

Annex 1: Terms Of Reference

1. Basic Concept of Innovation Challenge Call

1.1 General Information

Title of the Call: SUPPORTING GEORGIAN SERVICE SECTOR SMEs IN STARTING, CONTINUING, OR RESUMING EXPORTS TO EU AND EUROPEAN COUNTRIES – R3

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 date of contract start: 1 September 2026

Expected length of contract: 6 (six) months

Innovation prize size: GEL 60,000 per innovation prize

Total number of innovation prizes under this Call: 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 service 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 jobs, develops innovations in the country, and strengthens the global competitiveness of the private sector.

This Innovation Challenge Call is contributing Outcome (UNSDCF, CPD, RPD):

- UNSDCF/CPD 2022-2025: Outcome 3: By 2025, all people without discrimination benefit from a sustainable, inclusive and resilient economy in Georgia.

¹ For the purposes of this call, this will include countries in the European Economic Area (all 27 member states of the European Union, plus Iceland, Liechtenstein, and Norway), as well as UK and Switzerland.

- CPD Output 3.1: Improved competitiveness of private sector and labour force, especially youth and vulnerable groups through labour policy, private sector development, social responsibility and skills development.
- SP 2022-2025 Output 1.3 Access to basic services and financial and non-financial assets and services improved to support productive capacities for sustainable livelihoods and jobs to achieve prosperity.

1.2 Innovation Challenge Call Objectives

Main objectives of the Innovation Challenge Call are:

- **Promote innovation in export-oriented services:** Support service sector SMEs in designing, piloting and/or scaling innovative and/or underutilized methods, services, business models, digital tools, or operational improvements that enhance their capacity to compete in international markets that translates into the positive impact for Georgian people.
- **Accelerate access to the EU markets:** Help service 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 service sector.
- **Knowledge transfer:** Generate practical insights and transferable models, and capture learnings from funded projects to support and guide other service sector SMEs in their export journeys.
- **Strengthen Georgia's service industry's export ecosystem:** Contribute to building a more dynamic, competitive, innovation-driven and export-oriented service 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 support only to those business entities that operate in the following service sectors according to the "National Classification of Economic Activities of Georgia, Rev.2²":

- Section J: Information and Communication;
- Section M: Professional, Scientific, and Technical Activities;
- Section N: Administrative and Support Service Activities: Division 78 Employment Activities, and Division 82 Office Administrative, Office Support, and Other Business Support Activities;
- Section P: Education;
- Section Q: Human Health and Social Work Activities: Division 86 Human Health Activities;

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

- Section R: Arts, Entertainment, and Recreation (excluding Division 92 Gambling Activities).

The Innovation Challenge will support business entities' activities focused on starting, continuing and/or resuming exports of their services.

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

Note: The Innovation Challenge does not apply to the activities in the tourism sector.

1.3.2 Types of Innovation Projects Supported

The Innovation Challenge Call supports a wide range of projects in the service 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:

- **Export compliance solutions:** Introducing solutions to meet EU and other international standards, regulations and quality assurance requirements contributing to a shared knowledge base that benefits the wider exporter community in Georgia.
- **Market-specific service adaptation:** Customizing services for foreign markets in ways that generate transferable knowledge and practical models: helping other Georgian SMEs enhance their export readiness and boosting the overall competitiveness of the service sector.
- **Market intelligence tools:** Creating data-driven tools for identifying and targeting export opportunities, while generating insights and benchmarks useful to other Georgian exporters.
- **Cross-border service delivery models:** Introducing innovative approaches to deliver services across borders (e.g., remote services, partnerships with foreign providers, hybrid models) that can unlock new market access options for Georgia's broader private sector and exporter SMEs.
- **Digitalization of services:** Developing or scaling digital platforms, mobile apps, or tools that enable cross-border service delivery and create scalable models for other Georgian SMEs.
- **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.
- **Export Branding & Marketing:** Developing new brand identities, digital marketing strategies, or storytelling methods tailored to target foreign markets that provide replicable examples for other SMEs aiming to reach global audiences.
- **Green and/or social innovation:** Introducing environmentally sustainable or socially inclusive service innovations that align with EU values and consumer expectations and inspire responsible business practices in Georgia.
- **Tech-driven service innovation:** Applying advanced technologies to innovate and improve service delivery, enhance client experience and contribute to the improvement of digital literacy.
- **Export-focused capacity building:** Creating training models or internal systems that strengthen export-readiness and can be easily adapted, replicated, or accessed by other SMEs across Georgia to build broader sector-wide capabilities.

