

GENERAL INFORMATION ON INNOVATION CHALLENGE CALL
SUPPORTING GEORGIAN MANUFACTURING SECTOR SMEs IN STARTING, CONTINUING,
OR RESUMING EXPORTS TO EU AND EUROPEAN COUNTRIES

1. Basic Concept of Innovation Challenge Call

1.1 General Information

Title of the Call: SUPPORTING GEORGIAN MANUFACTURING SECTOR SMEs IN STARTING, CONTINUING, OR RESUMING EXPORTS TO EU AND EUROPEAN COUNTRIES

Agency: United Nations Development Programme Georgia (UNDP)

Managing Unit: UNDP Inclusive Access to Markets (IA2M) project

Type of Contract: Agreement between UNDP and the Winning Entities

Locality(ies): Georgia

Expected length of contract: 8 (eight) months

Innovation prize size and number grants: GEL 60,000 per grant, total number of grants: up to 10

The Innovation Challenge Call (ICC) is a co-funding initiative of UNDP 'Inclusive Access to Markets' (IA2M) project designed to bring private sector expertise and efficiency into the development of **innovative, commercially viable, and publicly beneficial solutions** to support Georgian SMEs on the journey to start, continue and/or resume exports to the EU and European countries' markets.¹

Innovation Challenge Call is a prized project that aims to identify and co-finance up to **10 manufacturing sector small and medium-sized enterprises (SMEs)** that are developing, testing or applying innovative and/or underutilized approaches to overcome key export barriers to the EU and European countries' markets. Selected SMEs will receive financial support to pilot and scale their ideas, and apply underused business strategies, tools, and methods, with the goal of generating **practical insights and replicable models** that can strengthen the broader SME export ecosystem in Georgia. Expanding the export capabilities of SMEs and providing support to them benefits not only the enterprises, but also the broader Georgian economy, as it promotes economic growth, attracts investments, creates

¹ For the purposes of this call, non-EU member, European countries will include countries of the European Economic Area, UK, and Switzerland

jobs, develops innovations in the country, and strengthens the global competitiveness of the private sector.

1.2 Innovation Challenge Call Objectives

Main objectives of the Innovation Challenge Call are:

- **Promote innovation in export-oriented manufacturing sectors:** Support SMEs in designing, piloting and/or scaling innovative and/or underutilized methods, tools, services, business models, or operational improvements that enhance their capacity to compete in international markets.
- **Accelerate access to the EU markets:** Help manufacturing sector SMEs overcome key export barriers - particularly those related to entering and growing in EU markets.
- **Encourage private sector-driven leadership in export solutions:** Mobilize and leverage the expertise and efficiency of SMEs to develop practical, scalable and replicable solutions and approaches that address systemic export challenges in the manufacturing sector.
- **Knowledge transfer:** Generate practical insights and transferable models, and capture learnings from funded projects to support and guide other manufacturing sector SMEs in their export journeys.
- **Strengthen Georgia's manufacturing industry's export ecosystem:** Contribute to building a more dynamic, competitive, innovation-driven and export-oriented manufacturing sector by identifying and supporting initiatives with high potential for replication and scale

1.3 Types of Innovation Projects Supported

1.3.1 Supported Economic Sectors

This Call envisages providing support only to those enterprises that operate in the manufacturing sector (according to Section C; "National Classification of Economic Activities of Georgia" Rev. 22) and produce goods in Georgia. Within the framework of this Call, enterprises will receive assistance to support activities aimed at increasing their capabilities for starting, continuing and/or resuming exports to European markets.

The Innovation Challenge does not cover the following economic activities:

- Section 12: Manufacture of tobacco products.
- Section 19: Manufacture of coke and refined petroleum products.
- Section 33: Repair and installation of machinery and equipment.
- Activities linked to the production of military, nuclear, and hazardous substances and related activities.

Additional restrictions on economic activities may be imposed during the Innovation Challenge implementation.

² National Classification of Economic Activities of Georgia, Rev. 2
https://www.geostat.ge/media/70150/NACE-Rev_2_GE_2023.pdf

Note: The Innovation Challenge does not cover primary production in agriculture, forestry, and fisheries (Section A; National Classification of Economic Activities of Georgia, Rev.2), such as crop and animal production, hunting, forestry and logging, fishing, aquaculture, and related activities.

1.3.2 Types of Innovation Projects Supported

The Innovation Challenge Call supports a wide range of projects in the manufacturing sector that address key export barriers and contribute to broader sectoral learning and competitiveness. The following types of solutions and activities are eligible for support (non-exhaustive list):

- **Product improvement and adaptation for export markets:** Modifying or upgrading product design, composition, packaging, or labeling to meet the technical, cultural, or regulatory expectations of target export markets (except technical assistance in these areas).
- **Production process improvement:** Introducing lean manufacturing, automation, quality assurance systems, or digital production tools to increase efficiency, consistency, and scalability of export-oriented manufacturing operations.
- **Resource efficiency and sustainability:** Implementing green technologies, sustainable production and consumption practices (e.g., energy efficiency, waste reduction, circular economy models) that align with EU environmental regulations and consumer values and inspire responsible business practices in Georgia.
- **Distribution model development:** Establishing or strengthening partnerships with international distributors, wholesalers, or logistics providers, or piloting new export-oriented supply chain models that improve efficiency and enhance access to EU markets.
- **Digital integration in manufacturing:** Adopting digital tools such as ERP systems, Internet of Things (IoT), artificial intelligence (AI), e-commerce platforms, and other technologies used in production, planning, or sales that support export operations and can be replicated across the industry.
- **Export-oriented product diversification:** Designing and testing new product lines that respond to unmet needs or emerging trends in target markets, helping companies increase resilience and sectoral adaptability.
- **Partnership & platform development:** Building international business networks or digital platforms that enhance visibility and access to foreign clients, which in turn gradually promote Georgia's global positioning and image, and help Georgian SMEs establish a stronger presence in the EU markets.
- **Other types of solutions and activities:** that are in line with the main objectives of this Innovation Challenge Call and are justified accordingly.

