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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

Of the Commission Implementing Decision on the individual measure in favour of Georgia for 2021

**Action Document for EU 4 Smart Economic Development**

**ANNUAL MEASURE**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23(3) of NDICI-Global Europe Regulation.

**1. SYNOPSIS**

**1.1. Action Summary Table**

<b>1. Title CRIS/OPSYS Basic Act</b>	EU 4 Smart Economic Development Annual measure in favour of Georgia for 2021 OPSYS: ACT-60618 linked to JAD.943339.  Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The Action shall be carried out in Georgia.
<b>4. Programming document</b>	Multi Annual Indicative Programme (MIP) 2021-2027 <sup>1</sup>
<b>5. Link with relevant MIP(s) objectives/expected results</b>	Priority area 4: Resilient digital transformation <ul style="list-style-type: none"> <li>– SO 1: Enhance digital infrastructure;</li> <li>– SO 2: Develop e-governance and e-services;</li> <li>– SO 3: Promote digital economy.</li> </ul>
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Resilient digital transformation: DAC codes 220, 321, 114, 160 and 430
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): <ul style="list-style-type: none"> <li>– SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</li> </ul> Other significant SDGs (up to 9) and where appropriate, targets: <ul style="list-style-type: none"> <li>– SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</li> </ul>

<sup>1</sup> To be adopted first half 2022

	<ul style="list-style-type: none"> <li>– SDG 5: Achieve Gender Equality and Empower Women</li> <li>– SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</li> <li>– SDG 13: Take urgent action to combat climate change and its impacts</li> <li>– SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development (i.e. technology, trade)</li> </ul>			
<b>8 a) DAC code(s)</b>	32130 - Small and medium-sized enterprises (SME) development 30% 22040 - Information and Communication Technology (ICT) 30% 11440 - Advanced technical and managerial training 20% 16066 - Culture 15% 43040 - Rural Development 5%			
<b>8 b) Main Delivery Channel</b>	12001 - Recipient Government 12002 - Local Government 40000 - Multilateral Organisations (Int. Organisations and/or Member State donor Agencies) 5100 - University, college or other teaching institution, research institute or think-tank 2000 - Non-Governmental organizations			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <sup>2</sup> <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, newborn and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>

<sup>2</sup> For the Neighbourhood, activities related to education shall be marked as part of the “Social Inclusion and Human Development” target, in line with the NDICI-GE programming guidelines.

	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>BUDGET INFORMATION</b>			
<b>12. Amounts concerned</b>	<p>Budget line(s) (article, item): 14.020111 - Eastern neighbourhood</p> <p>Total estimated cost: EUR 24 350 000</p> <p>Total amount of EU budget contribution: EUR 24 000 000</p> <p>This action is co-financed by:</p> <p>- Estimated co-financing by potential grant beneficiaries of EUR 350 000</p>			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Implementation modalities (type of financing and management mode)</b>	<p>Project Modality</p> <p><b>Direct management</b> through:</p> <p>- Grants</p> <p>- Procurement</p> <p><b>Indirect management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.3</p>			

### 1.2. Summary of the Action

The Action will stimulate smart, sustainable and inclusive growth in Georgia and support the modernisation of its economy – thus contributing to economic recovery following the COVID-19 pandemic. Important impediments for the development of Georgia's private sector are its lack of

integration into global value chains, capacity gaps in digital and information and communication technologies (ICT) skills, as well as the limited development of an innovative and entrepreneurial ecosystem.

This Action will tackle these challenges by:

1. Reducing the digital divide through increasing access to affordable and secure broadband connectivity and ensuring digital inclusion of the rural population in the EU focal regions.
2. Enhancing digital human capital through establishing a training/capacity building system to support basic ICT skills for the general population, high-tech, advanced ICT skills for developers and education and employment in the ICT sector for girls and women.
3. Supporting digital growth through digitalisation of small and medium-sized enterprises (SMEs) through tailor made support including a grant/voucher scheme, boosting innovation and Creative Industries in the regions.
4. Supporting policy development and coordination for all actors in order to support relevant agencies and institutions in capacity building, regulatory and policy reforms and to support the Government of Georgia in the development of its Digital Economy and Information Society Strategy.

This Action is in line with the priority on resilient digital transformation of the Multiannual Indicative Programme 2021-2027 (MIP), which acknowledges that development of digital infrastructure and e-Governance are priorities for both the EU and Georgia given their potential for growth and sustainable development. The Action also reflects Georgia's policy to reinforce investments in digital infrastructure and connectivity in the Black Sea region, including the planned Black Sea submarine fibre-optic cable. It complements an upcoming EIB investment in optic-fibre networks in rural areas of Georgia and will be combined with future investments through the Neighbourhood Investment Platform (NIP) to ensure last mile connectivity.

Building on the Team Europe approach, possible joint efforts of the Member States, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) could help create increased and more coherent impact of EU support in this area. In this context, the EU is working on a Team Europe Initiative on Balanced Territorial Development in Georgia, which will likely include further actions aiming at reducing the digital divide.

Building on the Team Europe approach, this action supports increased innovation opportunities that can stimulate business, support diversification of the economy and shift production towards more knowledge-intensive and higher value-added products. The expected impact should be an increased cooperation with the EU on research and innovation, notably through Georgia's participation in Horizon Europe; more private businesses engaged in research and innovation thanks to support schemes to start-ups and SMEs targeting in particular digital transformation and innovation; and promoting sustainable development.

## 2. RATIONALE

### 2.1. Context

#### Local Policy Context

Since 2004, the Government of Georgia (GoG) has introduced new and innovative digital mechanisms in several institutions to fight corruption and enhance transparency (such as citizen-centric public service delivery halls, business and property registration etc.). It is also worth mentioning that the Georgian Constitution, as amended in October 2017, envisages free access to and use of the internet as a fundamental right. In January 2020, Georgia adopted **the National Broadband Development Strategy (NBDS)**<sup>3</sup>, which was elaborated with the support of the EU4Digital Programme and which targets three main components: **Connectivity, Digital Infrastructure and Digital Skills**. Currently, the GoG, with the support of the World Bank (WB) is elaborating a new **Georgia Digital Economy and Information Society Strategy** which should serve as the overarching strategy for digitalisation reforms in the coming years.

The new COVID-19 environment further sped up the use of digital technologies in both the public and private sectors. Georgia faced several challenges in this regard, due to lack of readiness of certain sectors (notably education, public administration and Small and Medium Enterprises (SMEs)). This resulted in a better understanding by the Government that digital reforms should be pushed forward and sufficient human and technical capital should be mobilised in the country. The same applies to the private sector and the digitalisation level of the industries, which still stand quite low in the country.

The Digital Agenda in general is an area that remains influenced by a set of persistent gender inequalities. Gender gaps and differences in access to and use of digital technologies include:

- Lower access to the internet among women-headed households for various reasons, such as lower income, lower digital skills and less interest in internet technologies,
- Low number of women graduates in science and technology,
- Women's low participation in the digital labour market and in particular in top management positions.

Only 22% of firms in Georgia have a female owner, and women entrepreneurs face barriers such as lack of skills, knowledge, and financing (due to limited asset ownership). More women than men have an account at a financial institution (63.6% versus 58.5%, respectively), but they are 20% less likely to use internet banking and 80% less likely to have a mobile money account<sup>4</sup>.

Research and innovation are an important contributor to the recovery and acceleration of the green and digital transformation. Investments in research and innovation are an important engine for productivity, economic growth and for maintaining global competitiveness. They contribute to securing Georgia's economic and societal recovery and its reform agenda.

#### EU-Georgia Sectoral Policy Context

The EU-Georgia Association Agreement (AA)<sup>5</sup>, which includes a Deep and Comprehensive Free Trade Area (DCFTA), entered into force on 1 July 2016. In this context, Georgia is encouraged to develop a **stronger, smarter and more vibrant economy**. These policy priorities are in line with chapter 8 of the

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<sup>3</sup> [Georgia approves broadband development strategy 2020-2025 - EU4Digital \(eufordigital.eu\)](https://www.eufordigital.eu/en/press-releases/georgia-approves-broadband-development-strategy-2020-2025)

<sup>4</sup> [https://www.geostat.ge/media/27548/W%26M-ENG\\_2019.pdf](https://www.geostat.ge/media/27548/W%26M-ENG_2019.pdf)

<sup>5</sup> Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part, OJEU, L261, 30.8 2014

Association Agreement which refers to EU-Georgia cooperation in the field of information society: *"The Parties shall promote cooperation on the development of the Information Society to benefit citizens and businesses through the widespread availability of information and communication technologies (ICT) and through better quality of services at affordable prices. This cooperation should aim at facilitating access to electronic communications markets, encourage competition and investment in the sector"* (Article 324). Digital transformation is crucial for enhancing the economic and SME environment as well as the efficiency and transparency of public action, creating jobs and ensuring social progress.

The Association Implementation Report 2021<sup>6</sup> outlines that it will be crucial for Georgia to ensure an inclusive, green and sustainable recovery from the COVID-19 crisis and to make further progress **on digitalisation and digital literacy**. Structural reforms remain crucial as they make Georgia's economy less vulnerable to external developments, notably COVID-19, and enhance the investment climate and trade potential. Further support for the **digital economy and for harmonising digital environments** between the EU and Georgia has become one of the priorities of EU-Georgia cooperation. This entails decent job creation, growth and innovation. As such digital transformation addresses all five areas of EU-Georgia cooperation as identified in **the Multiannual Programming Document (MIP) 2021-2027**: Resilient, sustainable and integrated economy; accountable institutions, the rule of law and security; environmental and climate resilience; resilient digital transformation and resilient, fair and inclusive society.

These policy areas are also in line with the **Joint Communication: "Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all"**<sup>7</sup> where the European Commission has called for the EU and its partners to address common challenges and to work hand in hand on new policy priorities in the future to support **the ecological transformation, the digital transformation and to deliver on economies that work for all**. It is accompanying Joint Staff Working Document (JSWD)<sup>8</sup> and the related Economic and Investment Plan (EIP)<sup>9</sup> support investments in digital transformation, aiming in particular at decreasing the in-country digital divide and the development of digital skills. The EIP also targets digital innovation and high-performance digital start-ups.

This Action is also in line with the EU policy priorities on Digitalisation. As indicated in **the Strategy on Shaping Europe's digital future**,<sup>10</sup> a strong digital presence in the EU's neighbourhood will enable growth and drive sustainable development. In this respect, the EU will invest further in the **digital transformation of the partner countries**, in line with EU legislation and best practices. Work in this area beyond 2020 will aim to extend the benefits of the **Digital Single Market** to the partner countries and support the full implementation of the partner countries' commitments in the Association Agreements and other bilateral agreements.

