainable economic conditions at the local level, particularly in the areas recovering from the Chernobyl disaster, by facilitating measures to attract investment, support innovation, develop SMEs, EASIs, and promote inclusive gender-balanced employment, particularly focusing on youth. This support will be linked in particular to improvements in vocational education system, development of small and innovative businesses and the participation of SMEs in export.

⁶ <http://ec.europa.eu/DocsRoom/documents/9270/attachments/1/translations/en/renditions/native>



III. RESULTS AND PARTNERSHIPS

Expected Results

The project aims to support different forms of economic initiative, competitiveness and innovation at the local level, in order to promote inclusive development and expand employment opportunities. To achieve this, the project will consist of three components (outputs).

The activities under *Output 1* aimed at conducting preliminary assessment and overview of the local capacity, identification of local economic development institutions which will serve as the excellence centre for local socioeconomic development, and development of the medium-term DPD SMEs.

Output 2 will focus on the potential solutions to eliminate the identified barriers to DPD SMEs implementation, build necessary capacities in the target project districts and initiate work on policy-level aiming at development of recommendations to improve national legislation in SMEs operation.

Output 3 of the project will pilot funding options which can facilitate and stimulate the implementation and scaling up of SMEs and EASIs in regions, innovative approaches and promotion of entrepreneurship. Funding instruments of *Output 3* will be used to support the activities of DPD SMEs.

These three components taken together will demonstrate the potential advantages of integrated and participatory territorial approaches to local development. They will stimulate economic and social development and local initiative, leading to greater confidence of local citizens in their ability to undertake private sector activities, a more dynamic development of private sector, and the expansion of new forms of entrepreneurship. Thus, the project districts will receive capacities and instruments for increasing economic activity and long-term economic growth.

Long-term Socio-economic Impact of the Project

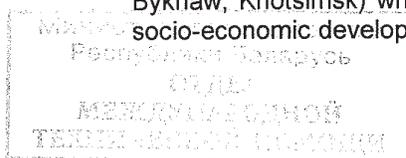
The planned long-term impact achieved several years after the end of the project implementation is in the promotion of the SMEs as a main factor stimulating local and regional economic growth, increasing the competitiveness of the territories, strengthening the capacity of territories and individual regional entities of various sectors (including local administrations), supporting the entrepreneurship, improving access to microfinance for SMEs. The project activities contribute to the implementation of the National Strategy for Sustainable Social and Economic Development of the Republic of Belarus for the period until 2030 (NSSD-2030) by the creation of a foundation for further sustainable development based on the modernization of the system of economic relations and effective management at all governmental levels. The vector of activities aimed at supporting entrepreneurship and encouraging the use of innovative approaches facilitates the transition from a predominantly administrative to an indicative planning mechanism, achieving an equal contribution of public and private companies to the creation of the country's gross domestic product, formation of a high-tech sector, and provision of maximum opportunities for realizing the human potential of the regions.

Medium-term Outcome of the Project

The main medium-term outcome result of the project achieved by the time of its completion and evaluated in the framework of the final evaluation is support to economic initiative, competitiveness and innovation for local inclusive development.

At the end of the project it is expected that:

- 1 Mechanisms are in place in at least 12 districts of the country (initial list of project districts: Byaroza, Kobrin, Braslaw, Orsha, Brahlin, Zhlobin, Khoyniki, Lida, Barysaw, Maladzyechna, Bykhaw, Khotsimsk) which can unleash private initiative in order to provide solutions for socio-economic development including inclusive job creation at the local level with a focus



on youth and vulnerable population, in particular, through the following:

- At least 12 District Plans for the Development of SMEs (DPD SMEs) are developed and adopted in a participatory manner;
- 3 analytical papers to support evidence-based development of DPD SMEs are developed;
- Participatory mechanism of joint decision-making is reinforced in at least 12 districts.

The list of the project districts can be reviewed and expanded by districts, which earlier (within the implementation of RELOAD programme) adopted ABD Passports containing SMEs development as a priority. The list of target districts must be endorsed by a decision of the PSC. National Project Coordinator submits proposals to review or expand the list of districts for the PSC consideration and endorsement.

- 2 Capacities of the sub-national administration staff and organizations providing services in promoting integrated local development are enhanced, in particular, through the following:
 - At least 1000 men and women benefited from introduced capacity building measures;
 - At least 500 men and women benefitted from targeted trainings;
 - Comprehensive proposals for improving legal, institutional and policy frameworks are developed;
 - Capacities of national and local level actors in design and realization of DPD SMEs are strengthened;
 - At least 150 new local development initiatives meeting the requirements of DPD SMEs are supported by capacity strengthening activities.
- 3 New jobs and income generation opportunities are created through the improved market positioning and incentivizing the productivity of SMEs and EASIs, in particular, through the following:
 - Micro-finance facility to finance SMEs and EASIs is established and strengthened;
 - Model of FSESII is developed and tested based on prior developed and tested measurement system of socially useful business activities effectiveness;
 - At least 4 PR/AR campaigns covering key project objectives and aimed at raising awareness and public dialogue are conducted;
 - At least 200 EASIs, SMEs, NGOs and other local initiatives will be supported financially, in form of microfinance loans and other forms of direct access to finance;
 - At least 12 business incubators were supported.

The Project outputs

It is expected that the project will deliver the following results:

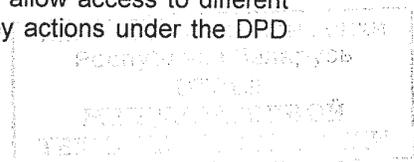
Output 1. DPD SMEs are developed in a participatory way;

Output 2. Capacities, policy and regulatory framework are improved to facilitate effective implementation of the DPD SMEs;

Output 3. Access to finance for launching SMEs initiatives is improved to support the implementation of the DPD SMEs.

Project Activities

The project will be implemented over a three-year period, and implementation of activities will be sequenced to gradually support SMEs and EASIs in the project districts. Transparent management structures, tender system and monitoring processes will be in place to allow access to different forms of financing to be used for the implementation and testing of key actions under the DPD SMEs.



All project activities will be implemented with explicit consideration of gender equality issues. The right balance of representation of all vulnerable groups benefiting from the project shall be ensured by fostering broad consultations and participation.

Output 1. DPD SMEs are developed in a participatory way

As described in the Strategy section of the present document, the LPAB will be established and trained in the project districts. A review of existing and well-recognized local economic development methodologies (ABD, RIS/UNIDO, LEED, REFA, etc.) will be provided. Selection of the core methodology for the concrete district will be facilitated via two simultaneous processes: **analysis of the portfolio of initiatives** and conduct of the **expert assessment of the capacities of the districts**. The organizational form and possible legal entity will be identified to take up the function a local economic development support institutions (LEDSI). The national or international partnership organizations being the centre of competencies for the specific methodology to support and enforce the process of DPD SMEs development will be identified and endorsed. LEDSI can take different institutional forms: local business associations, non-profit organisations, public councils under the district executive bodies, technical and higher education providers at local, district or regional (oblast) levels, consortium of the organizations (association, partnerships) etc. As a result, DPD SMEs are developed and adopted in a participatory manner, and practice of participatory mechanism application for discussion and joint decision-making is substantially broadened and reinforced in all project districts.

Activity 1.1. Establishment and also expansion of existing LPABs in the sphere of territorial development (initiation phase).

- Analysis of the portfolio of initiatives;
- Expert assessment of the districts' capacities is conducted;
- LPABs for the development DPD SMEs are established;
- Local and national stakeholders are included into the working groups of LPABs to make contributions to the development of specific districts;
- The expert phase of the CB action plan including provision of the LPAB with basic knowledge and competencies regarding the available approaches and methodologies for the development of DPD SMEs is implemented;
- District profiles and primary methodology for local economic development in the target districts are selected with the support of experts and the project's team;
- Reference territories of similar profiles with the successful implementation of local economic development approaches are identified by the project's experts;
- An institution is selected to take up responsibility for DPD SMEs implementation (LEDSI).

Activity 1.2. Development of analytical documents to close information gaps for the development of DPD SMEs by collecting and analysing necessary information (identification phase).

- The detailed outline of the DPD SMEs format for specific districts is developed with the participation of the LEDSIs and approved by the PSC;
- A number of analytical studies in accordance with the chosen local economic development methodology is conducted. These will include but may not be limited to: stakeholder analysis, gap analysis, value chain analysis, SWOT analysis and identification of the core strategy of district development. The international experts will be attracted to the preparation and conduct of analytical studies.

Activity 1.3. Elaboration of DPD SMEs through development of local entities' partnerships, joint planning and consensus building (formulation phase).

- Based on the selected methodology, the preparation of DPD SMEs is done in a participatory manner. The external national, local and international experts will be actively involved in the process as well as relevant stakeholders from the business sector, public

- institutions and civil society organizations and associations. The employees of national and local educational establishments and national research institutions will be involved on a participatory basis.
- Mapping of collaboration initiatives among local stakeholders and exploring options to strengthen the role of regional higher education institutions, and scientific research institutions as starting points for building the regional innovative system.
 - Introduction of and awareness building on the chosen local development methodology to pursue inclusive and sustainable industrial and economic development at the district level. Awareness building will be planned as part of AR/PR and CB action plans for each districts. Series of workshops for local stakeholders may be part of it. Workshops will:
 - o inform regional stakeholders on new innovative approaches to help regions identify new niches and existing obstacles for creating new activities;
 - o engage stakeholders in public-private consultations to remove bottlenecks to local and internal (from national sources) investment, innovation development and to foster regional diversification and development;
 - o allow to learn from best practices (including international ones);
 - o identify key areas to be targeted for technological/industrial upgrading and diversification in the selected region(s), with a high competitiveness and export potential on national and international markets (agro-processing, chemicals, forestry, pharmaceuticals, tourism etc.), focusing on SMEs.

Activity 1.4. Presentation, joint discussion and endorsement of DPD SMEs with the participation of the local stakeholders and members of initiative groups (appraisal phase).

- Public consultations and discussions on the DPD SMEs and consideration of the proposals are conducted;
- Recommendations are incorporated in the process of the finalization of the DPD SMEs;
- On completion of the design process, all stakeholders who significantly participated in DPD SMEs development, will be offered to endorse introduced changes and also confirm their contribution and sphere of responsibility observed in implementation mechanisms of DPD SMEs.