- **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, except those necessary for project implementation;
- 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 other Calls of the 'Inclusive Access to Markets' (IA2M) project shall not exceed **GEL 100,000**.

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 UNDP co-financing/prize amount (e.g. no less than GEL 6,000), 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.

1. First Instalment – up to 50% of the co-financing amount (e.g. up to GEL 30,000)
Purpose: To support initial planning, preparation, and setup activities, as well as the start of implementing the project's core activities, such as infrastructure setup, technology development, service adaptation, testing, etc.
Note: To initiate the first instalment, the SME shall submit evidence of having deposited its own contribution amount (e.g., a certificate from the bank confirming the existence of relevant funds in the account, and/or a respective document confirming an alternative source of co-participation), invoice(s) in line with the approved budget, and the updated workplan and budget (if there are any changes). Approval of the submitted documents by UNDP is a mandatory prerequisite for the first instalment.
2. Second Instalment - at least 50% of the co-financing amount (e.g., at least GEL 30,000)

Purpose: To finance the project's core activities and ensure the project's successful completion.

Note: To initiate the second instalment, the SME shall submit evidence of its own contribution amount spent (no less than 10% of the UNDP co-financing amount - e.g., no less than GEL 6,000), narrative and financial report on the implementation of the first instalment phase, invoice(s) in line with the budget, proofs of payments in accordance with the first instalment (e.g., extract from the designated bank account, invoices, acts of delivery, contracts, etc.), and any additional supporting documents. Approval of the submitted documents by UNDP is a mandatory prerequisite for the second instalment.

After the completion of the second phase, the SME is required to submit the final narrative and financial report, as well as proofs of payments (e.g., extract from the designated bank account, invoices, acts of delivery, contracts, etc.) and any additional supporting documents.

Note:

- Any amount exceeding the declared budget should be covered by the applicant.
- Any savings generated from the declared budget (e.g., if the total cost of activities, goods, or services is lower than initially estimated) may be reallocated to other activities, goods, or services that contribute to the successful implementation of the project, subject to prior agreement with UNDP.

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 **6 (six) 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 provides services 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 revenue for the last 2 (two) years (2024 and 2025) must exceed **25,000 GEL** and be under 30 million GEL. As proof of revenue, the applicant shall submit any of the following documents: duly certified audit reports; or an official letter from the Revenue Service of Georgia (available via the www.rs.ge

portal) confirming revenue based on VAT declarations (applicable only to VAT-registered applicants); or bank account statements for the relevant period.

For SMEs registered before 2024, the average annual revenue for 2024, and 2025 must be at least 25,000 GEL; for SMEs registered in 2024, the average annual revenue for 2025 must be at least 25,000 GEL.

- 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.

1.8 Project Application Documentation

Applicants must submit a filled and signed **Technical and Financial Proposals (Annex 3)** and a signed **Proposal Submission Form (Annex 2)**.

The application should clearly present the main idea and concept of the proposed project, outline the planned activities, and explain how the initiative aligns with the objectives of the Innovation Challenge Call. Applicants must demonstrate how the project will strengthen the SME's competitiveness and export-readiness, while also contributing to the broader development of Georgia's service sector and its export potential. In addition, the application must include evidence of the applicant's capacity to effectively implement the project - such as relevant experience, qualified personnel, and access to essential resources. Applicants are also required to submit all necessary documentation and develop a financial proposal for the implementation of their proposed idea.

To participate in the Call, the applicant must submit the following documents along with the application (including the properly completed annexes):

- Extract from the Registry of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities.
- As proof of revenue, the applicant must provide one of the following: duly certified audit reports; an official letter from the Revenue Service of Georgia (available via www.rs.ge) confirming revenue based on VAT declarations (applicable to VAT-registered applicants only); or bank account statements for the relevant period. The submitted documentation must demonstrate that the applicant's average annual revenue meets the minimum threshold of GEL 25,000 and does not exceed GEL 30,000,000, in accordance with the applicable period set out below:

- SMEs registered before 2024: duly certified audit reports, bank account statements, or an official letter issued by the Revenue Service of Georgia for 2024 and 2025;
- SMEs registered in 2024: duly certified audit reports, bank account statements, or an official letter issued by the Revenue Service of Georgia for 2025.
- Tax Debt Notice issued by the Revenue Service (საგადასახადო დავალიანების შესახებ ცნობა (ავტო+) www.rs.ge პორტალიდან) of the Ministry of Finance of Georgia (except in cases where tax debt collection has been deferred or the payment obligation has been suspended based on law).
- Proposal Submission Form (see Annex 2)
- Technical and Financial Proposal (see Annex 3)
- Budget Breakdown and Workplan (see Annex 3a)

Note: If and when the applicant is awarded the prize, before signature of the agreement as per Annex 6, applicant will be required to submit document confirming the co-participation amount – a certificate from the bank confirming the existence of relevant funds in the account, and/or a certificate from a bank/microfinance organization regarding the credit approval, and/or respective document confirming an alternative source of co-participation.

3. Project Evaluation and Selection Decision

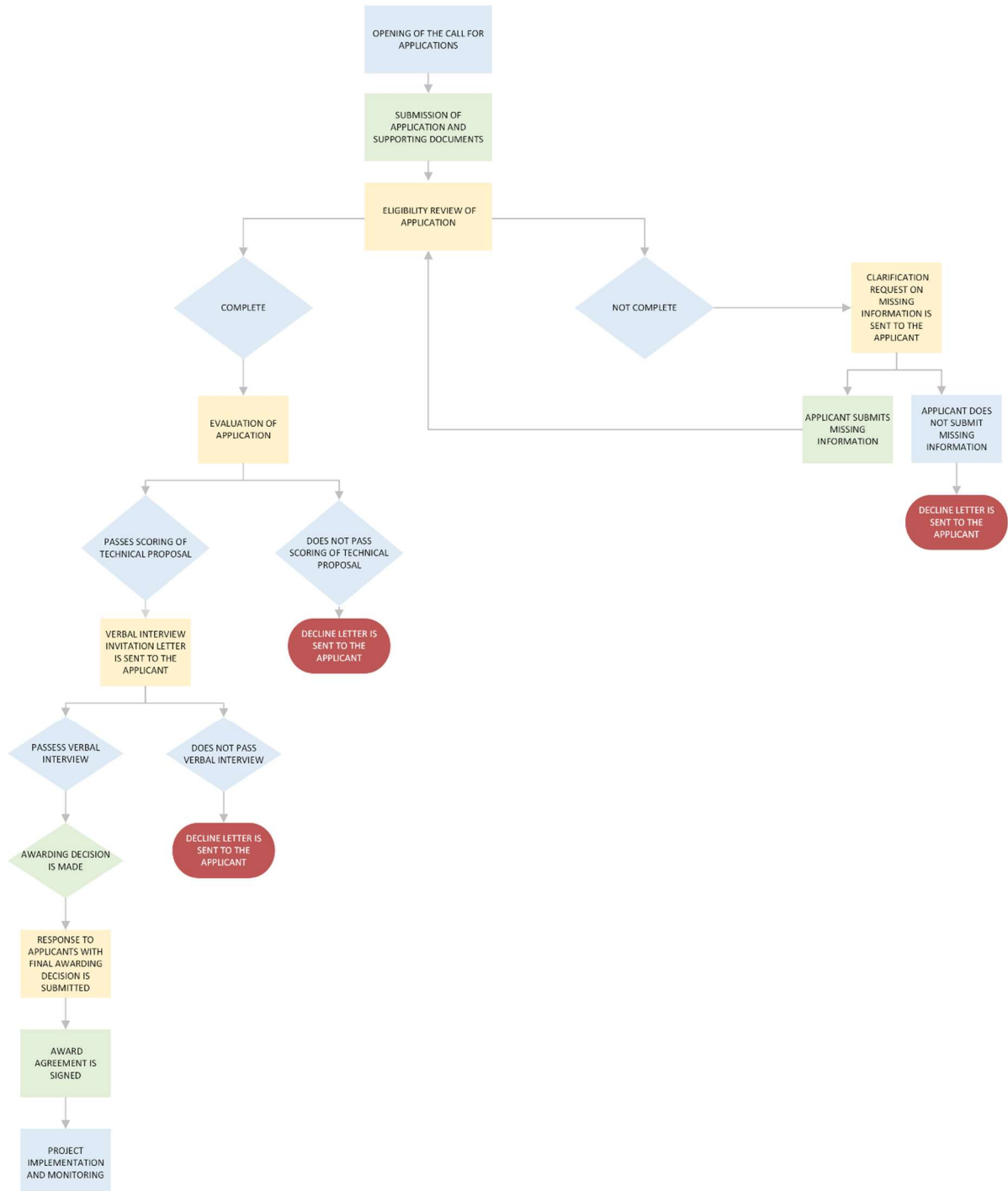
3.1 Management

The management of the Innovation Challenge Call is under the authority of UNDP Georgia “Inclusive Access to Markets” Project (IA2M).

UNDP IA2M project staff will manage implementation and monitoring of the selected projects.

3.2 Evaluation and Selection Procedure

3.2.1 Evaluation and Selection Flowchart



3.2.2 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.

3.2.3 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).

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 obtainable score (60 points) - i.e., 42 points or more out of 60 points - 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% of the maximum obtainable score (40 points) - i.e., 28 points or more out of 40 - 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 42 points in the Scoring of Technical Proposal and 28 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.

3.3 Award Agreement

The decision for awarding is made by the evaluation committee and approved by the UNDP Georgia.

Following the decision to award the prizes, the applicants will be offered to sign the award agreement attached hereto as Annex 6.

4. Projects Implementation, Monitoring and Termination

4.1 Disbursement

The beneficiary will open a dedicated bank account for the project where funds are transferred from UNDP. Prior to the first disbursement, the SME must submit a bank account statement showing that the beneficiary has deposited a minimum of ten percent (10%) of the UNDP co-financing amount (e.g., no less than GEL 6,000) for the project activities. Only after depositing 10% of their owned contribution amount and submitting aforementioned proof will the beneficiary receive the first instalment amount of up to GEL 30,000,) as detailed in section 1.5. To initiate the second disbursement, the SME shall submit evidence of its own contribution/the co-participation amount spent (no less than 10% of the UNDP co-financing amount - e.g., no