### **Relevance and Credibility of Policies and Strategies**

Georgia currently **does not yet have an overarching digital strategy** as the government is currently preparing a Digital Economy and Information Society Strategy. However, the existing **National Broadband Development Strategy (NBDS)** covers the majority of topics addressed by this Action.

According to the **NBDS**, the Government seeks to address the urban rural divide and invest in broadband connectivity as a priority. It sets a target of connecting 80% of the population with fibre optic cable by 2022.<sup>11</sup> The Strategy introduces ambitious goals for the sector. It recognises the importance of available,

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<sup>6</sup> [2021 Association Implementation Report on Georgia - European External Action Service \(europa.eu\)](https://ec.europa.eu/info/publications/2021-association-implementation-report-georgia)

<sup>7</sup> [https://ec.europa.eu/info/publications/joint-communication-eastern-partnership-policy-beyond-2020-reinforcing-resilience-eastern-partnership-delivers-all\\_en](https://ec.europa.eu/info/publications/joint-communication-eastern-partnership-policy-beyond-2020-reinforcing-resilience-eastern-partnership-delivers-all_en)

<sup>8</sup> [Joint Staff Working Document - Recovery, resilience and reform: post 2020 Eastern Partnership priorities - European External Action Service \(europa.eu\)](https://ec.europa.eu/info/publications/joint-staff-working-document-recovery-resilience-and-reform-post-2020-eastern-partnership-priorities_en)

<sup>9</sup> [Eastern Partnership: a renewed agenda \(europa.eu\)](https://ec.europa.eu/info/publications/eastern-partnership-renewed-agenda_en)

<sup>10</sup> <https://ec.europa.eu/digital-single-market/en>

<sup>11</sup> NBDS, Indicators page 42.

affordable and reliable **broadband connectivity** as a foundation to implement the Government’s economic development vision and to promote **digital inclusion**. It also reflects the ambitions of the Government to position the country as a hub in the global **digital economy**. The GoG is currently in the process of defining the relevant legal and regulatory framework for telecom-ready infrastructure sharing to enable telecommunication operators to understand the associated cost and benefits, as well as stimulate competition in the corresponding market segments. The NBDS also refers to the initiatives linked to remote and mountainous regions with low population densities that remain unconnected. The Ministry of Economy and Sustainable Development (MoESD) has been supporting community-based network initiatives (starting with Tusheti in 2017) to aggregate demand and provide training to small businesses and users in those areas. In 2016 the GoG has also established a state-aid programme – Open Net – to extend middle-mile optical fibre cable (OFC) networks to all settlements with over 200 households and to provide ISPs with open and fair access to the infrastructure to extend retail services<sup>12</sup>.

The **NBDS** emphasises that **digital skills** are a prerequisite for a well-functioning digital economy. The Strategy recognises adequate skills, demand for broadband, and availability of internet-based services as the essential elements to develop broadband networks and have tangible impact. In order to address these, the strategy lists a series of actions which include boosting **digital skills and literacy programmes** and public campaigns, including increasing **awareness of cybersecurity and online safety** (especially among children). It also underlines the need to train public sector staff how to conduct transactions that have already been digitalised. The **Unified Strategy for Education and Science of Georgia for 2017-2021**<sup>13</sup> also refers to the need to develop digital skills.

Furthermore, the **NBDS** underlines that Georgia’s **economic growth** needs to be inclusive. The Strategy prioritises increasing **digitalisation of sectors such as tourism and logistics** and positions Georgia as a **digital hub**. Development of entrepreneurial innovation and technological modernisation are considered important factors. The recently adopted **SME Strategy**<sup>14</sup> for 2021-25 of Georgia refers to “Promoting electronic communications, information technology, innovation and Research & Development (R&D) for SMEs” as one out of seven priority directions. The Strategy builds on ongoing support programmes of Enterprise Georgia and Georgia’s Innovation and Technology Agency and envisages actions in the areas of innovative financing, e-Commerce, accessibility, broadband infrastructure, development of small and medium telecom operators and research-industries linkages. There are more than 100 start-ups in Tbilisi and more than 30 ventures received seed funding from government programmes. Georgia Innovation and Technology Agency (GITA) and the Start-up Georgia/Partnership Fund provide funding and co-matching opportunities for start-ups. The programme consists of two components: an innovative component and a high-tech component. It covers aerospace production, automobiles, artificial intelligence, biotechnology, bioinformatics, computer engineering, computer science, information technology, nanotechnologies, nuclear physics and robotics.

Finally, the **Cultural Strategy 2025**<sup>15</sup> aims to turn Georgia into a regional hub where **innovation and creativity**, along cultural diversity are the fundamental pillars of social wellbeing and sustainable development. The Strategy considers **strong creative industries** as a catalyst for the country’s economic development. It also emphasises that creative industries represent an important source for **job creation, economic growth and innovation**. The Strategy prioritises **business-oriented and financial development** of creative industries, the need to modernise/create appropriate spaces and implement special supportive programmes. Another important aspect of the Strategy is the chapter on the **audio-visual** sector which emphasises the need to develop services and professions involved in the production, post production and distribution of audio-visual content.

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<sup>12</sup> See <http://opennet.ge/eng/static/9/oufen-neti> .

<sup>13</sup> [Ministry of Education and Science of Georgia \(mes.gov.ge\)](http://mes.gov.ge)

<sup>14</sup> SME Development Strategy 2021-2025: [სწავრომეცობის პორტალი \(reportal.ge\)](http://reportal.ge)

<sup>15</sup> [CreativeGeorgia - Culture Strategy of Georgia 2025](http://CreativeGeorgia.org)

## **Complementarity and Synergies**

The **European Union is the largest donor** to digital projects in Georgia, funding **65% of total mapped support** (i.e. €67.4 million).

The **EIB** supports the **Open-Net** Programme through the **Rural Fibre Network Georgia** project (the investment loan amount is EUR 34 million). Primary activities aim to develop the design and construction of a fibre optic telecommunications network at the regional level in Georgia to connect around 1 000 remote rural settlements. The new network will be operated as an open access infrastructure providing wholesale services only and will enable telecom operators to provide high speed broadband services to the population in those currently underserved rural areas. This Action is closely coordinated with the EIB to ensure **complementarity between our actions and making the last-mile connection a reality**.

The **World Bank** is currently investing EUR 28.9mln as part of the Log-In Georgia project to assist with the implementation of the **NBDS**. It will include more households and businesses across Georgia in the digital economy, and deepen Georgia's integration in the global digital economy. This initiative will also aim to promote the success stories that would arise from Georgia and its villages being better connected. The project is intended to support access to markets and to financial services via activities that seek to increase people's use of related digital tools (e.g. e-Trade, digital financial services).

This Action is complementary to the **Team Europe Initiative on Balanced Territorial Development**. This Team Europe Initiative will build on significant EU support under the "EU4 Integrated Territorial Development" programme, launched in September 2020 with the goal of reducing regional disparities in the country and further economic development of regions outside of the capital. Creating new centres of gravity and delivering assistance at different layers in other parts of the country than Tbilisi and Batumi will contribute not only to providing adequate and wide-ranging response to those affected by COVID-19, but will also ensure a more sustainable development and economic growth of Georgia.

## **Political and Financial Outlook**

The country has witnessed important challenges on human rights and democracy throughout the last couple of years, which have tested the fragile political stability and the values of democracy. Important electoral reforms are now stalled and over the last year Georgia has backslid on judicial reforms. Fairness of the electoral process, independence and impartiality of the judiciary, gender equality and Lesbian Gay Bisexual Transgender and Intersex (LGBTI) rights, rights of minorities, rights of persons with disabilities remain among issues of concern to be addressed further. While important labour and employment reforms were adopted in 2020, efforts to ensure decent work and increased employment and employability need to continue. A culture of human rights has still to take firm root throughout the country. Parliamentarians, government and other public figures should be at the forefront speaking out on the need for tolerance, equality and non-discrimination.

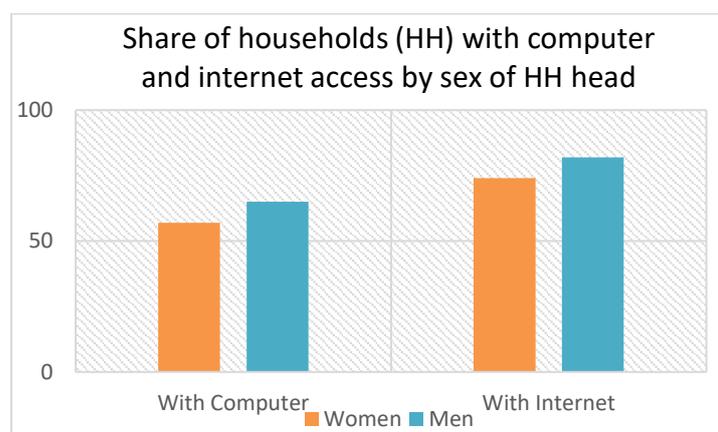
During the last decade, Georgia has demonstrated progress in **Public Financial Management (PFM) and Domestic Resource Mobilisation (DRM)** through expansion and strengthening of fiscal discipline and budgeting, rolling out the rules and procedures for the internal financial control and audit, application of public sector accountability standards and enhancing external audit and oversight. Despite this positive performance, Georgia's financial system has to pass the "COVID-19" stress test that requires maintaining balanced attention between the immediate needs and medium term policy reforms. According to Geostat, GDP growth was robust and reached 10.6% in 2021. The implementation of the IMF programme was satisfactory, it was fully disbursed and completed in April 2021.

## 2.2. Problem Analysis

### Short Problem Analysis

#### (1) Reducing the Digital Divide

Broadband networks in Georgia - especially fixed broadband networks - are mostly deployed in urban areas, and some rural areas lack reliable mobile and fixed broadband connectivity. The limitations on coverage of even basic networks contribute to an urban-rural divide in internet use. In July 2020, 74% of rural households had an internet connection compared to 90% of urban households.<sup>16</sup> Girls' and young women's massive access to connectivity and the internet in principle allow more women to study certain professions and/or to find a job for the future, but would need to be leveraged by e.g. using social media to showcase the possibilities. Non-digitalisation of the rural population hinders their access to basic services and affects their basic human right to free access to and use of the internet.