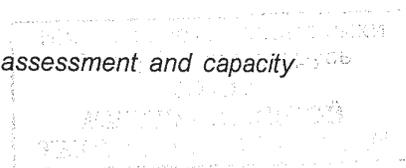
Output 2. Capacities, policy and regulatory framework are improved to facilitate effective implementation of the DPD SMEs

The activities under Output 2 will contribute to meeting demand and building capacity for the creation of optimal "eco-systems" for promoting the establishment and sustainable growth of SMEs and EASIs, and other forms of private initiative. At the national level, this output also has an explicit focus on measures to improve the legislative framework, knowledge and "eco-systems" to boost private initiative and creation of EASIs. As part of the capacity building program, relevant economic development methodologies chosen under Output 1 will be adopted, relevant manuals and guidelines will be translated.

The creation of the positive image of entrepreneurship and EASIs is also of utmost importance for the long-term positive development of the SMEs sector. For this reason, the project will support relevant PR/AR campaigns. Monitoring data will be collected and provide the basis for conceptualizing of best practices, lessons learned and methodology implementation, and for developing guidelines and analytical papers. The papers will be published and presented in all 6 Belarusian regions/oblasts.

The components of each of the DPD SMEs containing similar goals, objectives and content related to the CB measures will be integrated into comprehensive programmes based on the result-based management (RBM) principles. Thus, the capacity building activities will consist of two parts: the expert phase predetermined to support the competent development of DPD SMEs (see Output 1 above) and the targeted phase that will be planned on the basis of the needs assessment with specific indicators.

Activity 2.1. Conduct in-depth, comprehensive and preliminary needs assessment and capacity



assessment in all project districts.

This activity will focus on an assessment of the capacities of the local institutions and experts to design, assess, implement and evaluate the DPD SMEs in each target district. Institutions considered as relevant stakeholders for local development (including but not limited: LEDSI, authorities and relevant state institutions, local education facilities, educational providers, representatives of business sector and civil society organizations etc.) will be covered. Capacity and needs assessment will be conducted simultaneously in a number of ways:

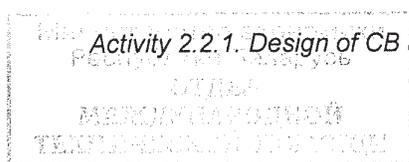
1. Analysis of competencies, knowledge and skills, the availability of which allowed the reference territory to become a "success story".
2. Analysis of the portfolio of initiatives, identification of possible strategies for enhancing the outputs, outcomes and impact of these initiatives;
3. Survey of the LPAB members and local stakeholders regarding their vision of needs and other methods of assessment allowing for identifying relevant actions for the CB of local actors taking into account the interests both of men and women;
4. Mapping of local CB providers and other competent actors for their subsequent invitation to joint planning of capacity building and their inclusion into a local and/or national roster of CB providers for local economic development.

It is expected that capacity building action plan will include (but will not be limited to) the following information and activities:

- Description of selected territorial economic development methodology and practical tools of its introduction;
- Description and set of activities for introduction of practical methodologies/approaches in specific real sectors applicable for economic development purposes (approach to development of rural territories, local clusters, industrial regions etc.);
- Set of activities for capacity building of basic management competences (planning, monitoring and evaluation, HR management, quality management, partnership building etc.);
- Set of activities for capacity building of functional literacy (communication skills, conflict resolution, negotiation, presentation, public speaking, business correspondence, ethics in business relationships, computer literacy for addressing concrete and specific issues etc.);
- Set of activities for building, developing and maintaining network and partnership-based cooperation (on local, national and international level); inter-sectoral / inter-departmental cooperation;
- Set of activities for building international cooperation (including receiving international technical assistance and participation in international technical support programmes, partnerships with international investment companies and investors);
- Set of activities aimed at knowledge/competences transfer, trainings, competence management (including trainings for trainers).

Within the framework of capacity building action plan development, needs and capacity of local authorities in the target districts will be assessed for the effective utilization of possibilities for establishing international cooperation and partnership, for example, joining the "Mayors for Economic Growth" (M4EG) initiative. The support will be provided to local authorities interested in carrying out basic analysis, including support in its development, in particular baseline analysis of the local economy that will serve as justification for the DPD SMEs, and also for developing applications for financial support from M4EG. International experts (if needed) will participate in this assessment and assist with establishing cooperation at international level.

Activity 2.2. Design and implement of CB and PR/AR action plans within the framework of DPD SMEs in all project district.



Activity 2.2.1. Design of CB action plans for the project districts.

As mentioned above, the planning for capacity building activities will be done on the basis of the results of needs assessment, while DPD SMEs will contain a section with the indication of competencies necessary to achieve the identified development objectives. *CB action plan* should include measures to ensure the transfer of competencies to key local actors to support their continuity and sustainability.

CB action plan, which will be a part of the DPD SMEs, will include but may not be limited to, the following sections:

Defining an agenda for cluster development action focusing on:

- Selected industries;
- Emerging export-oriented clusters;
- Clusters serving the domestic market;
- Other potential clusters, such as high-tech and other knowledge-based industries.

Improving existing economic policy programmes through a cluster focus:

- Attracting foreign direct investment;
- Branding clusters as industrial platforms, such as economic and industrial cities (valleys) and also industrial and technology zones;
- Modernisation of skills;
- Support SMEs with finance and technical assistance;
- Creating business environment favorable for clusters' development;
- Infrastructure and logistics capabilities;
- Competition law;
- Business regulations;
- Financial market;
- Trade policy;

Creating a business environment supportive of entrepreneurship aimed at addressing socially important issues:

- Relevant legal and institutional frameworks;
- Access to capital;
- Access to markets, business support and development services, provision of training, research;
- Building public awareness (on policy frameworks supporting EASIs throughout Europe and beyond) and acceptance of need for entrepreneurship aimed at addressing socially important issues.

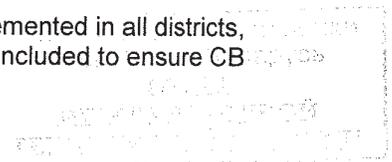
The results of mapping of local capacity building providers and other competent actors carried out under *Activity 2.1*. should be used in this activity.

Activity 2.2.2. Implementation of CB action plan in every project district.

For supporting implementation of CB action plan the project provides resources for the work of experts and costs to attract contractors and partners. Existing local providers of capacity building services at different levels (local, regional and national) will be involved in the action plan implementation, foreign contractors and experts will be involved if needed.

To ensure involvement, interest, and ownership of received results by the local level stakeholders CB plans will contain activities aimed to support strengthening partnerships of LEDSI and local stakeholders and local, national and regional CB providers (for example, local and regional state and non-state educational institutions, NGOs, consultants and trainers communities), for-profit educational and training centres. The most appropriate modalities for the implementation of CB activities will be chosen. One of the outcomes of action plans will be the establishment of a strong and sustainable system of CB support for each LEDSI.

In addition to the common activities included in all CB action plans (and implemented in all districts, for the some or all project districts), specific for each district activities will be included to ensure CB



for the Output 3 arrangements. In particular, for the *Activity 3.3* the CB activities will focus on equipping governmental and non-governmental representatives with the unique skills on project management approach, skills for identifying factors useful for market positioning and comparative advantages of EASIs, seeking investment, best international practices on social impact investments, identification of high-quality business ideas directed at solving social challenges, and other topics identified during the implementation of *Activities 3.3*. Relevant training on project cycle management / logical framework approach / results-based management will be conducted for the recipients of support from *Activity 3.1.-3.2*.

The CB action plans should contain traditional tools (lectures, training sessions and international study-tours) along with modern interactive work methods (workshops, hackathons, in country study visits organized by national capacity building services providers) and also activities aimed at capacity building of education services providers to ensure continuity of such activities after the end of the project. The activities aimed at CB of educational providers and introduction of the new training courses in local and regional vocational education and training providers will be initiated to ensure sustainability of the CB activities and guarantee the continuity of the CB after the end of the project. Training scholarships are provided for local experts to support research work and publications on topics related to DPD SMEs.

Activity 2.2.3. Promotion of the innovative approaches to foster entrepreneurship initiatives through design and implementation of awareness raising (AR) and public relations (PR) campaigns.

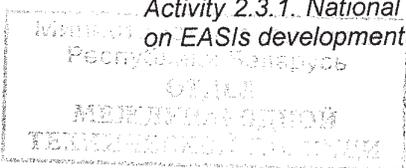
As mentioned above, to strengthen public relations and awareness raising the respective PR/AR action plans is being developed, which is implemented primarily through the efforts of local actors with the support of a project management team or partner organizations. Monitoring indicators and evaluation criteria for PR/AR action plans will be defined and established. PR/AR action plans of different project districts containing similar goals and objectives will be integrated into comprehensive PR/AR programme implemented by the project. The project management team and respective staff member will ensure coordination and optimization of such activities. The core visual elements created within the PR/AR action plans will be developed in a unified style and used as a basis for all project districts.

Additional attention will be paid to the training and use of capacity of local media and news resources for ensuring modern and creative approaches to information campaigns. Capacities of relevant providers at different levels (local, regional, national) will be mobilized, and foreign experts and providers will be invited as well, if necessary.

As part of *Activities 2.2.1.-2.2.3*. 4 international and 7 in-country study visits on learning from and exchange of experience will be organized. At least 1 visit will be organized to the EU or Eastern Partnership country will be on capacity building in the field of PR/AR. The thematic content of these visits will be prepared at the stage of development of CB action. The programme, the location of the visits and its participants will be selected in strict accordance with the needs defined by the DPD SMEs. The participants will be selected on a competitive basis, based on their motivation and readiness to contribute to the development and implementation of DPD SMEs, and on their capacity to develop and implement initiatives within the framework of financial support tools (Outcome 3). The study program (both national and international) will necessarily include an inception session that will be held at the beginning of the visit (or before it starts), as well as the session of the intermediate and final reflection. Groups will be formed following gender balance principle. Programs of the visits will be developed so that the participants had the opportunity to study and consider the interests of men and women and to use those in development and planning of future PR/AR campaigns.

Activity 2.3. Foster a strategic (at regulators level) dialogue at national level on the issue of formation and supporting optimal “eco-systems” and organizational models for SMEs development and support of EASIs.

Activity 2.3.1. National study on factors influencing SMEs development with the emphasis on EASIs development conducted.



In order to obtain basic information for further optimisation of legislation and creating support mechanisms designed for EASIs (such as methodology of EASIs support for business incubators), a comprehensive national study on SMEs and EASIs in particular will be conducted at the beginning of the project implementation. If possible, this study will be conducted as part of the SBA study on OECD methodology, with the participation of the PACED under Ministry of Economy as one of the national actors. The study objectives, among others, will be mapping of SMEs and EASIs, systematization and analysis of existing SMEs and EASIs support infrastructure and initiatives. Research will also include evidence-based recommendations on further development of SMEs support policy and infrastructure as well as recommendations on transferring best practices from countries with similar situations and contexts.

