EU4Digital

EU4Digital: supporting digital economy and society in the Eastern Partnership

Digital innovation SMEs’ access to finance: policy recommendations: Georgia

June 2020

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List of abbreviations

Table 1 List of abbreviations

Abbreviation	Full name
ADA	Austrian Development Agency
ADB	Asian Development Bank
AF	Alternative finance
AFD	Agence Francaise De Developpement
AIFM	Alternative Investment Fund Managers
APMA	Agricultural Project Management AgencyBOG – Bank of GeorgiaBTU – Business Technology University
CNFA	Cultivating New Frontiers in Agricultura
DCFTA	Deep and Comprehensive Free Trade Area
DEA	Data Exchange Agency
DFID	Department of International Development
Eastern Partner countries	Six Eastern Neighbourhood countries (Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, Ukraine)
EBA	European Business Association
EBRD	European Bank for Reconstruction and Development
ECSP	Council on European Crowdfunding Service Providers
EDA	Enterprise Development Agency
EIB	European Investment BankEIF - European Investment Fund
EMIS	Education Management Information SystemESBG - European Savings and Retail Banking Group
EU	European Union
G4G	Governing for Growth
GBAA	Georgian Business Angels Association
GEL	Georgian lari
GITA	Georgia’s Innovation and Technology Agency
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNCC	Georgian National Communications Commission
GVCA	Georgian Venture Capital Association
ITC	International Trade Commission
KfW	Kreditanstalt für Wiederaufbau
LGF	COSME Loan Guarantee Facility
MoESD	Ministry of Economy and Sustainable Development
MoF	Ministry of Finance
Moldova	Republic of Moldova
NBG	National Bank of Georgia
OECD	Organisation for Economic Co-operation and Development
PGFF	Polish Growth Fund of Funds ()
SIDA	Swedish International Development Cooperation Agency

Abbreviation	Full name
TFIRP	Trust Fund Investment Readiness Project, World Bank
UCITS	Undertaking for collective investment in transferable securities
UNDP	United Nation Development Program
USAID	Unites States for International Development
VC	Venture Capital
VentureEU	Pan-European venture capital fund-of-funds programme
WB	World Bank
WBAF	World Business Angles Investment Forum

1 Background

The EU4Digital Facility (a programme under the umbrella of the EU4Digital Initiative) was launched by the European Commission in January 2019. The EU4Digital Facility aims to extend the benefits of the European Union's Digital Single Market to the Eastern partner states – Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova (hereinafter – Moldova) and Ukraine. The Facility focuses its support across six key policy areas, including ICT innovation. The activities in the ICT Innovation policy area are aimed to support reforms and actions favouring the development of ICT research, start-ups & innovation ecosystems across the Eastern Partnership region, drawing from the EU experience and best practices.

In 2019 - the first half of 2020, the Facility focused its work to identify and share at the regional level the best EU practices for regulation in the policy areas pre-selected by the Eastern partner countries:

- Intellectual property rights management for digital innovations (Armenia);
- New organisational forms for supporting ICT Innovation (Azerbaijan);
- Digital innovation SMEs' access to finance (Georgia, Ukraine);
- ICT innovation ecosystems for start-ups and scale-ups (Moldova);
- Digitising industry (digital transformation of SMEs in traditional sectors) (Belarus).

This report provides the results of the gap analysis related to the policy area 'Digital innovation SMEs' access to finance' in Georgia, and the recommendations for the development of relevant innovation policy. The recommendations formed the basis for elaboration of the national policy implementation action plan for Georgia.

2 Results

The scope and the information type sought during the gap analysis is explained by the scope of the EU4Digital Facility, as well as by the intervention logic of the Facility. Being one of the first endeavours of the EU assistance to the Eastern partner countries in harmonising digital market, the objectives of the EU4Digital Facility at this stage are to **identify the major gaps between the EU and the Eastern partners** and to reveal the directions in which the interested stakeholders can take further active steps to overcome the gaps.