Source: Data from GEOSTAT, survey on information and communication technologies usage in households (2018)

In this context, the goals of the GoG are **to eliminate digital inequalities and develop broadband internet infrastructure, update electronic communications**, develop entrepreneurship, competitiveness and electronic commerce together with the development of the Euro-Asian Transportation and Energy Corridors.<sup>17</sup> In order to achieve all this, a lot remains to be done as regards policy and the regulatory framework as this is a quite complex area. It includes several digital related aspects and development or improvement of respective electronic platforms for operation (e-Services, e-Commerce, e-Learning, e-Petition etc). Three main gaps are currently identified as regards broadband development: lack of competitive pressure in different segments of the value chain; limited investment to expand networks and improve quality of service; skills and digital awareness gap among users regarding productive uses of broadband to maximise its economic impact.

The lack of standardisation of rules and clarity on regulations pertaining to infrastructure sharing (including green principles) and access are an impediment to the delivery of related results in the sector. However, as regards the regulatory framework for telecommunications, which covers legislative approximation, spectrum coordination, roaming traffic and broadband development, the gap between Georgia and the EU baseline is less than the average for the region.<sup>18</sup>

<sup>16</sup> GEOSTAT data, July 2018: [http://geostat.ge/index.php?action=page&p\\_id=2282&lang=eng](http://geostat.ge/index.php?action=page&p_id=2282&lang=eng)

<sup>17</sup> The World Bank has started a new project on digitalisation of corridors (including digital solutions for cargo movement) between the South Caucasus and Central Asia. EU support might be required in this area in the future. Georgia is also working on the "smart port concept" in order to improve public services in ports and to ensure efficiency and transparency for port users.

<sup>18</sup> World Bank study on Broadband Development Strategy

The **NBDS**, adopted in January 2020, sets clear indicators and targets on achieving 4G coverage throughout the country, reaching households with fast internet and providing broadband services with less costs. The GoG is currently in the process of defining the relevant legal and regulatory frameworks for telecom-ready infrastructure sharing, to enable telecommunication operators receiving timesaving benefits, as well as stimulate competition in the corresponding market segments.

In addition, 5G is one of the main priorities of the Georgian government, under the **NBDS** and its implementation action plan. According to the NBDS, by 2023, 5G has to be introduced in at least 3 municipalities in Georgia in a piloting regime. By 2025, 75% of settlements with more than 15000 inhabitants should have 5G.

While the commercialisation of alternative sources of digital infrastructure will inject additional capacity and competition in the market, the networks will still not cover all population centres across Georgia. Remote and mountainous regions with low population densities may remain unconnected because of the limited economic viability of investment in the necessary infrastructure. Such access gaps require public sector subsidies and financial assistance. Tailored services and technical assistance in this direction will be important to pursue the goals of the **NBDS**.

The construction of **a fibre-optic cable is being envisaged across the Black Sea**. The cable would connect Georgia and other Caucasus countries to the EU broadband network. The construction of this cable will help Georgia to deal with growing internet bandwidth consumption and it has the potential to make the country position itself as a node on the global internet market. This investment will also contribute to reinforcing the digital independence and security of Georgia. Additional analytical and technical studies are necessary to prepare this key investment.

## **(2) Enhanced Digital Human Capital**

**Digital skills** of citizens - as part of modern digital competence<sup>19</sup>- are a prerequisite for a well-functioning digital economy. Enhanced digital key competencies needed in the digital era are essential for the Georgian economy to meet the demands of the 21<sup>st</sup> century. Despite increasing diffusion of digital technologies and tools in businesses, a large proportion of enterprises does not possess adequate digital skills to adapt to and use these supporting technologies. Moreover, many enterprises in less developed and rural areas are still not aware of their future digital needs and/or are unable to upgrade their services or product design and delivery by effective use of digital technologies.

Georgia has not yet carried out a thorough survey to measure the digital skills gap. However, according to a 2018 study, the gap between Georgia and the EU baseline is slightly less than the regional average.<sup>20</sup> There is an overall understanding of the importance of digital economy and the government has launched initiatives to promote innovation and technology, including through GITA and Enterprise Georgia (EG) (under small grants for Micro, Small and Medium Enterprises (MSMEs)). The challenge is to unify all relevant stakeholders and gather their commitment to form digital skills development coalitions. Cooperation between the Government and the private sector on these questions would increase trust and would have a long term benefit.

In Georgia, on the one hand, there is a need for high-qualified system developers; on the other hand, users need skills to profit more from the applications provided. One of the main gaps in e-Governance is limited uptake of the available services by citizens.<sup>21</sup> The first step for a successful uptake and use is to create

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<sup>19</sup> [DigComp | EU Science Hub \(europa.eu\)](#) and [Council Recommendation of 22 May 2018 on key competences for lifelong learning Text with EEA relevance. \(europa.eu\)](#)

<sup>20</sup> 2018 HIQSTEP Study on ICT Innovation and Start-up Ecosystem

<sup>21</sup> E-Georgia Strategy

awareness vis-à-vis potential users and to show them the advantages of using the available systems and applications. Subsequently, users need to be enabled to use the systems.

Employers in Georgia demand both technical as well as generic/transversal skills<sup>22</sup> from potential employees where digital skills play a crucial role. The lack of entrepreneurship key competences<sup>23</sup> - along with the digital key competences - and the absence of a relevant coherent policy vision in the education system hinders stimulation of an entrepreneurial culture as well as SME development in the country.

Acquiring digital skills and competences is one of the central themes of the NBDS. Besides improving skills of the general population special attention should be given to special target groups like the elderly, disadvantaged, low-income people or people living in rural areas. These groups are usually not very familiar with using computers, searching information on the internet or working with new technologies although they would profit to a great extent.

Last but not least, in the vein of promoting equality of opportunities, awareness raising about the benefits of digital skills and key competences for the future should be especially targeted at girls and women.

### **(3) Digital Growth**

Georgia’s SMEs have been underperforming in the recent decade, and this unmet potential has been one of the causes of Georgia’s innovation, entrepreneurship, and competitiveness challenges. Approximately 99.5% of all firms in Georgia are SMEs. In 2019<sup>24</sup>, SMEs generated 59.3% of gross value added. SMEs tend to be concentrated in low value added sectors, such as trade (including repair of vehicles), manufacturing and construction.<sup>25</sup> SME productivity is three times lower than that of large enterprises and they have much lower rates of innovation. Only a limited percentage of Georgian SMEs surveyed by National Statistics Office of Georgia (GEOSTAT) in 2019 indicated that they had introduced a new or substantially improved product or service in the previous three years.

Source:  
GEOSTAT

**2019**

<b>SME innovation and R&amp;D</b>		
Share of SMEs introducing product innovation	%	20.5
Share of SMEs using e-Invoicing	%	36.9
Share of SMEs using e-Procurement	%	35.3
Share of SMEs using e-Sales	%	38.2

Many SMEs struggle with survival during the first year of operations and still do not have access to external finance in the 4<sup>th</sup> or 5<sup>th</sup> year after inception. Hence, few SMEs in Georgia survive more than five years, and most stay micro and small, with less than 12 employees on average (versus 24 in Armenia and 44 in Azerbaijan). Specialised support to Georgian SMEs to facilitate innovations is limited.<sup>26</sup>

When comparing Georgia to EU countries, there are a number of notable differences. Georgian ICT innovation is led by the public sector, where the private sector is an inactive follower. Georgia has a critical

<sup>22</sup>On key competences as a combination of knowledge, skills and attitudes, see: [Council Recommendation of 22 May 2018 on key competences for lifelong learning Text with EEA relevance. \(europa.eu\)](#)

<sup>23</sup> [EntreComp: The entrepreneurship competence framework | EU Science Hub \(europa.eu\)](#) and [Council Recommendation of 22 May 2018 on key competences for lifelong learning Text with EEA relevance. \(europa.eu\)](#)

<sup>24</sup> Data for 2020 will be released in October 2021

<sup>25</sup> 2018 Ministry of Economy and Sustainable Development Mid Term Evaluation Georgia’s SME Development Strategy 2016-2020

<sup>26</sup> World Bank 2013, Fostering Entrepreneurship in Georgia, 2013

mass of experienced and young scientists and engineers and has successfully piloted technology transfers under the EU funded “Increasing Institutional Capacity for Innovation” project. Still, a systematic policy needs to evolve and links between researchers and innovators further strengthened. Performed research is often detached from business. Business financing is rarely available to smaller scale companies.<sup>27</sup> Recent studies conducted by HIQSTEP (High Quality Short-term Studies Project) concluded that has achieved significant progress on e-Commerce for SMEs for instance as regards openness for competition in e-Commerce and internet security and privacy. The weakest areas are notably the protection of consumer rights and e-Logistics.<sup>28</sup>

The GoG aims at establishing Georgia as a digital and information hub in the region and prioritises digital growth in a number of strategic documents<sup>29</sup>. The Ministry of Economy and Sustainable Development (MoESD) through GITA and Enterprise Georgia (EG) has a number of established programmes in order to support the knowledge-based and innovation-driven economy. However, the number of SMEs using **ICT and digitalisation in their business is still limited** in Georgia.<sup>30</sup> The importance given to the development of the ICT industry is also underlined by special tax benefits offered by the government.<sup>31</sup>

The potential of **creative entrepreneurship and industries** for economic growth and job creation seems still somewhat under-recognised. Measurable creative industries in Georgia (only 7 out of the existing 11 creative industries)<sup>32</sup> together make up 1.5% of gross value added (GVA) of the Georgian economy and 1.1% of employment. There is limited comprehensive research and/or statistical analysis available for the cultural and creative industries sectors. However, based on small-scale analytical reports and current trends, several sectors can be pointed out as being the driving forces of cultural activities within the country. In the last years, Georgia has been repeatedly in the spotlight of international media for its **vibrant design and fashion scheme, cultural heritage, eclectic architecture and film sectors**. Advertising agencies and IT industry are becoming more and more developed as well. Companies in these sectors have profited from EU technical assistance and access to finance initiatives. With EU support, clusters in the areas of IT, film, fashion and furniture have been established and developed.

Georgia has a big potential to further develop **advertisement and film industries**. Georgia has been also gradually picking up on their international reputation in filmmaking notably via the international work of the Georgian National Film Centre (GNFC). The EU-supported Georgian Film Cluster is now an officially registered entity that brings together leading professionals in film production and post-production, who share a common vision for promotion of the Georgian film industry.

#### **(4) Support to Policy Development and Coordination**

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<sup>27</sup> See 2018 HIQSTEP Study on ICT Innovation and Start-up Ecosystem

<sup>28</sup> Ibid.

<sup>29</sup> National Broadband Development Strategy (as mentioned above); A comprehensive Georgia Digital Economy and Information Society Strategy is under development. The SME Strategy of Georgia refers to “Promoting electronic communications, information technology, innovation and R&D for SMEs” as one out of seven priority directions.