If the study is about to be conducted independently, professional contractor or expert group, selected on competitive basis, and having needed competencies and qualifications should conduct the study. International experts can be engaged to develop terms of reference, study hypotheses, perform interpretation of obtained data and also develop suggestions and recommendations.

Activity 2.3.2. Support to Public Advisory Council for Entrepreneurship Development under Ministry of Economy (PACED).

Representatives of the interested Ministries and other national level regulators, local governments, national CSOs dealing with regional and local development, business and academic institutions will be engaged into PACED work within the project. National and international experts will be engaged on a reimbursable basis throughout the implementation of the project to support the work of PACED.

During the implementation of the project PACED will focus on identifying existing and emerging barriers to SMEs operation, to identify ways to overcome them, including through establishing a dialogue at the highest level. Another task PACED will focus on is to develop recommendations for disseminating the most effective incentives for the development of the SMEs. The information which will be collected during the project implementation together with the existing data and best practices should become a source of recommendations for improving national legislation related to the SMEs regulation.

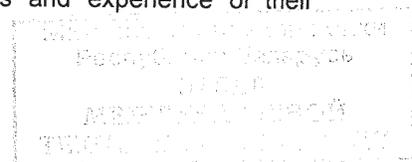
Activity 2.3.3. Conducting conferences, seminars, round-tables and other forms of work on the basis of joint stakeholder participation and inclusive dialogue on the local economic development.

Conferences, seminars and practically-oriented workshops will be hold to identify major obstacles and opportunities for the development of private initiative at the local level. Officials, representatives of civil society organizations and SMEs involved into entrepreneurship aimed at addressing socially important issues will take part in the events. The recommendations will be collected and aggregated by the Project team to inform the development of a "roadmap" for SMEs and entrepreneurship aimed at addressing socially important issues development in the regions of Belarus.

Activity 2.4. Introduce a system of methodological support to local economic development using European and international practices.

Within the framework of the project, a number of methodological documents, being the result of generalization and conceptualization of the gained experiences and intended for dissemination and multiplication of practices on the territory of all districts of the country, will be developed. To this end, a number of envisaged activities includes gathering of information, analysis and generalization of experience in one of the activity areas covered and supported by the project. The activities are carried out throughout the whole project, with the results in the form of printed publications are prepared at the final stage of the project.

During the planning phase, experts will do a brief mapping of such methodologies and tools and check availability of national and international expertise, practices and experience of their application.



During the implementation of each of the project activities the project team should ensure planning and implementation of several interlinked actions focused on transferring/adaptation of existing experience in application of every possible / already being applied in the project districts methodologies as well as experience accumulated by international or national actors to the local or national level.

As part of the activities aimed at adaptation of methodologies, approaches and tools of local economic development, the necessary methodological materials will be adapted and translated into Russian or Belarusian languages. For this work should be engaged: specialists knowledgeable of methodologies and the context, experienced in regional and local economic development, translators and editors who should have experience in translating complex documents and practising agreeing glossary and terminology with the future users of translated documents.

In the process of selection and implementation of the methodology it is necessary to give attention to its appropriation at the local level what should ensure not only the theoretical acceptance of expert experience but should also lead to its successful practical implementation in the form of local development plans, separate activities or sets of activities.

The publication of the methodologies will be developed and reviewed by the national expert community and will be recommended to the relevant governmental bodies for the introduction at the district level. At the end of the project, conferences to present the results of applied methodologies will be organized in every district. Printed versions of the publications will be disseminated at these conferences and at the final project conference on the project results in Minsk.

Activity 2.4.1. Effective model of setting up and operation of business incubators is developed and tested.

Support will be provided for the developing and testing of business incubator models in each of the project districts, as well as methodology to support EASIs and start-ups aimed at addressing socially important problems. The model of business incubators will include a suggested organizational structure, terms of reference for the personnel, business model, proposed partnerships, business plan/sustainability strategy and budgets, implementation monitoring indicators and targets. Development of such business models may become part of the CB action plan for each project district.

Expert support as well as mentorship for local teams of such incubators or other SMEs support infrastructure will be organized. Partnerships with such mentoring organizations in the future should ensure sustainability of the local SMEs support infrastructure.

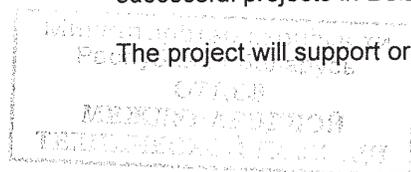
The project will support the actual establishment and functioning of the incubators through the funding facility envisaged under Output 3.

This activity also includes the development of the pre- and post-start up support services to SMEs and EASIs. Based on the CB action plans and training for the local institutions (*Activity 2.1.-2.2.*) measures and activities for supporting EASIs will be developed in collaboration with relevant national and regional stakeholders.

Activity 2.4.2 Introduced microfinance tool methodology based on the best national, European and international practices.

This activity will be implemented in support of *Activity 3.2.* The objective of *Activity 3.2.* is to develop a mechanism for addressing the existing challenges by supporting the establishment of a reliable facility to provide microfinance support as an essential condition for the development of SMEs and EASIs sector and strengthen the capacity of the potential clients. Today, there is a number of successful projects in Belarus, implemented on regional (oblast) level.

The project will support organizations (including those mentioned above) existing in Belarus at the



national level with relevant international expertise and will help to conceptualise their practices in the form of a methodology acceptable to be implemented as part of local economic development on territory of the country. Such methodology will be tested in each target project districts and evaluated.

Activity 2.4.3. Introduced methodology of FSESII using best national, European and international practices.

The project will design and pilot a national methodology to measure the social impact produced by enterprises. It will be used as a basis for the FSESII working process and should contain clear and concrete criteria and indicators as well as approaches for quantitative and qualitative assessment of medium- and long-term results of activities aimed at addressing socially important issues. Additional analysis and consultations with the major stakeholders will be conducted to validate recommendations made in the course of implementation of Activity 3.3.1. on the specificity of institutional arrangements and procedures to meet the specific goal of the Fund.

In collaboration with international and local experts, EASIs, civil society organizations, and relevant state institutions, the most popular methods and practices will be reviewed. A methodology reflected the local context will be developed and tested on the basis of the validity, reliability and practicality.

The analysis of the results will be summarized and discussed at the roundtables, which will be held at the local level with participation of international and local experts, civil society organizations and/or private sector entities, which are already engaged or are interested to be engaged in the nascent EASIs sector in Belarus.

The methodology developed should be endorsed by the PSC.

Activity 2.4.4. Practices of implementation of local economic development methodologies in each project district are conceptualized and evaluated.

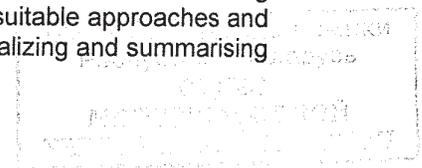
Under Output 1, for each of the project districts one base methodology will be selected for local economic development which are most appropriate for their context, conditions and characteristics. The implementation of these methodologies within the framework of the DPD SMEs will be documented and monitored. Possible challenges, complications and barriers to overcome them as well as lessons learned will be also documented. A team of experts will be invited for the third year of project implementation to take stock of the implementation of the methodologies. They will conceptualize the practice of implementation and prepare guidelines for the subsequent application of these approaches in other districts which have not been covered by the project. The guidelines will be reviewed and endorsed by the PSC.

At the closure stage of the project, conferences presenting such methodologies will be organized in each of the regions of Belarus. Printed versions of the books will be disseminated at such conferences and at the final conference on the project results in Minsk.

Output 3. Access to finance for launching SMEs initiatives is improved to support the implementation of the DPD SMEs

In order to support the implementation of the DPD SMEs with financial resources, the project envisages a number of mechanisms to provide financial support to local initiatives. These mechanisms have a number of commonalities. The methodological principles and modalities for each of the mechanisms (in particular, the principle of competitiveness) is described in detail in the Strategy section of the present document.

International and local / national experts will be contracted as part of activities aimed at achieving Outcome 3. The primary role of international experts will be in proposing suitable approaches and practices, methodological support of relevant facilities as well as conceptualizing and summarising



practices for further implementation at the national level after completion of the project.

Activity 3.1. Setting up and testing initiatives for support to local economic development.

Activity 3.1.1. Implementation of initiatives supporting business incubators.

Activity 3.1.1.1. Development of an organizational set up for the facility to financially support initiatives for the establishment and development of business incubators.

Activity 3.1.1.2. Call for Proposals of initiatives aimed at the establishment and development of business incubators.

Activity 3.1.2. Practical implementation of a facility to support start-ups and cluster initiatives.

Activity 3.1.2.1. Development of an organizational set up for the Call for Proposals to support start-ups and cluster initiatives.

Activity 3.1.2.2. Call for Proposals to support start-ups and cluster initiatives.

Activity 3.1.3. Monitoring of implementation, adjustment of the methodology used for the facility to support business incubators.

The Project team together with experts coordinating *Activities 3.1.1. and 3.1.2.* will organize and ensure the collection and preliminary processing of monitoring data concerning the implementation of the supported initiatives, ensure the preliminary analysis of the data including development of recommendations for the adjustment of the methodology for the involvement of national partners and revision of their roles. Monitoring data will be analyzed and conceptualized under *Activity 2.4.1.*

Two international and 2 in-country study visits / exchanges will be organized under the *Activities 3.1.1.-3.1.3.* to study best practices in creating business support structures (incubators) as well as practices to support innovative start-ups. The thematic content of these visits will be created at the stage of CB action plans development and under the selection process of relevant reference areas with promising and applicable experience for the project districts. It is expected that the visits will cover both practical issues of the functioning of the SMEs support system as well as strategic and institutional topics. The programme, location of the visit and its participants will be selected in strict accordance with the needs defined by the DPD SMEs. The participants of the visit will be selected on a competitive basis, the main criteria will be their motivation and willingness to contribute to the preparation and implementation of DPD SMEs, their potential to develop and implement initiatives as part of financial support facilities will be also taken into account (Outcome 3). The study programme (both national and international) will necessarily include an inception session that would be held at the beginning of the visit (or before it starts), as well as the session of the intermediate and final reflection. Groups will be formed following gender balance principle and programs of the visits will be designed to include the study of creation of support systems to women's businesses and initiatives.

Activity 3.2. Setting up and testing a facility for microfinance support.