less than GEL 6,000), narrative and financial report on the implementation of the first phase, invoice(s) in line with the budget, proofs of payments in accordance with the first instalment (e.g., extract from the designated bank account, invoices, acts of delivery, contracts, etc.), and any additional supporting documents. Only after submitting the all required documents and spending its own contribution amount (no less than 10% - GEL 6,000) will the beneficiary receive the second instalment amount of minimum GEL 30,000.

Please note that the funds will be transferred gradually, in accordance with the approved budget and subject to monitoring of the results achieved at each phase.

Any savings generated from the approved budget (e.g., where the actual cost of activities, goods, or services is lower than initially estimated) may be reallocated to other activities, goods, or services that contribute to the successful implementation of the project, subject to prior agreement with UNDP.

In the case the beneficiary fails to fulfil any of its obligations under the award agreement, UNDP shall be under no obligation to issue any further payment upon termination of this award agreement, and may, at its sole discretion, require that all or any part of the payments made by UNDP to the beneficiary be repaid back to UNDP (section 4.4).

4.2 Implementation

After the award decision and signing the award agreement the winner and ICC staff will start implementation of the initiative immediately. The beneficiary shall use the financial award in accordance with the project budget and provisions of the award agreement and shall prepare financial statements in accordance with consistently applied accounting standards (provided by the ICC staff).

The beneficiary is required to implement the project in accordance with the application. Any significant deviation from the business plan requires prior written consent from UNDP.

4.3 Monitoring

The monitoring of the project requires tracking, reviewing, and analyzing the progress and performance on a regular basis to identify variances from the project plan. The purpose of the monitoring is:

- to monitor the ongoing project activities against the project plan and the project performance measurement baseline;
- to assure that financial expenditures are in accordance with the project budget for the given period;
- to control changes and recommending corrective or preventive actions in anticipation of possible problems.

Methods of monitoring include review of submitted progress reports and on-site monitoring visits. The beneficiary must deliver progress reports on the implementation of the project that should correspond to the confirmed action plan.

The UNDP conducts document-based monitoring of the Innovation Challenge project in accordance with its established procedures.

The UNDP is authorized at any time, without prior notice, to monitor the purposefulness of co-financing expenditures and the Innovation Challenge project's progress, either personally or through an independent specialist/expert/auditor, which includes, but is not limited to, on-site inspection of the beneficiary's activities and monitoring of documents.