<sup>30</sup> According to the latest available data only 3.0% of enterprises introduced new or significantly improved digital services on the market. Acquisition of equipment and software contributes 19.3% in enterprises’ involvement in innovation activities. The design contributes 14.6%; training for innovative activities 13.1%; market introduction of innovations 12.8% and in-house research and development stands at 12.5%. According to GEOSTAT ICT survey, in 2019 only 2.6% of enterprises use orders through a website which is actually less than in 2017 (5.7%) and 2019 (2.6%).

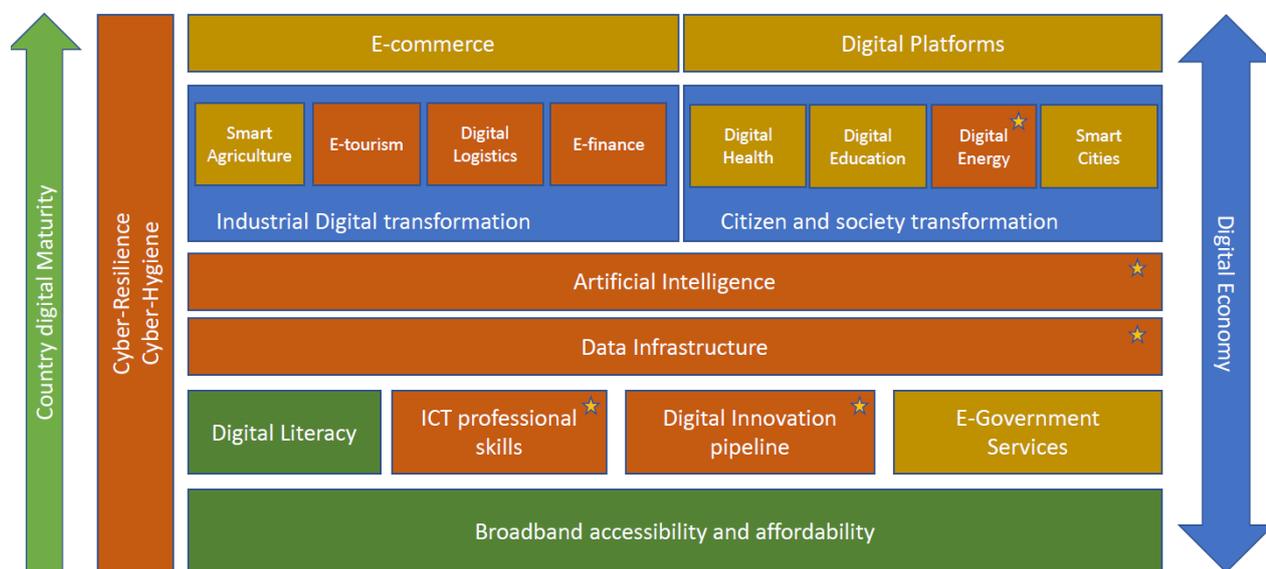
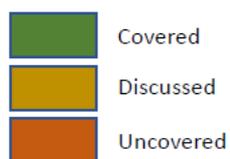
<sup>31</sup> For incentivising the ICT sector, the GoG has introduced the “Virtual Zone Entity” concept into the tax code, meaning ICT services exporters are exempt from VAT and profit tax. Further, companies that offer IT services are able to enjoy favourable terms of taxation in Georgia if they obtain the status of an “international company”. With this status, companies are able to enjoy reduced property (but not land), profit, dividend (full exemption), and income taxes, with profit and income taxes reduced to 5%.

<sup>32</sup> Creative Industries include: Advertising, archives/libraries/cultural heritage, books & press, music, performing arts & artistic creation, radio & TV, video & film, **software & games, cultural education, design & visual arts and architecture**. The last four sectors cannot be measured due to lack of data.

Digitalisation is a declared development priority of the GoG. The NBDS which was adopted in 2020 lists the main directions of the digitalisation reform. However, there is no specific coordination for digital strategies and initiatives in the country and in a rapid developing environment, this leads to **uncoordinated efforts, duplication of initiatives and more complexity** in supporting strategic programmes. There are several areas of opportunity to explore in order to accelerate the impact that could be brought by digital in the economy and in the society.

There is a generic lack of awareness of the strategic value of digital transformation in the country and no national **data strategy or institution** related to **data governance and stewardship** exists or is in planning in Georgia. Data is a fundamental infrastructure for the development of more advanced digital services and is already being collected and monetised by private companies. There is also a lack of awareness of the potential impact of **Artificial Intelligence (AI) development**. This could have a considerable impact in a country where relevant industries like **energy, agriculture, tourism or logistics** could be significantly enabled and transformed by its usage, having in mind that transition should lead to carbon neutral, green and circular economy, in line with the EU Green Deal. The table below **illustrates the needs and problem analysis** for the digital sector in Georgia. This table was developed in May 2021 by a digital expert, hired under EU support<sup>33</sup>, who carried out extensive desk research and conducted approximately 25 interviews with representatives of the relevant agencies and institutions, including academia, EU4Digital and the EU Delegation cooperation section.

The digital agenda is rather cross-cutting and can include sectors from Agriculture, to Health and Trade, as described in the table below. Nowadays, the countries which progress on digital transformation have digital elements incorporated in leading sectors of economy such as agriculture (smart measuring or smart farming), health (e-Health, e-Prescription), trade (e-Logistics, e-Customs) which in the end contributes to digital transformation. The table below shows in **GREEN** where there are existing priorities and active discussions and strategies in Georgia, in **YELLOW** existing discussions and minor initiatives, while **ORANGE** shows the gaps that could be addressed to enable a more coherent and global approach to the digital economy.



Against this background, this programme will provide support to policy development and coordination, which will **work with all relevant agencies, institutions** on a **needs-based demand both as regards policy and the regulatory framework**. In addition, Georgia is currently working on Digital Economy and Information Society Strategy, which will be also supported by this component.

<sup>33</sup> “Facility for the Implementation of EU-Georgia Association Agreement – II”

## **Identification of Main Stakeholders and Corresponding Institutional and/or Organisational Issues (Mandates, Potential Roles, and Capacities) to be covered by the Action**

The main stakeholders of this Action are the Georgian authorities, including implementing and regulatory agencies, the private sector and lastly, the citizens as final beneficiaries. Given the inter-related policy areas covered by this Action and its cross-cutting, complex character, there are a number of institutions and agencies which play a key role in the elaboration and implementation of related policies. The Action will contribute to a better institutional cooperation and coordination within the sector covered.

**The Ministry of Economy and Sustainable Development (MoESD)** is the coordinating body for the development of the digital economy. MoESD is responsible for elaborating foreign trade policy, transport and logistics policy, electronic communications, IT, post and e-Commerce policy. **The Communications, Information and Modern Technologies Department** of the Ministry is responsible for the elaboration and implementation of the state policy on ICT, as well as for modern technologies and scientific and technological innovations. The Department is also responsible for the implementation of special measures to integrate the country's electronic communications and postal networks into global electronic communications and postal networks. Currently, the Department employs up to 7 staff members which is still not sufficient to cover all the responsibilities and tasks deriving from the NBDS. The Department needs further support both on a technical and human resource level.

A key implementing body for innovation policy is **Georgia's Innovation and Technology Agency (GITA)** - an agency under MoESD. GITA, established in 2014, is the main coordinator and mediator in the process of building the innovation ecosystem. The agency is formally in charge of innovation policy elaboration and implementation. The main strengths of the agency are technical and managerial capacity of the innovation ecosystem, provision of infrastructure (Tech Parks, Fab Labs, Incubators etc.), promotion of entrepreneurship, provision of ICT capacity building, and support for commercialisation of innovative projects. GITA also actively collaborates with the Ministry of Education and Science to integrate innovation and entrepreneurship in the curriculum.

**Enterprise Georgia** is the governmental SME agency responsible for business support, export promotion and investment. Under its small grant programme, SMEs can receive support to digitalise their services and business operation. Its programme "Film in Georgia" turned out to be one of the success cases for developing the film industry. The programme offers 20-25% cash rebate on qualified expenses incurred in Georgia and aims to support the development of **Georgia's film industry**, attract international filmmakers to the country and position Georgia as the main Eastern European **filming destination**. The Agency's main strengths include its outreach level to SMEs across the country and operational capacity for grants management.

**The Ministry of Justice (MoJ)** is responsible for policy development in e-Government, especially in the areas such as the availability of electronic services, electronic documents, e-Identification and e-Signature. **The Digital Georgia Agency (DGA)** (former Data Exchange Agency), a legal entity under the MoJ is the key player in the sector. The agency's core functions can be split into 3 areas: e-Governance; data exchange infrastructure; and information security. DGA's strengths include technical expertise for e-Governance development, creation and establishment of a unified Georgian Governmental Gateway (3G), and the establishment of data exchange infrastructure. Setting ICT standards for public sector entities and elaborating information security policies also fall under the agency's responsibility. The main weakness for the agency remains a limited mandate for digitalisation reforms.

**The Ministry of Education and Science (MoES)** enables the engagement of young people in the innovation ecosystem. The "New School Model" reform programme of the MoES prioritises the development of digital skills and competence and digital and online learning in general education. The Ministry, in collaboration with municipalities and GITA, facilitates engagement of young people through the network of fab labs, established in vocational or higher education institutions. Currently, in addition to

2 fab labs, functioning under the patronage of GITA, 20 fab labs located in the facilities of higher education institutions and vocational education and training (VET) colleges are providing several educational and youth engagement activities. In addition to the above-mentioned infrastructure, engagement and capacity development of young people is enabled **through regional innovation centres**<sup>34</sup> and the network of iLabs, the establishment of which was facilitated and supported by GITA.

Now under the **Ministry of Culture, Youth and Sport (MoCYS)**, the recently established Legal Entity of Public Law (LEPL) **Youth Agency** is responsible for reforming, coordination and implementation of youth policy. One of the main priorities of the agency is to develop the **youth economy based on strong digital competence of young people** and to create a supportive environment for youth digital entrepreneurship. The main strengths of the agency is the outreach level to the young people as well as innovative solutions, whereas the current limited mandate under the Ministry represents the main weakness.

The **Ministry of Regional Development and Infrastructure (MRDI)** has the overall management authority for policies related to regional development as well as support related to the rural and mountainous regions of Georgia. Supporting **digital initiatives** that are particularly linked to tourism and economic activity generation on local level are one of the priority areas for the MRDI. The main strength of the Ministry is the outreach and cooperation level with local municipalities as well as strong ownership as regards the Integrated Territorial Development (ITD) programme.