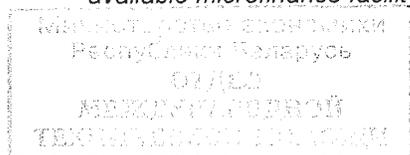
Activity 3.2.1. Baseline study of the current state of microfinance organizations and services available in the Republic of Belarus.

Activity 3.2.2. Capacity development programme for potential microfinance recipients.

This aspect is taken from the overall scope of the capacity-building activities (under outcome 2), because of its thematic specificity and the necessity for close practical integration with the mechanism of support to initiatives dealing with microfinance support.

Activity 3.2.3. Establishment and strengthening of partnership / network relations between organizations providing microfinance support and its beneficiaries.

Activity 3.2.4. Development and implementation of an information campaign to promote the available microfinance facility.



Activity 3.2.5. Monitoring and evaluation of the results, adjustment of the methodology of the microfinance facility.

The project team together with experts coordinating *Activities 3.2.1. - 3.2.4.* will organize and ensure the collection and preliminary processing of monitoring data concerning the implementation of the supported initiatives, ensure the preliminary analysis of the data including development of recommendations for the adjustment of the methodology for the involvement of national partners and revision of their roles. Monitoring data will be analyzed and conceptualized under *Activity 2.4.2.*

Activity 3.3. Setting up and testing FSESII.

The specific methodology for the facility will be developed under *Activity 2.4.3.*

Activity 3.3.1. Setting up a working group to guide the process of developing and implementation of FSESII.

Working group will be set up to guide the establishment of the FSESII.

Activity 3.3.2. Identification of the strategic socially important priorities in the target districts.

The Working Group will develop the framework of social impact investment "eco-system", including social customers, organizations, different financial resources, and capital flow. The Working Group will also identify one or two strategic socially important priorities on the basis of assessments carried out under Output 1 (including reduction of youth unemployment or of those made redundant from SOEs).

Activity 3.3.3. Call for proposal to support of EASIs and initiatives focused on introduction of innovative solutions for addressing socially important issues.

Call for proposals will be announced in accordance with the approved methodology and framework conditions.

Activity 3.3.4. Monitoring and evaluation of the results, adjustment of the FSESII methodology.

The Project team together with experts coordinating *Activities 3.3.1. - 3.3.4.* will organize and ensure the collection and preliminary processing of monitoring data concerning the implementation of the supported initiatives, ensure the preliminary analysis of the data including development of recommendations for the adjustment of the methodology for the involvement of national partners and revision of their roles. Monitoring data will be analyzed and conceptualized under *Activity 2.4.3.*

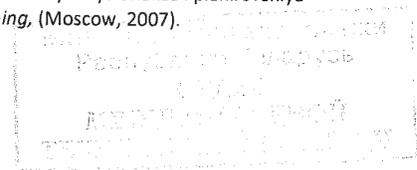
Risks and Assumptions⁷

Strategy and action plan of this Project is based on the following **assumptions**.

At the level of strategic development goals:

1. Throughout the project implementation period and within 5 years after its closure Sustainable Development Goals will be the priority of the Government of the Republic of Belarus;
2. Throughout the project implementation period and within 5 years after its closure the overall political setting and the focus of the public administration bodies at all levels of

⁷ **Assumptions** refer to the factors essential for achieving the project goal and may be subject to limited influence during project implementation; **Risks** refer to profiling of any changes that may entail changes in the course of project implementation and significantly affect its results (Gotin, S. V., Kalosha, V.P. "Logiko-strukturnyy podkhod i yego primeneniye dlya analiza i planirovaniya deyatelnosti." *Logical and structural approach and its application for activity analysis and planning*, (Moscow, 2007).



executive power is to support small and medium business, promote self-employment and entrepreneurial initiative.

At the level of the external environment of the project implementation and public administration:

3. The economy of the Republic of Belarus demonstrates sustainable economic growth. The national currency is relatively stable; there is no deterioration in standard of living of the population as minimum;
4. The overall tendency of the state controlling bodies to fight against corruption, to develop and implement anti-monopoly measures, and prevent non-market competition will persist;
5. At the level of international development programs, including the programs of the European Union, donor organizations and other entities that support NGOs and CSOs in socially significant activities, the focus will remain on the implementation of regional development projects as the priority in the Republic of Belarus.

At the regional and local level:

1. In small towns and district centres, both at the level of local authorities and local actors and the population, there is a sufficient number of stakeholders such proactive persons and organizations are motivated and able to participate in activities aimed at local economic development;
2. Stakeholders involved in the development of the DPD SMEs in the project districts of the project in accordance with the developed strategy are motivated and able to agree on joint action and partnership;
3. Local professionals and experts, members of local and regional organizations and institutions remain motivated to improve competencies and qualifications and, as a result, motivated to participate in the activities of the project and subsequently apply the obtained knowledge in practice;
4. There is a growing interest and awareness among people about the possibilities of development of small and medium-sized businesses.

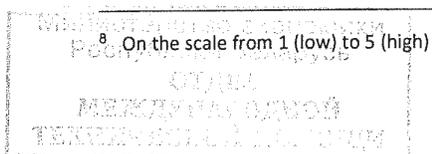
At the level of actors involved in the implementation of the project (potential partners, cooperation and expert support):

5. National non-profit organizations and organizations providing services in the field of capacity building retain its strategic interest and motivation to develop their activities at the local and regional level in the Republic of Belarus;
6. There are competent experts and specialists available in the labor market of the Republic of Belarus for the recruitment to the project team. Managerial competences and methodological approaches being used comply with the principles laid in the basis of the project. In particular, throughout the project implementation period there are local experts available on the market able to professionally facilitate and moderate the activities of the project, work with emerging communication difficulties, to apply flexible approaches to solving problems in the planning process and the design of DPD SMEs.

At the same time, the risks that can significantly affect the project results may emerge in the following situations (for more details, see Annex 3 Risk Analysis):

1. Changes in the Government's economic policy related to supporting Small and Medium Enterprises (probability assessment⁸ P=2, possible impact I=3)
2. Sharp economic downturn along with decline in the level of income and living standards in the population (P=2, I=2)
3. Limited awareness among beneficiaries regarding opportunities for SME development (P=2, I=1)

⁸ On the scale from 1 (low) to 5 (high)



4. Restrictions or resistance that impede achieving joint arrangements by all stakeholders, including representatives of local authorities, at the stage of developing SMEs (P=2, I=3)

The work with assumptions and risks will be built on the basis of the following considerations:

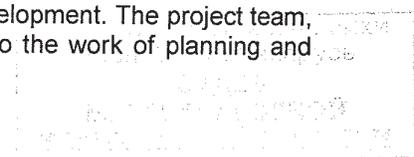
- Thorough planning of monitoring and evaluation processes: monitoring plan is developed during the initiation phase and should take into account to the maximum possible extent and in a comprehensive way the ability to track the indicators that are comparable to the listed assumptions and risks;
- Effective project management: the project management system is designed in a way that, on the one hand, it minimizes the number of employees and to the maximum extent simplifies the process of analyzing information, developing proposals and providing flexibility in decision making, or raising problematic issues at PSC meetings; and on the other hand, the job descriptions, processes and areas of responsibility are stipulated in as much details as possible; in fact, the responsibility for tracking assumptions and risks in the first approximation is distributed at the stage of project development.
- Indicators of the majority of assumptions and risks fall within the competence of the National Implementing Agency, which has sufficient capacity to monitor relevant indicators; thus, it is expected that the processes of both operational and strategic monitoring and evaluation will be highly efficient in terms of obtaining necessary information and its preliminary analytical processing.
- Integrity of the indicators, flexibility of approaches to solving emerging issues will be ensured through effective and efficient work with the involved experts and partners from different sectors (synergy of experience and competencies), as well as timely and meaningful feedback in the monitoring process from beneficiaries and target groups of the project both at the local (district) and national (working group's activities) levels.
- The PACED activities will allow to speed up the process of resolving the issues affecting the area of responsibility of related departments, as well as issues related to the need to improve legislation in the field of supporting and promoting entrepreneurship.

Partnerships and Stakeholder Engagement

The project will involve into the processes of local economic development different stakeholders from various levels:

- Local level, including local authorities, local SMEs, education establishments, providers of education services, SMEs support organizations/business incubators, business associations, and civil society organizations, local media;
- Regional (oblast) level, including regional authorities, training and research institutions, business associations, SME support organizations/business incubators and civil society organizations, regional mass-media;
- National level, including policy actors whose responsibilities and competencies cover local and regional development (economic, social, sustainable), training and research institutions, national business associations, SME support organizations/business incubators and civil society organizations, national mass-media;
- International level, including coordination with the international projects and organizations, projects supported within the frameworks of the EU's programme "Nongovernmental Organizations and Local Authorities: Partnership for Development", UNDP, UNICEF, UNFPA and other UN agencies present in the country, IFC, WB and other relevant international stakeholders. At this level, the project will also coordinate with the EBRD in the framework of the first component of the SPRING programme. Partnerships with relevant UN agencies, which are not institutionally present in Belarus yet, such as UNIDO, will be also established.

The involvement of local and national stakeholders is an important part of ensuring the institutional memory for the introduction of new approaches to local economic development. The project team, as described above, will engage local and regional organizations into the work of planning and



implementation of DPD SMEs, ensuring thereby local engagement and ownership. A special focus will be made to make sure that the competencies and capacities for the planning and implementation of DPD SMEs exist not only with the LPABs members but also with the local, regional and national capacity building providers.

In the course of the project implementation, it is planned to actively utilize national and local capacity by involving national and local businesses and non-for-profit entities with successful experience in implementing local or regional economic development projects, having local competencies and established partnerships with stakeholders in the project districts, including local authorities, local SMEs, micro-finance bodies and business associations. In particular, they will take part in such activities as planning of initiatives for development of rural tourism, different forms of farming, including household and organic farming, EASIs, youth and eco-friendly entrepreneurship, and other non-industrial growth areas.

Basic mechanisms for the involvement of stakeholders and promotion of partnerships are as follows:

- Process of developing, implementing and evaluating of DPD SMEs (under Output 1);
- Mechanisms for the financial support of local initiatives (instruments under Output 3) through the inclusion into the criteria of the call for proposals of the requirement for joint activities at the local level;
- The work of PACED under Ministry of Economy at the national policy level for the development of SMEs at the local level (under Output 2);
- Mechanisms of public information and awareness raising campaigns under the PR/AR campaigns.