1.4 Ineligible Expenses

The Innovation Challenge Call does not cover the following expenses:

- Entertainment and representation costs;
- Interest or debt payable to any party;

- Losses, fees, fines, duties and penalties caused by the exchange rate fluctuations;
- Any expenses related to hazardous chemicals, the destruction of endangered species, counterfeit and pirated goods;
- Purchase of land;
- Purchase of real estate;
- Salaries for permanent staff;
- Expenses related to business trips of the personnel;
- Purchase of shares/stocks in an enterprise;
- Purchase of a vehicle;
- All other expenses that are limited by the agreement signed with the beneficiary.

1.5 Awards

For this Call, an applicant may receive co-financing of **GEL 60,000** per approved application. The total cumulative co-financing provided to any single applicant under the 'Inclusive Access to Markets' (IA2M) project shall not exceed **GEL 120,000**.

In order to obtain the co-financing support, **it is mandatory for an applicant to make its own contribution in the amount of no less than 10% of the total project value, and the source co-financing can only be monetary funds.** Acceptable co-funding includes company's own investment, private investors, loan financing and/or other private sector cash contributions. It is not permitted to support projects with co-financing if the applicant's participation derives from co-financing/grants received under the programmes/projects of the state/donor organization.

Please note that only **costs incurred and completed within the project period**, and in accordance with the approved project budget, will be eligible for co-financing.

Expenses may be considered eligible if they meet all the criteria listed below:

- The expense is incurred according to the approved project budget;
- The expense is incurred and paid during the project implementation period;
- The expense complies with local tax legislation.

1.6 Duration of the Project

The Innovation Challenge Project should be implemented within **8 (eight) months** of its launch.

1.7 Eligibility Criteria

The applicant shall meet all of the following eligibility requirements:

- Any SME registered in Georgia (*excluding individual entrepreneurs*) at least 1 year prior to submitting an application to this Call and produces goods on the territory of Georgia.

- At least 50% of the applicant's owner(s) / manager(s) shares is/are Georgian citizen and resident natural persons(s) and/or resident legal entity(ies) of Georgia.
- The applicant's average annual income for the last 3 years must exceed 150,000 GEL and be under 30 million GEL³. As a proof of its annual income, the applying entity shall submit duly certified financial statements (income statement) and/or an audit report.
- The applicant shall not represent a legal entity created through the direct or indirect shareholding by the state and/or municipality, as well as JSC Partnership Fund.
- The applicant must not be registered in the Register of Debtors.
- No insolvency proceedings shall be underway against an applicant (in accordance with the Law of Georgia on Rehabilitation and the Collective Satisfaction of Creditors Claims).
- The applicant's immovable assets must not be frozen and/or mortgaged (it is only permitted to have a mortgage of commercial banks registered in Georgia).
- The applicant shall submit a fully completed application (also upload the documentation to support the required information), and the information provided in the application must be accurate and truthful.
- Acceptance with terms and conditions of the agreement attached hereto as Annex 6.

2. Project Evaluation and Selection Decision

2.1 Eligibility Review

After the deadline for the submission of the applications, all applications submitted electronically using the UNDP Quantum Procurement system are reviewed based on the eligibility criteria, completeness and the accuracy of the information provided. The eligibility criteria are stated in the **Section 1.7**.

For verification purposes, the UNDP has the right to request clarification of information and/or to get additional information.

Applications that satisfy the eligibility requirements and pass administrative evaluation will be forwarded to the relevant committee for further evaluation.

2.2 Evaluation of Application

Final decision regarding the evaluation of applications and the approval/rejection of submitted applications is made by the evaluation committee.

Technical evaluation of the proposals will comprise of two stages: Stage 1: Scoring of the technical proposals against evaluation criteria (Annex 4) and Stage 2: Interview with the applicants against evaluation criteria (Annex 5).

³ If the applicant SME has been registered for less than three years, the annual income must meet the specified requirements—namely, average income must exceed 150,000 GEL.

1. Stage 1: Scoring of Technical Proposal

Eligible applications will be assessed and scored by the evaluation committee based on the criteria specified in **Annex 4**. Applicants who obtain at least 70% of the maximum possible score - i.e., 49 points or more out of 70 - will be shortlisted and invited to the verbal interview stage.

2. Stage 2: Verbal Interview

Applicants shortlisted during Stage I (scoring of technical proposal) of Technical Evaluation will be invited to participate in a verbal interview with the evaluation committee. The interview will consist of a five-minute presentation of the applicant's proposal and a Q&A session. A final score will be assigned after the interview. Applications will be assessed and scored by the evaluation committee based on the criteria specified in **Annex 5**. Applicants who receive at least 70% - i.e., 21 points or more out of 30 - will be considered for co-financing support.

Final decisions will be made only for applicants who successfully pass both the Scoring of Technical Proposal and Verbal Interview stages, having received a minimum of 49 points in the Scoring of Technical Proposal and 21 points in the Verbal Interview. The overall ranking of applicants will be determined based on the combined total score from both stages, with a maximum obtainable score of 100 points.

The Innovation Challenge Programme is expected to support up to **10 SMEs**.

The statutes and composition of the evaluation committee are determined by the UNDP.

Committee members have the right to request clarification of any information or to request additional information. The committee may make a decision with preconditions, which will be communicated additionally to the applicant in advance.

For detailed information and application submission, please visit the following link:

https://procurement-notice.undp.org/view_negotiation.cfm?nego_id=38148