**Creative Georgia** was created in January 2017. The main goal of Creative Georgia is to raise awareness about the **role of creative industries in the economy**. This LEPL also supports creating alternative funding schemes, fostering cross-sectorial cooperation and cluster creation. It aims at strengthening the creative goods and services market on local and international levels. From 2019, new functions have been delegated to Creative Georgia. **One of the main mandates of Creative Georgia is to promote the Creative Europe Programme and coordinate all related activities and events**. Creative Georgia has been performing excellently in promoting cultural, creative and audio-visual opportunities under Creative Europe and assisting potential candidates to implement their projects.

To ensure demand-driven measures, it is also essential to include related clusters (e.g. Georgia's **ICT and Film Cluster**), universities and research centres into the Action.

**Business and Technology University (BTU)** which is a leading education institution in Technological and Business programmes in Georgia offers students innovation in learning by combining two fields of business and technology. Programmes bring together faculty and professionals from international companies and universities, integrating leading management and academic thinking with innovation. BTU offers undergraduate, graduate, and doctoral programmes. The programmes are oriented on entrepreneurship based learning, encouraging students' innovative potential, developing their managerial skills that will make alumni competitive on both local and global labour markets. BTU also will be the first University in the region which will establish an **Artificial Intelligence PhD** programme in the region.

The final beneficiaries of the Action will be the private sector at large, including business support organisation and the Georgian citizens.

### **3. DESCRIPTION OF THE ACTION**

#### **3.1. Objectives and Expected Outputs**

The **Overall Objective (Impact)** of this Action is to contribute to smart, sustainable and inclusive growth in Georgia. The Action will support Georgia's private sector to raise productivity levels, including by increasing the role of Georgia's creative economy, and integrate more effectively into global value chains.

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<sup>34</sup> Kharagauli (Imereti), Choporti (Mtskheta-Mtianieti), Baghdati (Imereti) and Rukhi (Samegrelo)

This action will also enhance Georgia's resilience to respond to urgent needs by the Georgian central and local authorities as well as the population that are resulting or could result from the war situation following the Russian aggression against Ukraine.

The Specific(s) Objective(s) (Outcomes) of this action are to

1. **Reduce the digital divide** by increasing access to affordable and secure broadband connectivity and digital infrastructure by supporting flagship initiatives;
2. **Enhance Digital Human Capital** with specific measures for girls and women;
3. **Support to Digital Growth** through the digitalisation of businesses and the development of **creative industries** and related clusters;
4. **Provide Support to Policy Development and Coordination** to relevant agencies for **policy and regulatory** reform, **strategy development** as well as for **efficient coordination and communication**.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are

Contributing Specific Objective 1. **Reduced Digital Divide**

- 1.1. Increased access to affordable digital infrastructure in rural areas
- 1.2. Connected rural areas

Contributing Specific Objective 2. **Enhanced Digital Human Capital**

- 2.1. Enhanced basic skills and competencies needed in the digital era
- 2.2. Improved ICT skills needed for high-tech related jobs
- 2.3. Empowered Girls and Women in ICT industry

Contributing Specific Objective 3. **Digital Growth**

- 3.1. Enhanced integration of ICTs/digital technologies in SMEs
- 3.2. Increased opportunities for Creative Industries

Contributing Specific Objective 4. **Support to Policy Development and Coordination**

- 4.1. Enhanced policy and regulatory environment in digitalisation
- 4.2. Capacitated institutions for digital transformation
- 4.3. Improved coordination and monitoring

### **3.2. Indicative Activities**

#### **(1) Reduced Digital Divide**

##### Activities related to Output 1.1: Increased access to affordable digital infrastructure in rural areas

- Developing Flagship Internet Access Projects in the focal regions to make the last-mile connectivity a reality. The latter will include installing of internet equipment in the most rural areas where broadband or, even electricity is not accessible. This will also imply setting up connecting devices in each house and commercial building.
- Procurement of needed equipment: antennas, transmission equipment, laptops, software, etc.

##### Activities related to Output 1.2: Connected rural areas

- Capacity building and advisory services as regards ICT, use of digital services etc. for the population living in the rural area.
- Targeted support to women-headed households to increase their access to affordable and secure broadband connectivity.

- Technical assistance to prepare the fibre-optic cable investment across the Black Sea.

## **(2) Enhanced Digital Human Capital**

### Activities related to Output 2.1: Enhanced basic skills and competencies needed in the digital era

- Basic skills and digital competence programmes for the general public in line with EU's Digital Competence Framework<sup>35</sup>.
- Development of related modules for schools, universities, local municipalities in the regions.
- Capacity building activities conducted both for private sector and public bodies as well as the general population on national and local level.

### Activities related to Output 2.2: Improved ICT skills needed for high-tech related jobs

- Developing partnerships with related government and academic institutions for mobilising advanced ICT specialists.
- Training sessions for advanced ICT and high tech specialists.
- Applying game-based e-Learning, data collection and artificial intelligence in relevant trainings.

### Activities related to Output 2.3: Empowered Girls and Women in ICT industry

- Developing tailor-made ICT training and mentorship programmes for girls and women in partnership with relevant government, academic institutions, schools, business associations and other civil society representatives.
- Promoting increased participation of women in the digital economy through web-based training resources, game-based e-Learning, social networking, studies and research on women in ICT.
- Outreach to the most marginalised groups, such as young girls and women, IDPs, ethnic minorities etc.

## **(3) Digital Growth**

### Activities related to Output 3.1: Enhanced integration of ICTs/digital technologies in SMEs

- Voucher schemes/grants for SMEs for integrating digital technologies.
- Capacity building for SMEs to digitalise their businesses.

### Activities related to 3.2: Increased opportunities for Creative Industries

- Supporting Smart/Creative City Development in the focal regions through a call for proposals to develop innovative solutions for city and tourism, such as electronic cable-cars, digital museums, smart street lights, interactive electronic library in the streets, digital tour guides etc.
- Supporting "bottom-up" projects to support innovation and development of entrepreneurial hubs and co-working spaces (e.g. establishing Knowledge Cafés, creating local-run co-working spaces combined with commercial space, establishing space for artists and digital entrepreneurs where they can work and exhibit their work etc.).
- Supporting creative industries and related clusters to generate economic activity on local level.
- Supporting Georgia's participation in Creative Europe Phase II through reimbursing up to 50 % of the corresponding annual financial contribution.

## **(4) Support to Policy Development and Coordination**

### Activities related to Outputs 4.1: Enhanced policy and regulatory environment in digitalisation

- y
- Capacity building for regulatory and policy reforms including on the possible development of a voucher scheme for greening of SMEs
- Improving the regulatory framework in order to promote a digital entrepreneurial ecosystem.

<sup>35</sup> [DigComp | EU Science Hub \(europa.eu\)](https://ec.europa.eu/digital-single-market/en/digital-competence-framework)

- Adopting regulatory incentives for promoting entrepreneurship.
- Support initiatives which develop and implement ideas to empower digital entrepreneurs, digital companies and which support the development of the digital and entrepreneurial ecosystem.
- Technical assistance related to digitalisation reforms across various agencies of the government.

#### Activities related to Outputs 4.2: Capacitated institutions for digital transformation

- Support to improve policies and regulation on digitalisation to enable the transformation of the Georgian economy from traditional to more digitalised applications.
- Support the GoG in the development of Georgia’s Digital Economy and Information Society Strategy & (possibly) Artificial Intelligence Strategy.
- Support the GoG to establish and develop digital solutions in other strategic sectors (agriculture, tourism, education etc.).
- Support the GoG and related agencies to follow up on the recommendations of EU4Digital as regards the development of the start-up eco-system.
- Assistance to the GoG and related agencies to implement the “greening” voucher schemes.
- Setting up mechanisms to support start-ups working on green-digital technologies as well as empower them to use innovative, notably circular economy, business models.
- Supporting e-Commerce development and related capacity-building, seeking synergies with the regional EU4Digital programme.

#### Activities related to Outputs 4.3: Improved coordination and monitoring

- Supporting coordination and policy dialogue to advance the digital transformation agenda of the GoG.
- Supporting a coordination platform which will increase collaboration and coordination among key institutions in order to advance digital domains as well as proper monitoring of the reform process.
- Supporting related communication and monitoring of the Action.

### **3.3. Mainstreaming**

#### **Environmental Protection, Climate Change and Biodiversity**

**Outcomes of the Strategic Environmental Assessment (SEA) screening** (relevant for budget support and strategic-level interventions)

The SEA screening concluded that key environmental and climate-related aspects need to be addressed during the design phase of the project. In addition, when needed, an Environment Management Plan (EMP) should accompany all phases of the design and implementation of the projects, ensuring that the digital infrastructure is designed for durability, maintenance, dismantling, reuse, and recycling. Environmental protection will be promoted by this Action, including but not limited to the fields of energy and infrastructure. The integration of ICT/digital technologies in public and private services and the development of new environmental and climate friendly solutions by digital entrepreneurs offer opportunities that can support a more sustainable human development. During the development of strategic documents (e.g. Digital Economy and Information Society Strategy, Artificial Intelligence Strategy), a Strategic Environmental Assessment will be conducted in order to strengthen the environmental and climate aspects of those documents. It should be ensured that all digitalisation projects contribute to the Green Deal objectives of climate neutrality, circularity, sustainability, and biodiversity protection.

**Outcomes of the Environmental Impact Assessment (EIA) screening** (relevant for projects and/or specific interventions within a project)

The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

The proposed Action will contribute to improving the environmental situation in Georgia. On the one hand, further development of digitalisation has the potential to promote energy savings, limit greenhouse gas emissions and overall reinforce the efficiency of numerous sectors of the national economy. On the other hand, it could have a significant environmental footprint by contributing to global greenhouse gas emissions due to growing electricity consumption, for example by data centres and mobile networks. Overall digital technologies should save more emissions than they produce.

During the implementation, particular attention will be paid to the type of infrastructure and technologies that will be selected for the development of the broadband in the country in order to make sure that the most efficient and environmentally friendly options are being selected. In addition to that, special attention will be given to e-Waste management

**Outcome of the Climate Risk Assessment (CRA) screening** (relevant for projects and/or specific interventions within a project)

The CRA screening concluded that this action is no or low risk (no need for further assessment)

Carried out in a proper way, the Action could contribute to fighting climate change and protecting biodiversity due to the numerous advantages and positive spill over effects for these sectors. Example of spill over effects will be: the reduction of paper use in business administration, reduction of energy use (gas, oil) for transportation to receive or, provide services which can be done electronically, reduction of materials used for agriculture, while smart measuring can dictate the exact amounts of pesticides to be purchased and used.