Partners capacity evaluation

Local and national organizations (bearers of expertise in thematic and methodological aspects of the project) can be engaged as partners for "Support to Local Economic Development in the Republic of Belarus" project. They will, if necessary, pass the Harmonized Approach to Cash Transfers (HACT) assessment, conducted in accordance with UNDP procedures.

South-South and Triangular Cooperation (SSC/TrC)

South-south and triangular cooperation is envisaged through the knowledge exchange with the related initiatives/national partners in Georgia and other countries of the Eastern Partnership, if relevant, as well as with Western Balkans. The project will establish links with the EU's 'Mayors for Economic Growth' initiative, as outlined above.

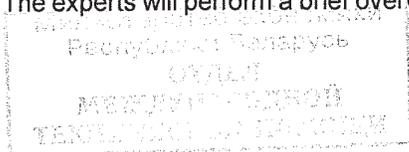
Knowledge management

Methodological support for local economic development

The methodological support of the project will be organized under *Activity 2.4. Introduce a system of methodological support to local economic development using European and international practices.*

The project will utilize a range of **methodologies, approaches and tools of local economic development**. *Activity 2.4.* accumulates all respective project activities under different outputs and is responsible for the necessary assessment of the methodologies, approaches and tools that are in demand and applied. Where applicable, adaptation, methodological monitoring and evaluation of existing experience will be carried out. At the final stage of the project implementation, the experience gained will be summarized and conceptualized, as well as appropriate recommendations for the dissemination and multiplication of best practices throughout the country will be developed.

The experts will perform a brief overview of such methodologies and tools and check the availability



(in the context of this project) of national and international expertise, practices and application experience at the beginning stage of the project during the planning phase. In order to ensure a conscious choice of methodology by each local entity the project team must provide a set of interrelated actions aimed at effectively transferring / adapting the existing experience of applying for each of the possible methodologies tried and tested by international and national actors during their application. Focus on local ownership will be made to ensure that the delivered expertise will be not only theoretically accepted but also introduced in practice.

The publications dealing with the methodologies, developed at the final stage of the project should be analysed and reviewed by the national expert community and recommended to the relevant governmental bodies for the introduction at the district level.

Conceptualization of project methodologies and practices

The project involves approbation and testing of a number of methodologies and practices that will be evaluated in the future and could be introduced into the practice of public administration in the part of local economic development. The project provides for a separate mechanism within the framework of *Activity 2.4. Introduce a system of methodological support to local economic development using European and international practices*. Within the framework of the Activity, relevant experts and the thematic coordinator will organize a number of activities targeted at the adaptation of the methodologies and practices, their monitoring and evaluation, followed by conceptualization in the form of manuals and guidelines suitable for wide dissemination.

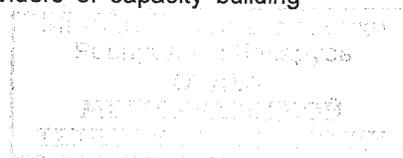
An essential part of this activity is the collection of data for further analysis and provision of expert judgments about the acceptability and success of the implementation of certain practices and methodologies, and the development of specific recommendations for further use. To accomplish this task, the project monitoring system will be supplemented by a number of indicators and data collection tools that will allow the necessary analytical work to be carried out. For implementation of this task, the relevant thematic coordinator together with expert support should develop appropriate data collection and processing mechanisms and provide them to the project manager and / or PSC for integration in the overall monitoring and evaluation system as well as in the overall project activity plan.

Based on the results of the project activities' implementation, three analytical documents will be developed to support the development of DPD SMEs with the purpose of replicating and disseminating the results throughout all the territory of the Republic of Belarus, as well as experience exchange with other countries of the region.

Sustainability and Scaling Up of activities

The sustainability and scaling up of the project outcome will be ensured primarily by following factors:

- Integration of the project's activities into the existing system of economic development planning (in particular, by endorsing and including into DPD SMEs an "Action plan for Support the Development of SMEs" at the local level);
- Direct financial support to initiatives which are part of the value added chains analyzed under Output 1, and thus, direct investment into the sustainability and competitiveness of DPD SMEs;
- Maximum engagement of local stakeholders into the project activities implementation of activities of the project, using various tools for ensuring local ownership and building institutional memory as described above in "Project Strategy" section;
- Enhancing competencies and creating conditions for capacity building to develop and implement DPD SMEs among local, regional and national providers of capacity building services;



- Comprehensive work to adapt methodologies, analysis and conceptualization of the experiences and practices of the project, publication of practical manuals and conducting regional presentations on the project's results. At the level of PACED and as part of the PR/AR action plans there will be planned activities designed to stimulate interest in the experiences and methodologies of the project;
- Active engagement of national-level civil society organizations which can act as independent actors to draw other resources into the field of local and regional economic development for the achievement of synergetic effects;
- Obligatory co-financing for local initiatives and internal resources utilization to ensure continuation of activities for SMEs development.

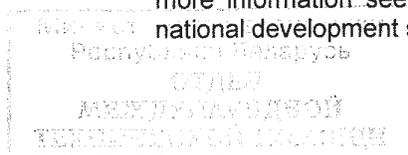
IV. PROJECT MANAGEMENT

This section explains common approaches to effectiveness, efficiency and coverage of the territories as well as project management. The details of the strategic and operational management system and the decision-making system are described in Section VIII. **Governance and Management Arrangements.**

Efficiency and effectiveness

One of the basic quality criteria underlying this project is ensuring the efficiency, effectiveness and long-term effect of the implemented activities in the field of regional and local development. A number of approaches were used during development of the project to ensure these criteria, specifically:

- The logic of both the project as a whole and its individual components is built on the principles of Results-based Management (RBM). The implementation management mechanisms, in particular the resource management system and monitoring and evaluation system are coordinated with the expected results at all project levels and constitute a single integrated structure.
- One of the key results of project implementation is the locally developed DPD SMEs – which is also defined in accordance with the principles of Results-based Management, they are developed applying the methodology of logical framework approach and are supported with respective monitoring and evaluation tools. The quality of the developed DPD SMEs is additionally monitored at the stage of approval by an external actor (the PSC and project team, if necessary external experts may be involved).
- The project places special focus on the involvement at the local level and institutional memory of project results. The mechanisms for including actors that are able to ensure the use of the project's legacy upon its completion were identified. The mechanisms for transferring competences to the local and national levels were described. Relevant stakeholders are included in the process of planning initiatives on the local level from the very beginning of the project. The decision-making mechanisms are inclusive to the maximum extent and ensure participation of the representatives from all spheres and sectors. The interest of local actors in implementation of the developed plans and strategies will therefore ensure efficiency, long-term effect and sustainability of the results.
- The project activity uses methodologies and practices previously tested in similar territorial and institutional settings. Development of the project aimed to achieve balance between innovation (feasibility of using experimental practices) and conservatism (priority of using proven and established practices); the mechanisms for maintaining this balance throughout the project implementation period were also identified. The project has a thoroughly designed monitoring and evaluation system, also through collecting feedback from beneficiaries and target groups. By implementing this approach, it is planned to additionally adjust the methodologies to the local context, which will facilitate the expansion and replication of project results at the methodological level.
- Project products (sets of measures, plans, programs, analytical documents) are an integral part of the developed system of activities, and will also be useful in the future to expand the activities and improve national legislation in the field of SMEs development and support (for more information see Section "Strategy"). The project activity is synchronized with the national development strategies implemented during the project implementation period and



their results. Given that these practices will be built on participation and involvement principles, based on proven methodologies, adjusted through practical application and thorough collection of feedback, in the future they will become subject to attention and will be supported with resources both within the framework of national programs and strategies and those developed by external donors.

- It should be specially noted that the project will work closely with the EBRD interventions envisaged under the EU programme, which the current project is also part of, aimed at the promotion of small and medium enterprises in the regions. Under Component 1 of SPRING project the EBRD will focus on already-established businesses rather than new start-ups or EASIs. However, synergies will be sought in training activities, since some of the training/consultancies envisaged under the EBRD component will be relevant not only to established businesses, but also to new ones. EBRD will be invited to join some of the activities under Output 1 and Output 2, particularly discussions around the labour market assessments, and identifying the potential for business activity in specific districts. This joint work will also facilitate EBRD's identification of more established businesses which can be supported within the Component 1.

Project Management and UNDP Country Office Support

The project management system consists of several levels:

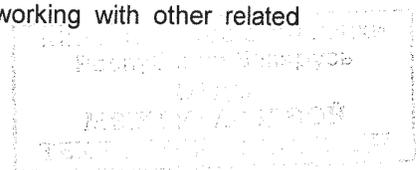
- I. Strategic management
- II. Operational management and coordination
- III. Management at the level of the DPD SMEs (implemented by the entity at the local level coordinating the implementation of DPD SMEs, established in each project district)
- IV. Portfolio management (conducted by the respective thematic coordinators / leaders of expert teams in the framework of portfolios of funding facilities and project-level activities of capacity building, PR/AR facilities)
- V. Monitoring and evaluation system (described in the relevant section of the document)

The project will be implemented under the National Implementation Modality (NIM) with the support of the UNDP Country Office according to UNDP rules and procedures.

Since support to project implementation under National Implementation Modality can be provided by UNDP only upon national partner's request, the parties agreed that project document duly registered with the Ministry of Economy, containing Annex 1 "Provision of UNDP Country Office Support Services in Implementation of the Project", work plan and project budget constitute a request for provision of UNDP services.

In this project, in addition to the Project Team, the UNDP Programme Analyst specializing in local development supported by UNDP Programme Associate will be responsible for project implementation oversight and operationalization of the linkages with other similar initiatives and projects, implementation and oversight of the project activities. The Procurement Associate (UNDP Country Office) will oversee the full cycle of procurement of goods and services including hiring experts and consultants, tickets purchasing and ensuring official travel arrangements envisaged by the project in line with the relevant UNDP rules and regulations. Expenses for the services of the abovementioned personnel will be recovered in amount not exceeding the limits, set in budget for this category of expenses (according to the project budget – Annex 4). At the same time, the application of the UNDP pricelist of services for this project is not used (option A). Terms of reference of these specialists are described in Annex 5. Deputy Resident Representative will oversee the functions of these specialists according to their terms of reference.

The UNDP Belarus will maintain the oversight and management of the overall project budget and will be responsible for monitoring project implementation, timely reporting of the progress to the donor/donors. Furthermore, it will support the co-ordination and networking with other related initiatives and institutions in the country.



V. RESULTS FRAMEWORK

Intended Outcome as stated in the UN Development Assistance Framework (UNDAF) on assistance to the Republic of Belarus for development for 2016-2020:
Outcome 2.1: By 2020, the economy's competitiveness will have been improved through structural reform, accelerated development of the private sector and integration in the world economy.