For two (2) years after the project completion, the beneficiary may be required to submit a conclusion at the end of each year regarding the maintenance of activity profile, number of employees, and volume of service provided.

4.4 Termination

- The beneficiary represents and warrants the accuracy of any information or data provided to UNDP for the purpose of entering into this award agreement. This is a material term, the breach of which shall be considered grounds for immediate termination of the award agreement.
- The beneficiary shall not assign or transfer, or cause to be assigned or transferred, whether actually or as a result of a take-over, merger, change of corporate ownership or control, or other change in identity or character of the beneficiary, this award agreement or any part, share or interest therein. Any such assignment or transfer shall be considered as a cause for termination the agreement.
- UNDP may, without prejudice to any other right or remedy available to it, terminate the award agreement if the beneficiary is adjudged bankrupt, or is liquidated, or becomes insolvent, or applies for a moratorium or stay on any payment or repayment obligations, or applies to be declared insolvent.
- The UNDP has the right to suspend and/or terminate co-financing partially or fully if there is a violation of other relevant terms and conditions of the Innovation Challenge Call and/or award agreement.

4.5 Duties of a Beneficiary

4.5.1. Obligations of a Beneficiary

Beneficiaries of the Innovation Challenge Call are required to fulfil the following obligations throughout the implementation of project and beyond, as specified below:

- The beneficiary has a duty to ensure necessary conditions for conducting the field/documentary monitoring by the UNDP or/and an external audit company.
- The beneficiary shall provide the UNDP with accurate, timely, and complete information about the implemented project for monitoring and control purposes (including information about employed persons and revenues received and expenses incurred as a result of the activity).
- The beneficiary has a duty to allow the UNDP to draft and publish stories, photographs and video materials about the co-financed project and the beneficiary experience.
- The beneficiary shall not hinder the monitoring and evaluation activities conducted by the UNDP or third parties designated by them for a period of 2 years after project completion. The project will be considered completed immediately upon full and proper fulfilment of the obligations stipulated in the award agreement.
- The beneficiary is obliged to mention the EU and the UNDP as supporting organizations in all communication channels used for project-related matters for 1 year from the start date of the award agreement.
- The beneficiary is obliged to submit all the necessary information (in a timely, accurate, and complete manner) in accordance with the award agreement, including financial and programmatic reports as stipulated in the agreement, within 14 calendar days of the request for information. In case of failure to submit this information/documentation, the UNDP reserves the right to discontinue co-financing for the beneficiary and/or request the beneficiary to reimburse the expenses.

4.5.2 Conflict of Interests

A potential beneficiary will not be eligible for co-financing under the Call if the beneficiary or its founder / shareholder / cooperative shareholder owns a share/stock/cooperative share in a company registered in Georgia that supplies goods/services to them within the framework of the Call.

4.5.3 Procurement Procedures, Fraud, and Corruption

According to the Call requirements, beneficiaries must adhere to the highest ethical standards from the beginning of their involvement in the Innovation Challenge project until the fulfilment of their obligations. The terms below shall have the following meanings: (1) "Corruption" means offering, giving, receiving or soliciting, directly or indirectly, any item of value to influence the actions of another party; (2) "Fraud" means intentional or negligent omission or misrepresentation of facts by a party in order to obtain financial or other gains or to avoid an obligation; (3) "Collusion" means a secret deal between two or more parties, knowingly or unknowingly, aimed at achieving an unlawful purpose, which also includes exerting harmful influence on the actions of a third party; (4) "Coercion" means to harm, or a threat to harm the people or their assets, directly or indirectly, in order to influence their participation in the procurement or project implementation; (5) "Obstruction" means: (1)

deliberately destroying, falsifying, altering, or concealing evidence for investigation, or giving false testimony to impede an investigation related to corruption, fraud, conspiracy, or violence; and/or intimidating or threatening any party that has helpful information for the investigation, to prevent the disclosure of this information, or (2) actions that significantly impede the exercise of the inspection and audit rights.

The UNDP bears an obligation to respond to any potential manifestation of corruption and fraud. Before accepting the terms and conditions of application, the applicants are advised to carefully read the Innovation Challenge Call conditions and contact the UNDP with any questions.