### **Gender equality and empowerment of women and girls**

As per Organisation for Economic Co-Operation and Development (OECD) Gender Development Assistance Committee (DAC) codes identified in section 1.1, this action is labelled as G1. This implies that gender equality will be incorporated in the design, implementation and monitoring of the activities of this Action. Indicators will include gender disaggregated data allowing to track progress towards gender equality. Gender equality will be targeted in all stages of programme implementation with the objective of reducing the gaps between women and men (for example as regards access to computer and internet). The approach will reflect the principles of the strategic documents on gender issues, such as Gender Action Plan III. Girls and young women's massive access to connectivity and internet should be leveraged by using social media to showcase how digitalisation can help girls and women to receive education and pursue certain professions which can result in their employment and their empowerment both economically and socially.

Some illustrative medium-term (outcome) indicators that the planned programme could aim to contribute are:

- More young women in Georgia choose study/career paths related to core STEM (Sciences, Technology, Engineering, Mathematics) disciplines;
- Women in Georgia have greater access to opportunities for employment, self-employment and entrepreneurship in STEM-related industries;
- Women led/owned enterprises (MSMEs) in the STEM industries gain access to resources for business development (i.e. business and team management online, digital advertising, digitally based business operations, etc.).

Furthermore, participation in employment and business ownership in the STEM industries will be measured through gender disaggregated data. Integration of these kinds of metrics in the annual "Woman and Man in Georgia" publication<sup>36</sup> would be encouraged.

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<sup>36</sup> "Women and Men in Georgia" is GEOSTAT's statistical publication dedicated to gender equality challenges. The statistical data reflects the key indicators of gender equality in n Georgia. The publication is aimed at raising public awareness of gender-

The programme has the potential to e.g. narrow the gender gap by designing gender sensitive digital solutions in the mentioned areas and by improving women's digital key competence and remote access to services. Interventions will where relevant be required to offer preferential access in sensitive areas to prevent exclusion, address accessibility and stimulate a reduced digital divide and increased business competitiveness and digital entrepreneurship in an integrated manner .

### **Human Rights**

Potential gaps have been analysed and addressed during identification of the Programme, especially regarding the existing disparities - in a geographical and social context (digital divide). The reference and support to rights holders especially girls and women are clearly identified in the programme document. The Action also takes into consideration privacy and data protection related aspects and will support the beneficiaries to develop relevant capacity building. Combining enhanced integration of ICT/digital technologies with a reduced digital divide (in terms of connectivity, digital literacy, etc.) should offer opportunities to increase equal access to and inclusiveness of both public and private services, including but not limited to health, banking and education.

### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that this action does not directly target persons with disability.

However, people with disabilities will be able to profit from connection to high-quality, affordable broadband internet. This can provide new opportunities, e.g. improve their participation in politics and cultural life, make public and private services more accessible, and improve their employment situation.

### **Democracy**

The Action by its nature and components addresses most of the Georgia population. The initiatives supported under the Action will connect people, enterprises, and institutions across rural Georgia to high-quality, affordable broadband internet, and promote the use of digital services. This will contribute to reducing the digital and social gap currently existing in the country. The spill-over effect of the Action on democratic aspects will be increased awareness and access to services and wider public participation in decision-making processes. The log-frame of the project also defines indicators which will illustrate the number of people reached and empowered by the Action.

### **Conflict sensitivity, peace and resilience**

Georgia is a multi-cultural and multi-ethnic country. Many remote areas are home to ethnic and/or religious minorities. A better connection and decreased regional divide may help defuse potential tensions (such as disputes deriving from disinformation, lack of reliable online sources etc.) which are sometimes manipulated by political forces. Development of ICT skills for Internally Displaced People (IDP) communities can also ensure better resilience for this vulnerable part of society.

### **Disaster Risk Reduction**

The Action and related sub-components will be implemented in line with the priorities of the National Disaster Risk Reduction (DRR) Strategy<sup>37</sup> of Georgia. The document defines activities for reduction of natural and man-made disasters, risks and challenges faced by the country and defines the main DRR policy directions. This will particularly apply to last-mile connection initiatives and related infrastructure. All contractors will be also instructed to follow guidance and strategic priorities of the National Disaster Risk Reduction Strategy of Georgia.

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related problems and developing targeted state policies in the field of gender equality. The data are retrieved from the surveys conducted by the National Statistics Office of Georgia and other administrative sources. <https://www.geostat.ge/en/single-categories/115/gender-statistics>

<sup>37</sup> [National Disaster Risk Reduction Strategy 2017-2020.pdf \(nsc.gov.ge\)](#)

### 3.4. Risks and Lessons Learned

#### Risks

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
1-External environment	Political and geopolitical development			
1-External environment	Macroeconomic instability, COVID-19 developments, economic crisis may divert authorities' commitment/attention	L/M	M	Continuous policy dialogue with the government, monitoring of macro-fiscal and political situation, COVID-19 related developments, provision of technical and financial assistance.
2-Planning, processes and systems	Reform fatigue/lack of commitment from the Government in carrying out the targeted reforms / weaknesses in the legislative process	M	M	Combine top-down with bottom-up initiatives to effectively connect national stakeholders and practitioners. A strong policy dialogue will be established with the different beneficiaries in supporting national strategies, law drafting and legislative processes and implementation mechanisms.
2-Planning, processes and systems	Lack of public investments into IT infrastructure	M	M	Continuous and regular policy dialogue with the authorities and key stakeholders (including IFIs) on relevant policies and projects, making use of existing coordination mechanism and EU project platforms.
1-External environment	Deterioration on the domestic market and/or in regional trading partner that might reduce economic opportunities	M	M	Continuous support to economic governance reforms and stability-oriented macroeconomic policies, through a regular dialogue, including IMF.
3-People and the organisation	Insufficient capacities/lack of skills of the beneficiary institutions in charge of digital infrastructure	H	H	The Action will provide targeted assistance and build on institutions that received capacity-building support.
2-Planning, processes and systems	Weak inter-ministerial coordination in the adoption and/or implementation of laws and regulations	M	M	The Action will strengthen coordination in legislative and policy reforms.
3-People and the organisation	Rotation of civil servants and absorption capacities of key beneficiaries	M	M	The Action will provide targeted assistance to maintain trained personnel.

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
3-People and the organisation	Insufficient ownership, including the involvement of the private sector (academia, small business)	L/M	M	Continuous policy dialogue with the stakeholders and measures to promote greater participation of the private sector (for instance participation of the private sector to steering committees and other platforms for coordination).
2-Planning, processes and systems	Policy measures and supporting actions do not achieve a tangible impact on the economy	M	M	Inclusive policy dialogue and assistance to set up targets, take corrective actions and monitor the effects of policies.
4-Communication and information	Duplication with other EU and donors' initiatives	L	M	The Action will enhance coordination mechanisms between the development partners for the implementation of complementary initiatives.

### **Lessons Learned**

For the last decade, the EU has been active in the promotion of e-Governance and digital technologies in Georgia. Several projects have been successfully implemented in the area of e-Governance, e-Services and telecommunications.

**The Technical Assistance projects on Capacity Building of the Civil Service Bureau (CSB) in Georgia, Strengthening Cyber Security Capacities of the Digital Georgia Agency and Supporting Public Service Development Agency** were focused towards capacity building of the beneficiary institutions in order to be able to implement e-Governance. **The main lessons learned** from these projects were that **ICT and related services are proven enablers of sustainable development and inclusive growth**. They can be the key for improving efficiency, enhancing democratic governance and transparency, and boosting digitalisation of services. After drastic reforms implemented in the area of e-Governance, which were closely supported with these three projects, Georgia's ranking in United Nations (UN), WB and Open Government Partnerships (OGP) indexes had dramatically increased.

**Supporting the National Communications Commission (ComCom)** to develop the electronic communications regulatory framework was another project which provided a good case for further support in the area of digital. This project focused on the telecommunications and audio-visual regulatory framework in line with the EU acquis. The major focus was on legislation and practical implementation issues, as well as sharing best practices. The starting point for a regulatory framework in this sector is a proper legal foundation. The delivery of the results through TA depends on proper implementation of relevant laws and strategies. **The main lessons learned** from this project is that the process of legal harmonisation often faces delays, due to technical or political constraints; therefore it is important to **ensure that the best practices are transferred to the beneficiary and the staff capacity remains sustainable**. This project also revealed that **effective digitalisation needs to be based on existing policies, funding instruments and partnerships** involving the public and private sectors. A recent study in the ICT Value chain in Georgia also confirms that private sector and SMEs need to pursue effective digitalisation<sup>38</sup>.

<sup>38</sup> ICT Value Chain Analysis

The ICT value chain studies conducted under the **EU4Business initiative** also state that in order for digital and “e” policies to achieve its impact, priorities need to be set according to the geographical and thematic context of the investment. Georgia should also focus on **smart specialisation strategies**. Cluster development in Georgia could be a powerful tool for reaching out to groups of specialised SMEs and related innovation actors, and for increasing their competitiveness. This requires not only linking up the main players in the regional ecosystem and involving a wide range of stakeholders, but also overcoming sectoral, regional and departmental silos<sup>39</sup>.

In addition to the projects listed above, the following studies have been consulted for lessons learnt used for the design of the Action:

- HIQSTEP Study on Harmonisation of Digital Markets in the Eastern Partnership Region: **e-Trade, e-Logistics, digital transport.**
- HIQSTEP Study on Harmonisation of Digital Markets in Eastern Partnership Region: **Innovation, Start-up Eco System.**
- HIQSTEP Study on Harmonisation of Digital Markets in Eastern Partnership Region: **e-Health.**
- Study on **Culture and Creative Industries Development** in Georgia
- World Bank Study on **Digital and Communication Gap** in Georgia
- **Harmonized Digital Markets (HDM) Study Report**
- Different studies conducted **under the EU4Digital Initiative**

ETF-JRC work in 2020-21 in partnership with the MoES, for the pilot of SELFIE WBL (work based learning), stressed the importance of combining top-down and bottom-up approaches for system changes that bring value and impact, specifically for the provision of relevant digital skills through the use of digital technologies in teaching and learning.