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

United Nations Development Assistance Framework on assistance to the Republic of Belarus for development (UNDAF) for 2016-2020: the project will contribute to achieving Outcome 2.1: "By 2020, the economy's competitiveness will have been improved through structural reform, accelerated development of the private sector and integration in the world economy".

Indicators:

- Gross regional product,
- Contribution of the private sector to GDP (growth from 30% to 40% by 2020)
- Contribution of SMEs to GDP (growth from 23% to 35% by 2020),
- Share of SMEs on the labor market,
- Share of SMEs in total lending,
- Share of export of goods and services in GDP,
- Share of SMEs managed by women,
- Number of companies with access to EU loans.

Applicable Output(s) from the UNDP Strategic Plan:

Project title and Atlas Project Number: Support to Economic Development at the Local Level in the Republic of Belarus, 00108243

Overall Objective:

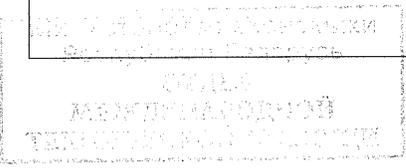
Support economic initiative, competitiveness and innovation for inclusive development at the local level in the Republic of Belarus.

Project objectives:

- Objective 1. Develop DPD SMEs in a participatory way;
- Objective 2. Improve capacities in the field of regional and local development and develop support measures to improve policy and regulatory framework to facilitate effective implementation of the DPD SMEs;
- Objective 3. Improve access to finance for launching SMEs within the framework of the DPD SMEs implementation.

Output 1: DPD SMEs are developed in a participatory way	Number of EASIs, SMEs, NGOs and other local entities which benefited from direct support	organisations monitored development of entrepreneurship initiatives, attractive environment for entrepreneurship etc. Surveys conducted with beneficiaries and stakeholders of the project Developed, reviewed, approved, taken into account proposals concerned improvement of legislation base, legal reviews Minutes of PSC meetings Media reports (on national, regional, local level)	0	2016		At least 100 initiatives (3/4 of total amount of supported) and at least 12 DPD SMEs	At least 154 initiatives (100% of total amount of planned)	At least 200	of project monitoring and evaluation Insufficient interest of different stakeholders of ensuring due transparency for reaching projects outputs and results Insufficient interest of local governments of and partners of development and implementation result-based local economical development strategies
Output 2: Capacities, policy and regulatory framework are improved to facilitate effective implementation of the DPD SMEs	1.1 Number of developed DPD SMEs 1.2 Number of local employment-generating Action Plans 2.1 Availability of comprehensive proposals for improving legal, institutional and policy frameworks	Information about implementation of another project aimed at regional/local/territorial economic development and job-generating	0	2016		At least 12	At least 12 DPD SMEs are approved and implementation started	At least 12 DPD SMEs are approved and implementation started	
			No	2016		PACED supported, at least 5 propositions	At least 10 propositions are developed at least	Yes	

<p>Output 3: Access to finance for launching SMEs initiatives is improved to support the implementation of the DPD SMEs</p>	<p>2.2 Number of people benefiting from introduced capacity building measures (disaggregated by age, sex and disability)</p> <p>2.3 Number of people benefiting from targeted trainings (disaggregated by age, sex and disability)</p> <p>3.1 Number of direct financial supports, microfinance loans and other forms of access to finance</p>		0	2016	1200 (potential assessment in at least 12 project districts)	At least 700	At least 1000 for whole period	1000	
			0	2016		At least 300	At least 500 for whole period	500	
				2016		At least 36 (3 for each project district)	At least 120	120	



VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation activities.

Monitoring system and evaluation based on targeted indicators.

The project defines a comprehensive framework of indicators and targets, presented in the Project result matrix, allowing for evidence-based monitoring and evaluation of project results at outcome, output and activity level. While the outcome and output level indicators will be instrumental for measuring the results and development impact, the activity level indicators will allow for monitoring the pace of implementation and delivery of specific products of the project (see the Project Results and Resources Framework). Indicators data shall be disaggregated by sex, age, the type of vulnerability, which will allow for tracing the underlying factors of multiple vulnerabilities of the groups targeted by the project.

An indicative full monitoring and evaluation project system should be developed and approved within the second quarter of the project implementation. Supervision over the integrity and consistency of the monitoring and evaluation plan is carried out by the project manager jointly with UNDP Programme Analyst. The final monitoring and evaluation plan should be approved by the National Coordinator and the PSC.

Collection of monitoring data, i.e. initial data for operational monitoring by target indicators will be carried out by the hands-on implementer of the events (experts, contractors, partners, project management team) under the supervision of the project management team (relevant thematic coordinators / expert team leaders). The project manager will do the supervision over the quality of the monitoring data and the collecting process.

Processing of monitoring data by target indicators will be carried out:

1. By the programme staff of the UNDP Country Office on a permanent basis (Programme Analyst, Programme Associate). In case of necessity, UNDP can initiate management actions necessary to ensure successful implementation of the project. These management actions can be initiated either on the operational level or through the submission and approval of the PSC.
2. By the monitoring and evaluation experts hired by the EU to conduct mid-term review and final evaluation in line with the EU procedures. The project manager develops a list of evaluation questions and other provisions that should be part of the terms of reference for the evaluation team. This document is developed jointly by the project team and the EU Delegation, presented for discussion and approved by the PSC.

Within the annual cycle, the following will be carried out:

- A monitoring schedule plan shall be activated in ATLAS and updated to track key management actions/event. The project's monitoring plan shall be updated at regular intervals. The responsible person is an authorized employee of the UNDP office who has access to the ATLAS system (Programme Analyst, Programme Associate).
- A project lessons-learned log shall be activated from the project inception phase and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project. The responsible person is the project manager.

Technical and financial monitoring

UNDP's responsibility will be permanent internal technical and financial monitoring of the implementation of this project and elaboration of regular progress reports (not less than annual) and also final report. These reports are developed by the project team (Finance and Procurement

Specialist, Project Manager) and verified by the UNDP office programme and finance staff.

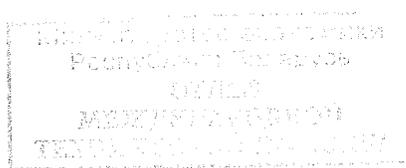
Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and outcomes) as measured by corresponding indicators, using as reference the project results matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative (descriptive) and financial, will cover the entire period of the action implementation.

The European Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Independent evaluation of project results

It is envisaged to conduct mid-term and final evaluation of the project or its individual components by independent consultants recruited by the European Commission. The funds for the evaluation are not included in this project's budget and will be allocated by the EC, organization of the evaluation, recruitment of consultants and allocation of funds for the evaluation will be conducted in accordance with the relevant procedures of the EC.

One of the goals of the mid-term evaluation will be addressing the problems encountered during project implementation. One of the goals of the final evaluation of the project will be to study feasibility of possible extension of the project implementation period.



General Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Development of a detailed monitoring plan and development of monitoring data collection plans	Drafting plans, development of monitoring procedures for further control over project implementation	Quarter 1-2 of project implementation - drafting basic plans, and as the expert teams are recruited	Development of a detailed monitoring plan, including, inter alia, data collection mechanisms, key indicators and benchmark values with possible managerial decisions. Development of monitoring procedures	Responsible for development - Thematic Coordinators, control - Project Manager	
Development of Lessons Learned Log of the project	Ensuring continuous process of gaining experience and adjustment within the organization, contribution to preparation of reporting documents at the end of the project	To be developed in quarter 1-2 of project implementation, to be updated every 6 months	Development of Lessons Learned Log of the project based on project documents, detailed implementation plan and monitoring plans and procedures	Project Manager	
Technical and financial monitoring	Internal control over project implementation	Monitoring - daily throughout the entire implementation period, development of reports - annually	Ongoing internal, technical and financial control over the implementation of the project, development of reports on the progress of implementation, development of the final report.	Implementation - project management team (Finance and Procurement Specialist and Project Manager) in cooperation with the UNDP Office (program and financial staff). Responsible - Project Manager	



Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Monitoring data collection	Annual data collection for future analysis and monitoring of project implementation	Throughout overall implementation period	Collection of monitoring data in accordance with the developed plans; Quality control for data collection to ensure quality and reliable data Collection of monitoring data should include obtaining quality and reliable feedback from the beneficiaries and representatives of the target groups of the project	Responsible: actors who are directly implementing the events under the guidance of the Thematic Coordinators/ leaders of expert teams; data quality control and collection process - Project Manager	
Processing and interpretation of data against target indicators	Evaluation of the progress of project implementation by comparing the achieved indicators against the expected results	Quarterly or as often as necessary	Processing the data from ongoing monitoring, from the viewpoint of tracking progress in achieving target indicators and planned project results Drafting the results of the analytical review in a way that is suitable and useful for presentation to the members of the PSC If necessary, develop proposals for possible managerial decision-making aimed at improving the efficiency and effectiveness of the project	Project Manager, UNDP program staff Monitoring and evaluation experts involved within the framework of EU procedures	
Monitoring and risk management	Identification and forecasting of triggering of risks, that may pose threat to the achievement of the project results. Adopting balanced management decisions. Monitoring in accordance with the UNDP social and environmental standards. Assistance in conducting audit in accordance with the UNDP audit policy for financial risk management.	Quarterly or as often as necessary	Risk assessment in accordance with the Risk Logs. Maintaining the Logs to track and identify risks. Development of proposals for managerial decision-making in case of risk triggering, presentation of the proposals (if necessary) at the meeting of the PSC	Project team, responsible - Project Manager Involvement of Thematic/ Regional Coordinators and UNDP office staff is possible	