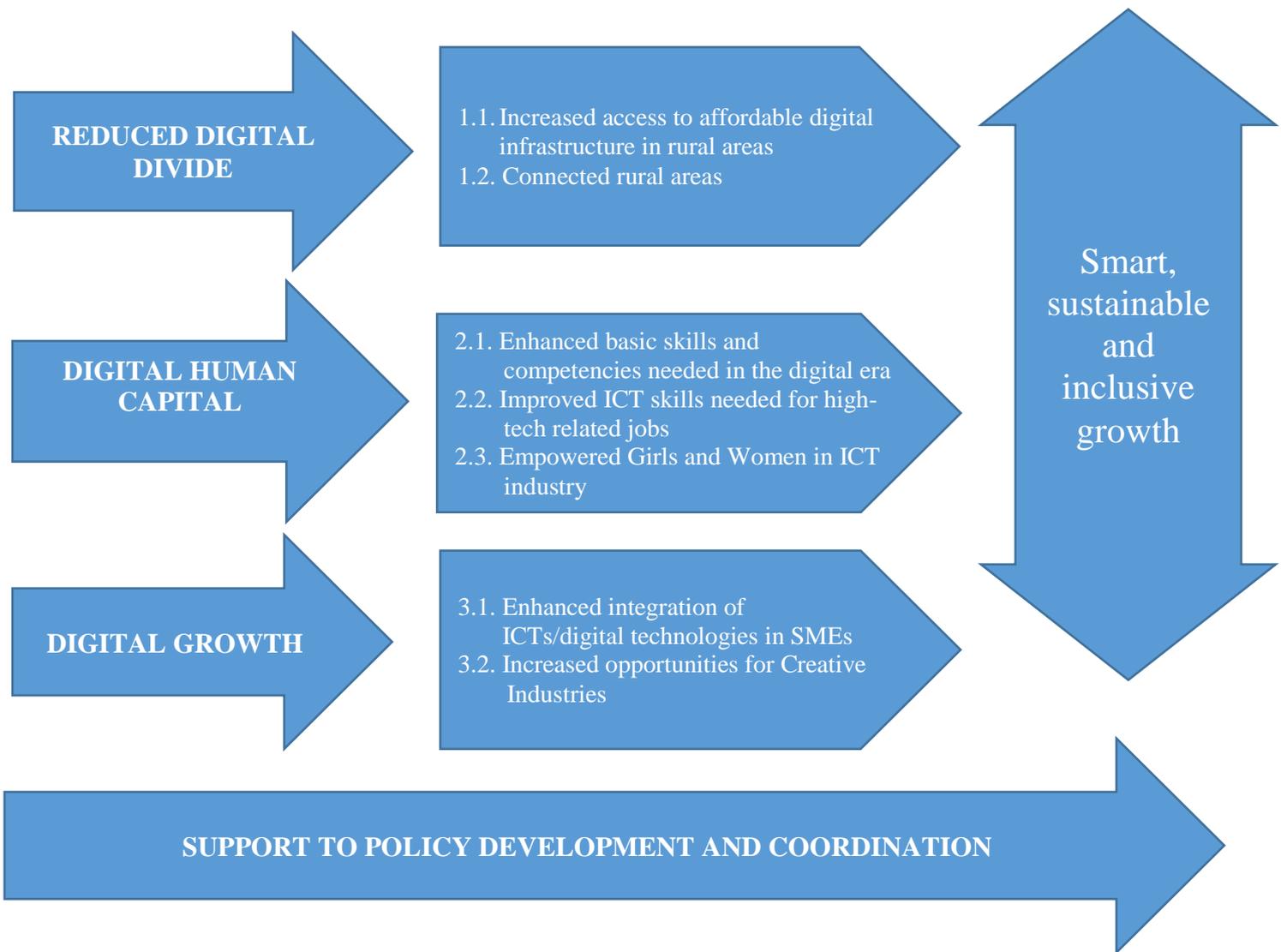
### **3.5. The Intervention Logic**

The underlying intervention logic for this action is that increased access to affordable internet and more connected rural areas will result in reducing the digital gap in the country, whereas tailor made trainings for ICT skills will contribute to the enhancement of the digital human capital. In addition, SMEs which can be supported through various grants/voucher schemes can largely contribute to the overall digitalisation of the economy while creative industries can generate more productivity on local level. Consequently, all these components will contribute to smart, sustainable and inclusive growth of Georgia’ economy.

The logic of the Action and related sub-comments is illustrated in the graphic on the following page:

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<sup>39</sup> Ibid.



### **Outcome 1: Reduced Digital Divide**

Currently, Georgia lacks high quality and accessible internet nation-wide, which results in a digital divide. Digitalisation is an announced priority of the country and it is relevant to work on the broadband capacity and internet affordability. With the assumption that the digitalisation remains a strategic priority for the GoG, the programme is based on improved connectivity infrastructure, especially in remote and inaccessible areas, and improved standardisation, policy and regulation for the digitalisation of the country. The following outputs will permit reducing the digital gap in the country:

- Flagship internet Access projects in remote and inaccessible areas will be implemented;
- Equipment will be purchased to ensure connectivity of the rural areas;
- Local population and SMEs will be advised how to use internet for business or, any other activity;
- Legal and policy measures will ensure affordability and accessibility to the internet;
- Technical support will be provided for the Black Sea Digital Cable project which will also contribute to reducing the digital divide;
- Targeted support will be provided for the most vulnerable groups to ensure digital inclusion.

This component will combine the provision of necessary equipment, capacity building and implementation support which eventually feed into increased access to internet and related infrastructure which will contribute to the digital transformation thus advancing smart societal and economic development. It directly

contributes to the achievement of Flagships 1 and 4 of the EIP for the Eastern Partnership, which aim respectively at improving data and energy connections with the EU and enhancing digital connectivity in rural communities.

## **Outcome 2: Enhanced Digital Human Capital**

In 2020, Georgia ranked 72 in the Digital Readiness Index (out of 118 countries).<sup>40</sup> There is an increasing emphasis on introducing digital competences needed for the new economy, especially in a post COVID-19 environment. In addition to basic digital skills and key competences applied in daily life there is a need to enhance awareness and provision of **their constant development throughout life as regards digital technologies** in order to start or develop a business, improve the social well-being or save the environment. With the assumption that the key stakeholders and beneficiaries stay engaged, the intervention promotes development of digital competences in line with the announced priorities of the GoG and relevant agencies. The following outputs will permit to improve digital human capital in the country:

- The general population and SMEs will be better informed about the importance of digitalisation;
- Digital key competence development will be reinforced as integrated element of education and training programmes as well as through specialised course modules implemented both for private and public bodies;
- Occupation-related digital skills of ICT specialists will be further enhanced;
- Incentive schemes for citizens/businesses to develop their digital skills will be further developed;
- A special focus will be put on strengthening girls' and women's digital key and occupational competences in order to strengthen human capital in the country.

This component will combine the provision of necessary skills and capacity building, reaching out to the most marginalised groups, which will enhance Georgia's digital human capital needed to attract private and foreign investments by ICT companies that will further develop those skills and facilitate the creation of a richer digital economy.

## **Outcome 3: Digital Growth**

**Digitalisation and digital entrepreneurship** already stand on good ground in Georgia, although there is a lack of diversified funding and limited awareness of a holistic approach to **digital entrepreneurship and creative industries** as a source of economic activity. In the last 5 years, Georgia invested heavily in the development of a strong tourism policy, which also has to be accompanied by digitalisation of SMEs, the tourism and cultural sectors in order to meet the needs of a modern economy, especially in a post COVID-19 environment. With the assumption that economic growth stays stable, the following outputs will allow to improve digital growth.

- SMEs will be better equipped with digitalisation tools while ensuring gradual "greening" of their businesses;
- Voucher/grants schemes for SMEs will contribute to modernising management and operational processes;
- The GoG will be supported to pilot and operationalise e-Commerce for various sectors, a preliminary cost-benefit analysis will be conducted, the needs and gaps will be identified and relevant capacity building will be provided;
- Supported grass-root initiatives will promote innovation, creativity and entrepreneurship which will generate economic activity on local level;
- Smart cities/towns initiatives will be further promoted in the rural areas of Georgia which can generate further tourism potential;

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<sup>40</sup> [https://www.cisco.com/c/m/en\\_us/about/corporate-social-responsibility/research-resources/digital-readiness-index.html](https://www.cisco.com/c/m/en_us/about/corporate-social-responsibility/research-resources/digital-readiness-index.html) \l  
"/country/GEO

- Georgia's participation in Creative Europe will be supported which will lead to more initiatives targeted at creative industries and engagement of the private sector in this domain.

This component will combine provision of voucher/grants schemes to SMEs via relevant operators, development of e-Commerce platforms while providing funding for grass-roots initiatives aimed at developing creative industries on local level which will feed into generating economic growth.

#### **Outcome 4: Support to Policy Development and Coordination**

Despite the fact that the GoG has declared digitalisation as one of the main priorities the responsible institutions still lack capacity and coordination to implement related reforms. With the assumption that interest and commitment of the parties will be maintained and developed throughout the evolution of the context, the cross-cutting support will provide needs-based assistance in line with the strategic priorities of the digitalisation reforms, covering a wide range of sectors and sub-sectors. It will also ensure coordination among the components of the Action. The following outputs will support policy development and coordination.

- Policies and regulation related to digitalisation will be implemented to enable the transformation of the Georgian economy from traditional to more digitalised applications;
- Strategic documents (e.g. Digital Economy and Information Society Strategy, Artificial Intelligence Strategy) will be supported and developed;
- The regulatory will be improved framework to promote a digital entrepreneurial ecosystem – including adopting regulatory incentives for promoting entrepreneurship and supporting initiatives which develop and implement ideas to empower digital entrepreneurs, digital companies and which support the development of the ecosystem in this area.
- Relevant agencies will be supported to implement recommendations (provided under EU4Digital) for developing a start-up eco system in the country;
- A coordination platform will be established that will increase collaboration and coordination among the key institutions in order to advance digital domains as well as proper monitoring of the reform process.

This component will combine policy and coordination support to the relevant government agencies while also ensuring coordination among the programme components.

In summary, digital infrastructure and access to affordable and secure broadband are necessary to ensure connectivity across the country. At the same time, promoting the use of digital technologies and digital literacy will be the key enabler to ensure that society is connected and that citizens use the internet (to create and develop business, receive education). Supporting the integration of ICTs and digital technologies in SMEs as well as the further development of entrepreneurship and creative industries will lead to digital growth.

For the success of digitalisation, it is important to involve a wide range of stakeholders from the private and public sector. The Action will not be implemented in isolation, but as an integral part of overall development strategies and within the framework of the overall policy dialogue with the GoG and in partnership with public and private sectors.

All components will be achieved through a well-coordinated and targeted set of outputs, using planned delivery instruments and tools. This will feed into the overall objective of the Action to achieve smart, sustainable and inclusive growth.

### 3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results (maximum 10)	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	Smart, sustainable and inclusive growth	1. Country score for Human Development Index 2. Annual growth rate of real GDP per capita	0.780 -70 out of 189 (2019) 4,696 USD (2019)	61 out of 189 (2025) 4,945 USD (2025)	HDI (UNDP) GEOSTAT	<i>Not applicable</i>
<b>Specific Objective 1</b>	<b>Reduced Digital Divide</b>	1.1 Digital divide (rural/urban, women/men)	69.9% Rural 86.1% Urban (2021)	70% Rural 95% Urban (2024)	GEOSTAT	Digitalisation remains strategic priority for the GoG
<b>Specific Objective 2</b>	<b>Enhanced Digital Human Capital</b>	2.1 Index of Network Readiness 2.2 Index of ICT skills	68 (out of 134) 56 (out of 134) (2021)	58 (2025) 50 (2025)	Network Readiness Index	Mobilisation of key stakeholders and beneficiaries
<b>Specific Objective 3</b>	<b>Support to Digital Growth</b>	3.1 Enterprises Production Value	46% total 28% TBS 17.6% Regions (2020)	56% total 35% TBS 25% Regions (2027)	GEOSTAT	Economic growth stays stable
<b>Specific Objective 4</b>	<b>Support to Policy Development and Coordination</b>	4.1 # of Institutions benefitting from the Action	0	10 (2027)	Programme Report	Interest and commitment of the parties is maintained, adapted and developed throughout the evolution of the context
<b>Output 1.1.</b>	1.1. Increased access to affordable broadband connectivity and digital infrastructure in rural areas	1.1.1 Share of rural Households with Computer Access	49% (2021) (excl.ADJ&TBS )	10% increase (2027) (excl. ADJ&TBS)	OSTAT	Partners develop and implement relevant projects
<b>Output 1.2.</b>	1.2. Connected Rural Areas	1.2.1 #of flagship internet access projects in rural areas	0 (2021)	2 (2027)	Programme Report	Fibre optic cables become operational
<b>Output 2.1.</b>	2.1. Enhanced basic skills and competencies needed in the digital era	2.1.1 #of people (women/men/disabled) trained by the Action and having an increased knowledge in basic ICT skills	0 (2021)	15000 (2027)	Programme Report	There is proper outreach to the target groups across the country
<b>Output 2.2.</b>	2.2. Improved ICT skills needed for high-tech related jobs	2.2.1 #of people (women/men/disabled) trained by the Action with advanced ICT skills	0 (2021)	7000 (2027)	Programme Report	Partner institutions absorb provided assistance
<b>Output 2.3.</b>	2.3. Empowered Girls and Women in ICT industry	2.3.1 #of women trained 2.3.2 #of women employed with the support of the Action	0 (2021) 0 (2021)	1000 (2027) 300 (2027)	Programme Report	Relevant programmes and methodologies are developed with partner institutions
<b>Output 3.1</b>	3.1 Enhanced integration of ICTs/digital technologies in SMEs	3.1.1 # of people (women/men) who have learnt digital solutions in business administration with the support of this Action 3.1.2 # of companies where new ICT equipment and solutions have been implemented	0 (2021) 0 (2021)	350 (2025) 100 (2025)	Programme Report Programme Report	Common frameworks are built and/or further advanced to address priority issues and mechanisms to further develop them are pursued
<b>Output 3.1</b>	3.2 Increased opportunities for Creative Industries (CI)	3.2.1 # of CI initiatives generating economic coactivity on local level 3.2.2 # of CI projects benefiting from EU support	0 (2021) 0 (2021)	15 (2025) 5(2025)	Programme Report	Interest and commitment of the parties is maintained, adapted and developed throughout the evolution of the context.

<b>Output 4.1</b>	4.1. Enhanced policy and regulatory environment in digitalization	4.1.1 #of legal acts supported 4.1.2 #of policy documents supported	0 (2021)	10 (2025) 4 (2025)	Programme Report	Obligations under int. conventions are implemented and parties cooperate with each other at all levels
<b>Output 4.2</b>	4.2. Capacitated institutions for digital transformation	4.2.1 #of initiatives and capacity building actions supported 4.2.2 #level of ownership for digital transformation	0 (2021) 0	15 (2025) (survey)	Programme Report	Interest and commitment of the parties is maintained, adapted and developed throughout the evolution of the context
<b>Output 4.3</b>	4.3. Improved coordination and monitoring	4.3.1 #level of coordination among the stakeholders 4.3.2 #level of complementarity of the actions	Not existing partial	(survey) (2025) (survey)(2025)	Programme Report	Ownership is maintained and management procedures are efficient

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Financing Agreement**

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

### **4.2. Indicative Implementation Period**

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### **4.3. Implementation Modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>41</sup>.

#### **4.3.1. Direct Management (Grants I)**

##### **4.3.1.1. Participation of Georgia in "Creative Europe"**

###### **(a) Purpose of the grant(s)**

The purpose is to co-finance the participation of Georgia in the EU Programme "Creative Europe" for seven years (2021-2027). This will be achieved by means of reimbursement of a share of the financial contribution required from Georgia for being part of this programme. This project will contribute to the Specific Objective 3 and support cultural and creative industries to generate economic activity on local level.

###### **b) Type of applicants targeted**

Potential applicants will be the specific government administrations of Georgia in charge of the relevant EU programme.

###### **(c) Justification of a direct grant**

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Ministry of Culture, Sports and Youth.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because, in accordance with Article 195(c) of the Financial Regulation, the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power. The Ministry of Culture, Sports and Youth has been designated by Georgia for being in charge of Georgia's participation in the EU programme "Creative Europe" and is responsible for topics relevant to the concerned EU programme. Considering the governmental nature

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<sup>41</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

of the institution (Ministry of Culture) that has been designated by Georgia as being in charge of this programme.

#### **4.3.1.2. Direct Management (Grants II)**

##### **a) Purpose of the grant(s)**

The purpose of these grants is to support **Specific Objectives 2 and 3** which will support ICT and Digital Skills Development as well as digitalisation of the businesses and SMEs.

##### **b) Type of applicants targeted**

The applicants will be public bodies or/and educational institutions, in particular private universities.

#### **4.3.2. Direct Management (Procurement)**

This component will address **the Specific Objective 1** (Reduced Digital Divide) **and 4** (Support to Policy Development and Coordination) of the Action.

#### **4.3.3. Indirect Management with pillar-assessed entities<sup>42</sup>**

A part of this Action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Specific Technical Expertise logistical and management capacities of the entity
- Impact, results, leverage effect of cooperation with other entities/donors
- Efficiency of co-operation through channelling funds to other entities/donors
- Experience in advising and providing relevant capacity building for national and local authorities
- Experience in supporting the partner country to exercise effective leadership and ownership on policy implementation

The implementation by this entity entails institutional and capacity building of local and national authorities in relation to outputs of the intervention logic (covering SO. 1 and SO. 3). Support will contribute to a more inclusive approach to digitalisation and alignment of related measures of all related stakeholders.

This implementation entails **SO. 1 (Reduced Digital Divide) and SO. 3 (Digital Growth)**.

#### **4.3.4. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances (one alternative second option)**

If the preferred modality defined under section 4.3.3 indirect management with an entity to implement part of the specific objectives 1 and 3 cannot be implemented due to circumstances outside of the Commission's control, the alternative option for implementing the part of the action will be procurement as per section 4.3.2.

#### **4.4. Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

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<sup>42</sup> The signature of a contribution agreement with the chosen entity is subject to the completion of the necessary pillar assessments  
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## 4.5. Indicative Budget

Indicative Budget components	EU contribution <sup>43</sup> (amount in EUR)	Indicative third-party contribution, in currency identified
<b>Implementation modalities</b> – cf. section 4.3		
Grants– total envelope cf. section 4.3.1.	5 350 000	350 000
Procurement - total envelope cf. section 4.3.2	8 500 000	
Indirect Management – total envelope cf. section 4.3.3	9 650 000	
<b>Evaluation</b> – cf. section 5.2	500 000	
<b>Audit</b> – cf. section 5.3		
<b>Total</b>	<b>24 000 000</b>	350 000

## 4.6. Organisational Set-up and Responsibilities

The Action will be directly managed by the European Commission through its Delegation in Georgia. All contracts and payments are made by the Commission on behalf of the beneficiary. All initiatives will be conducted with the support and engagement of the authorities, civil society and development partners ensuring that implementation of digitalisation policies are well coordinated.

**The Steering Committee** of the programme will be established and will be composed of representatives of **the EU** and the **MoESD** and of **key stakeholders** as well as **observers** from the implementing partners. The steering committee will oversee and guide the overall direction and policy of the programme. It will assess progress in the implementation of the Action and decide if any modifications are needed.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

## 5. PERFORMANCE MEASUREMENT

### 5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. 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 direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

The 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).

Roles and responsibilities for data collection, analysis and monitoring:

<sup>43</sup> These amounts may be increased depending on the decision regarding umbrella funds. The final amounts will be integrated at ISC closure.

At programme level, the Steering Committee will oversee the implementation of the programme as a whole to assess and report on progress and performance.

Each individual contract under the complementary support will have its own dedicated **logical framework** which will **include clear indicators with baselines and targets**. These individual logical frameworks will be aligned with the general logical framework of EU4 Smart Economic Development and it will serve as a basis for the projects' ongoing monitoring, evaluation and reporting. The reports (narrative and financial) will be drafted in accordance with the relevant templates.

The reports 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 reports, narrative and financial, will cover the entire period of the Action implementation.

## **5.2. Evaluation**

Having regard to the importance of the action, a mid-term and a final evaluations will be carried out for this action or its components via independent consultants.

A mid-term evaluation will be carried out for learning purposes, in particular with respect to assessing progress of implementation and performance of the various components of the programme, so that corrective actions can be put in place.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the programme targets an EU priority area of support and a policy priority for Georgia.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

## **5.3. Audit and Verifications**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## **6. COMMUNICATION AND VISIBILITY**

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the [Communication and Visibility Requirements of 2018](#) (as updated by the communication and visibility requirements in force under the current programming period 2021 - 2027), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These requirements (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. Additional Visibility Guidelines developed by

the Commission (European Neighbourhood Policy and Enlargement Negotiations) and the Delegation to Georgia will be strictly adhered to.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the action. For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees

Furthermore, implementing organisations shall coordinate all communication activities with the regional communication initiatives funded by the European Commission to the extent possible. All communication strategies developed as part of this action shall ensure they are in line with the priorities and objectives of regional communication initiatives supported by the European Commission and in line with the EU Delegation's communication strategy under the "EU4Georgia" umbrella initiative.