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Training	Regular studying the lessons learned, both positive and negative, sharing knowledge and best practices, including those obtained from involved partners and other projects, integration of the knowledge gained into the present project.	At least twice a year	Collection and interpretation of data in accordance with the Lessons Learned Log. Development of recommendations – managerial decisions for implementation of the lessons learned into the implementation process	Project team, responsible - Project Manager	
Annual project quality assessment	Quality control of the project for compliance with the UNDP quality standards to identify strengths and weaknesses of the project, as well as to justify managerial decisions on improving the project	Annually	Analysis and interpretation of monitoring data to determine strengths and weaknesses of the project, drafting the report in accordance with the UNDP standards, development of managerial decisions to improve the efficiency and effectiveness of the project, strengthen the project's weaknesses, and improve project performance.	Project team, responsible - Project Manager	
Project implementation report	An evidence based project progress report is to be submitted to PSC and key project participants	Annually, as well as at the end of the project (final report)		Project team under the leadership of the Project Manager	
Consideration and introduction of adjustments into project implementation (operational level)	Consideration of the proposed managerial decisions and adjustment of operational plans to improve project efficiency	At least once every 6 months, preferably on quarterly basis	The developed managerial decisions obtained in the course of studying the lessons learned, progress in implementation, and risk management are considered and are either adopted or rejected for implementation.	Project team together with the UNDP Office staff, responsible - Project Manager	
Consideration and introduction of adjustments into project implementation (strategic level)	Review of progress reports, evaluation reports, proposed managerial decisions and adjustment of the Multi-Year Work Plan to ensure achievement of the set targets, as well as to enhance project efficiency and effectiveness	At least once every 6 months	Drafting project progress report, including description of the results achieved vs. planned indicators for each component of the project, degree of implementation of the results, results of the annual project quality assessment, updated Risks Logs listing the measures undertaken, as well as any assessment reports or reviews, prepared during the whole period. Particular attention is paid to any quality issues	Development of the report: the project team together with the UNDP Office staff, responsible - Project Manager Review and adoption of managerial decisions - PSC	

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
			or slow progress, which must be discussed by the PSC Presentation of the report at the meetings of the PSC The managerial decisions developed and proposed at the meetings are to be considered and either accepted or rejected for implementation.		
Project analysis (Project Steering Committee)	Final analysis to discuss lessons learned, experience gained, identified opportunities for expansion and replication of project results	Quarter 12 of project implementation (last semester)	Participation in the development of the final report on project results, and/or project evaluation, with special focus on the final analysis of the progress, lessons learned, managerial experience and mechanisms used and any other valuable information. Particular attention is paid to the issues of quality, sustainability, long-term effects of the project Presentation of the report at the meeting of the PSC and/or other relevant event	Project team under the leadership of the Project Manager, PSC meeting or other similar event is to be held with involvement of the representatives of the relevant stakeholders	

Project manager reports to NPC on monitoring findings on monthly basis.

VII. MULTI-YEAR WORK PLAN

EXPECTED OUTPUTS	PLANNED ACTIVITIES	PLANNED BUDGET															
		Y1				Y2				Y3				RESPO N- SIBLE PARTY	Funding Source	Budget Description	Amount (USD)
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4				
Output 1. DPD SMEs are developed in a participatory way	<u>Activity 1.1. Establishment and also expansion of existing LPABs in the sphere of territorial development (initiation phase)</u>													UNDP, Ministry of Econo	EU	71300 - Local Consultants 71400 - Contractual Services - Individ 71600 - Travel expenses 72100 - Contractual	51,507

EXPECTED OUTPUTS	PLANNED ACTIVITIES	PLANNED BUDGET															
		Y1				Y2				Y3				RESPONSIBLE PARTY	Funding Source	Budget Description	Amount (USD)
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
														my, District Executive Committees, NLP ¹⁰		Services-Companies 74200 - Audio Visual&Print Prod Costs 75700 – Event services	
	<i>Activity 1.2. Development of analytical documents to close information gaps for the development of DPD SMEs by collecting and analysing necessary information (identification phase)</i>													UNDP, Ministry of Economy, District Executive Committees, NLP	EU	71300 - Local Consultants 71400 - Contractual Services - Individ 71600 - Travel expenses 72100 - Contractual Services-Companies 74200 - Audio Visual&Print Prod Costs	86,176
	<i>Activity 1.3. Elaboration of DPD SMEs through development of local entities' partnerships, joint planning and consensus building (formulation phase).</i>													UNDP, Ministry of Economy, District Executive Committees, NLP	EU	71200 - International Consultants 71300 - Local Consultants 71400 - Contractual Services - Individ 71600 - Travel expenses 72100 - Contractual Services-Companies 74200 - Audio Visual&Print Prod Costs 75700 – Event services	67,088
	<i>Activity 1.4. Presentation, joint discussion</i>													UNDP, Ministry	EU	71300 - Local Consultants 71400 - Contractual	36,531

¹⁰ Here and after in AWP, NLP refers to national and local partners – organizations having expertise in thematic and methodological areas of the project.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	PLANNED BUDGET																
		Y1				Y2				Y3				RESPO N-SIBLE PARTY	Funding Source	Budget Description	Amount (USD)	
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4					
	and endorsement of DPD SMEs with the participation of the local stakeholders and members of initiative groups (appraisal phase)													y of Economy, District Executive Commitees, NLP		Services - Individ 71600 - Travel expenses 72100 - Contractual Services-Companies 74200 - Audio Visual&Print Prod Costs 75700 – Training, Workshops and Confer		
	Sub-Total for Output 1:																241,302	
Output 2. Capacities, policy and regulatory framework are improved to facilitate effective implementation of the DPD SMEs	Activity 2.1. Conduct in-depth, comprehensive and preliminary needs assessment and capacity assessment in all project districts. ¹¹													UNDP, Ministry of Economy, District Executive Commitees, NLP	EU	71200 - International Consultants 71300 - Local Consultants 71400 - Contractual Services - Individ 71600 – Travel expenses 74100 - Professional Services 74200 - Audio Visual&Print Prod Costs		78,128
	Activity 2.2. Design and implement of CB and PR/AR action plans within the framework of DPD SMEs in all project district.													UNDP, Ministry of Economy, District Executive	EU	71300 - Local Consultants 71400 - Contractual Services - Individ 71600 - Travel expenses 72100 - Contractual Services-Companies 74200 - Audio Visual&Print Prod Costs		487,020
	Activity 2.2.1. Design of CB action plans for the project districts.																	
	Activity 2.2.2 Implementation of CB action																	

¹¹ Data collection to assess the needs starts simultaneously with the activities under Output 1 by the experts involved into the activities under Output 1.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	PLANNED BUDGET															
		Y1				Y2				Y3				RESPONSIBLE PARTY	Funding Source	Budget Description	Amount (USD)
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4				
	<i>plan in every project district¹²</i>													ive Committees, NLP		75700 – Event services	
	<i>Activity 2.2.3. Promotion of the innovative approaches to foster entrepreneurship initiatives through design and implementation of awareness raising (AR) and public relations (PR) campaigns</i>													ive Committees, NLP			
	<i>Activity 2.3. Foster a strategic (at regulators level) dialogue at national level on the issue of formation and supporting optimal “eco-systems” and organizational models for SMEs development and support of EASIs</i>													UNDP, Ministry of Economy	EU	71200 - International Consultants 71300 - Local Consultants 71400 - Contractual Services - Individual 71600 – Travel expenses 72100 - Contractual Services-Companies 74200 - Audio Visual&Print 75700 – Event services	71,203
	<i>Activity 2.3.1. National study on factors influencing SMEs development with the emphasis on EASIs development conducted.</i>																
	<i>Activity 2.3.2. Support to Public Advisory Council for Entrepreneurship Development under Ministry of Economy (PACED)</i>																
	<i>Activity 2.3.3. Conducting conferences, seminars, round-tables and other forms of work on the basis of joint stakeholder participation and inclusive dialogue on the local economic development</i>																
	<i>Activity 2.4. Introduce a system of methodological support to local economic development using European and</i>													UNDP, Ministry of Economy	EU	71200 - International Consultants 71300 - Local Consultants	197,891

¹² Some capacity building activities are predetermined, their description is in activities description and their implementation should start before the capacity building action plan endorsement.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	PLANNED BUDGET															
		Y1				Y2				Y3				RESPO N- SIBLE PARTY	Funding Source	Budget Description	Amount (USD)
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4				
	international practices													Econo my, District Executive Commi tees, NLP		71400 - Contractual Services - Individ 71600 - Travel expenses 72100 - Contractual Services-Companies 74200 - Audio Visual&Print 75700 – Event services	
	Activity 2.4.1. Effective model of setting up and operation of business incubators is developed and tested																
	Activity 2.4.2. Introduced microfinance tool methodology based on the best national, European and international practices																
	Activity 2.4.3. Introduced methodology of FSESII using best national, European and international practices																
	Activity 2.4.4. Practices of implementation of local economic development methodologies in each project district are conceptualized and evaluated.																
	Sub-Total for Output 2:																834,242
Output 3. Access to finance for launching SMEs initiatives is improved to support the implementation of the DPD SMEs	Activity 3.1.1. Setting up and testing initiatives for support to local economic development.													UNDP, Ministr y of Econo my, District Execut ive Commi tees, NLP	EU	71200 - International Consultants 71300 - Local Consultants 71400 - Contractual Services - Individ 71600 – Travel expenses 72100 - Contractual Services-Companies 72600 - financing of initiatives 74200 - Audio Visual&Print 75700 – Event services	4,299,179
	Activity 3.1.1.1. Implementation of initiatives supporting business incubators																
	Activity 3.1.1.2. Practical implementation of a facility to support start-ups and cluster initiatives.																
	Activity 3.1.3. Monitoring of implementation, adjustment of the methodology used for the facility to support business incubators																
	Activity 3.2. Setting up and testing a facility													UNDP,	EU	71200 - international	449,535

EXPECTED OUTPUTS	PLANNED ACTIVITIES	PLANNED BUDGET																
		Y1				Y2				Y3				RESPO N- SIBLE PARTY	Funding Source	Budget Description	Amount (USD)	
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4					
	for microfinance support													Ministry of Economy, District Executive Committee, NLP		Consultants 71300 - Local Consultants 71400 - Contractual Services - Individual 71600 - Travel expenses 72100 - Contractual Services-Companies 72600 – financing of initiatives 74200 - Audio Visual&Print		
	Activity 3.2.1. Baseline study of the current state of microfinance organizations and services available in the Republic of Belarus.													UNDP, Ministry of Economy, District Executive Committee, NLP	EU	71200 - International Consultants 71300 - Local Consultants 71400 - Contractual Services - Individual 71600 - Travel expenses 72100 - Contractual Services-Companies 74200 - Audio Visual&Print 75700 – Event services	1,892,701	
	Activity 3.2.2. Capacity development programme for potential microfinance recipients																	
	Activity 3.2.3. Establishment and strengthening of partnership / network relations between organizations providing microfinance support and its beneficiaries.																	
	Activity 3.2.4. Development and implementation of an information campaign to promote the available microfinance facility.																	
	Activity 3.2.5. Monitoring and evaluation of the results, adjustment of the methodology of the microfinance facility																	
	Activity 3.3 Setting up and testing FSESII																	
	Activity 3.3.1 Setting up a working group to guide the process of developing and implementation of FSESII																	
	Activity 3.3.2 Identification of the strategic socially important priorities in the target districts																	
	Activity 3.3.3 Call for proposal to support of EASIs and initiatives focused on introduction of innovative solutions for addressing socially important issues.																	
	Activity 3.3.4 Monitoring and evaluation of the results, adjustment of the FSESII																	

EXPECTED OUTPUTS	PLANNED ACTIVITIES	RESPO N- SIBLE PARTY												PLANNED BUDGET			
		Y1				Y2				Y3				Funding Source	Budget Description	Amount (USD)	
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4				
	<i>methodology</i>																
	Sub-Total for Output 3:																6,641,415
4. Management and Monitoring	4. Management and Monitoring													EU, UNDP	71300 - Local Consultants 71400 - Contractual Services - Individ 64300/74500 - UNDP services for project implementation		870,206
	5. Supplies and facilities													EU, UNDP	71600 - Travel expenses 72200 - Equipment and Furniture 72300 - Materials & Goods 72400 - Communic & Audio Visual Equip 72500 - Supplies 72800 - Information Technology Equipmt 73100 - Rental & Maintenance-Premises 73400 - Rental & Maint of Other Equip 74500 - Miscellaneous Expenses		278,664
	5. General Management support - 7%													UNDP	54000 - General management services (GMS)		595,771
General Management Support																	
TOTAL																	9,461,600

VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

Project management system

The project will be implemented under the National Implementation Modality (NIM) with the support of the UNDP Country Office according to UNDP rules and procedures. The Ministry of Economy of the Republic of Belarus will act as the **main national partner** for the implementation of the project. Ministry of Economy will be responsible for the successful implementation of the project activities, sustainability of the achieved results as well as reporting to the state authorities of the Republic of Belarus. In particular, the national implementing organization is responsible for ensuring that the long-term results of the project are consistent with the development goals described in the strategic documents of the Republic of Belarus (National strategy for sustainable development 2030 and others). Ministry of Economy will assign a senior official as a **National Project Coordinator (NPC)** who will be responsible for project implementation on behalf of the Ministry of Economy.

The project implementation is based on the Framework Agreement between the Commission of the European Communities and the Government of the Republic of Belarus and Standard Basic Assistance Agreement between the Government of the Republic of Belarus and UNDP. The project is developed in line with the Financing Agreement between the European Commission and the Government of the Republic of Belarus "Strengthening Private Initiative Growth in Belarus (SPRING)".

The strategic management on behalf of UNDP is provided by the **UNDP Belarus** Country office in Belarus. This level ensures that the long-term results of the project are consistent with the United Nations Framework for Assistance to Belarus (UNDAF) for 2016-2020, Sustainable Development Goals (SDGs) and the UNDP Country Programme for the Republic of Belarus for 2016-2020.

The **Project Steering Committee (PSC)** will be established at the inception phase of the project to strategically monitor the project progress, guide its implementation and support the project in achieving its outputs and outcomes. PSC is the main subject of strategic project management (for more details see Appendix 5).

It will be chaired by the NPC. To join the NPC, the main stakeholders will be invited - including but not limited to: Ministry of Economy, local authorities, National Bank (as the regulator of the microfinance activities), as well as EU and UNDP, representatives of state institutions and representatives of civil society organizations in accordance with the project's focus. Participation in the work of the PSC of the representative of the EU and UNDP also ensures that the decisions taken by the PSC are consistent with the requirements of the EU and UNDP.

The decisions of the PSC will fully respect the applicable provisions of the Financing Agreement between the European Commission and the Government of the Republic of Belarus "Strengthening Private Initiative Growth in Belarus (SPRING)" of 5 April 2017 and the EU-UNDP Delegation Agreement of 13 December 2017. If the PSC decisions require additional review in line with EU regulations (for example, with respect to amendment of the project budget), such decisions could be made with stipulations.

The PSC regulations, including the list of members and working arrangements, will be developed and approved by UNDP and Ministry of Economy at the inception phase of the project.

The Project Manager (PM) will participate as a non-voting member in the PSC meetings and will also be responsible for compiling a summary report of the discussions and conclusions of each meeting. The first PSC meeting will take place upon project registration. The PSC will meet at least twice a year to discuss the issues related to Project implementation. The PSC could meet more often if it is deemed necessary.

To ensure UNDP's ultimate accountability for project results, the PSC decisions will be made in accordance with standards that shall ensure management for development results, best value money, fairness, integrity, transparency, and effective international competition.



Operational management and coordination

The project's day-to-day management will be carried out by the Project Manager. The core project team will be composed of Project Manager, Project Administrative Assistant, Procurement and Finance Specialist and Driver. ToRs are introduced in Appendix 5. To ensure high quality of PR, AR and visibility activities of the project, dedicated Communication/PR specialist will be employed for 30 months of the project implementation and will be engaged only for the purposes of the implementation of the project activities.

Considering that the core activities of the project will be carried out at the local level, for the implementation of the project and coordination of its activities in the project districts Local Development Specialists / regional coordinators can be engaged (preliminary ToR is in Appendix 5). The engagement of these specialists, their detailed ToR as well as their assignment to particular project districts is a subject for the PSC consideration and endorsement.

Portfolio management

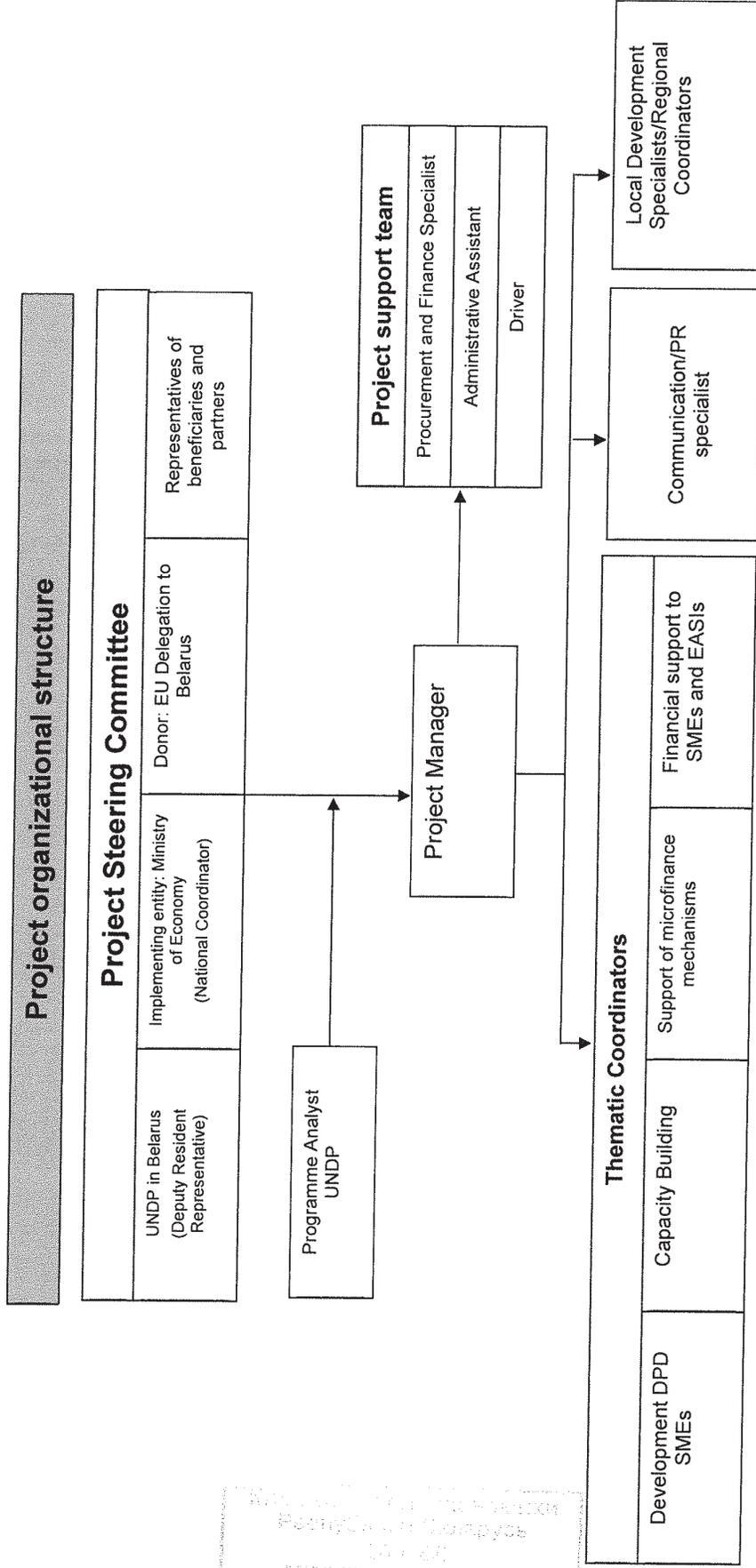
Each activity of each of 3 outputs of the project is implemented under supervision of Thematic Coordinators/Expert Team Leaders. These specialists can be hired as a part of the UNDP project management team. If an activity or a group of activities is implemented by the project partner (within the framework of the national implementation mechanisms), these specialists can remain in the staff of the partner. In both cases, such specialists are functionally subordinate to the project manager. Such coordinators will work part-time and will be responsible for the management of specific tasks of the activity, including managing sub-teams of local and international experts and contractors. To manage sub-teams and ensure high level of local ownership of the project activities, contract modalities that allow for the maximum use of local capacity will be actively used. In this way, competences, built in the framework of each specific activity will be institutionalized under umbrella of relevant local organizations/institutions. The PSC can make a decision to approve national implementation modality for implementation of selected project activities

Short Term Consultants: Services of short term international and national experts will be utilized for technical backstopping and specific advisory needs to improve effectiveness of specific project activities. The contracting of short-term consultants will be carried out on a competitive basis in accordance with the procedures of UNDP.

All assets (car, furniture, equipment etc.) purchased within the project will be transferred after its completion to national partner – Ministry of Economy of the Republic of Belarus, or other organization in coordination with Ministry of Economy of the Republic of Belarus and under current legislation. The decision to transfer the assets should be endorsed by the PSC.



Project organizational structure



Рэспубліка Беларусь
 Рэспубліканскае ўпраўленне
 па арганізацыі
 адміністрацыйна-тэрытарыяльнага
 будаўніцтва і рэформаў

IX. LEGAL CONTEXT AND RISK MANAGEMENT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of the Republic of Belarus and UNDP, signed on 24 September 1992.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the executing entity and its personnel and property, and of UNDP's property in the executing entity's custody, rests with the executing entity.

The executing entity shall:

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

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The executing entity agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