Based on the gap analysis and in tight cooperation with stakeholders, the **recommendations were developed** and can be used as the basis for further activities and possible joint projects. The EU4Digital Facility aims to keep the recommendations as practical and implementable as possible.

These recommendations formed the basis for elaboration of the **national policy implementation action plans** for each Eastern partner country. The action plans identified specific stakeholders in the Eastern partner countries, specific EU tools, platforms, practices that can be mastered by Eastern partner country stakeholders and possible counterparts in the EU countries.

The other activities of the Facility (training, study visit, networking events, promotion activities, etc.) will **support the interested stakeholders in their further activities** on overcoming the gaps.

3 Methodological note

The EU4Digital Facility identified the best EU practices for regulation in the policy areas selected by the Eastern partner countries. These best practices were systematised and formed the basis for analysis of the progress and gaps in the Eastern partner countries.

The gap analysis was performed by comparing the best EU practices and tools with those existing in the Eastern partner country, within the framework of the policy area selected by the country. The national experts in each Eastern partner country collected the field data by means of desk research (study of existing reports and documents), field research (collecting and analysing raw data in Internet space) and interviews with national experts from state bodies and relevant digital innovation ecosystem organisations (see Annex 1. 'List of organisations and experts consulted during verification process').

Further analysis of the gaps and development of the recommendations was performed by the EU4Digital Facility expert team and aligned through consultations with national stakeholders.

Introduction to a framework supporting SMEs in access to finance for digital innovations

This policy area addresses the financing needs of both startups and SMEs for which digital innovations make the core of the business model as well as existing enterprises in traditional industries, which can use digital innovations to increase the efficiency of operations.

On their development path, SMEs face different needs both in the size and the type of investment funds. The EC helps SMEs to access finance in all phases of their lifecycle – creation, expansion, or business transfer. The goal of a good policy practices is to compensate for weaknesses in the financial markets and increase access to finance for startups and SMEs.

This explains the logic and the structure of the topic 'Digital innovation SMEs' access to finance'.

Section 5 contains an **overview of recommendations** that are further elaborated in detail.

Section 6 updates the landscape of actors in the country that provide the financing at different stages, using the results of ICT Innovation Study (2018) as a background. This helps to make **an overview of existing funding possibilities for digital innovations.**

Sections 7-12 consider **various types of actors providing funding for digital innovations at different lifecycle stages**:

- Section 7 checks whether the regulatory sandboxes for alternative finance are available in the country, thus enabling banks and FinTech players to experiment with innovative financial products or services, and whether the baseline principles of their operations are observed.
- Sections 8-10 investigate crowdfunding, business angels and venture capital. They focus on basic terms to be set in the legislation, but also on the degree of internationalisation of these actors. The latter is important because of the small market size of the domestic markets in most Eastern partner countries and the logics of venture capital exit that mostly happens on the level of global equity market.
- Section 11 considers the availability of fast track support for high-risk innovations.
- Section 12 checks whether financing of digital transformation of traditional enterprises is available for the range of necessary areas.

Sections 13 and 14 draw from the need for **special knowledge that should accompany high-risk investments**:

- Section 13 looks whether targeted training opportunities and decision-making tools are available within the country for those investors who wish to perform as business angels, venture capital investors and fund managers, as well as for start-ups and companies wishing to attract venture funding.
- Section 14 checks which information and advisory support is available to SMEs seeking for financing digital innovations, including online database of existing funding sources.

The structure of the policy recommendations within this report is a framework of four elements:

- the suggested actions are listed and elaborated where needed (answering the question what is to be done (What?);
- the reason why these actions are important is explained in terms of a broader context of the innovation ecosystem development (Why?);
- relevant EU organisations are suggested as potential partners exercising the good practice in the considered area;
- possible counterparts in the Eastern partner country are indicated as the parties potentially interested in taking over of the suggested EU best practices and in performing the recommended actions.

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5 Summary of recommendations

Following the status and gap analysis, the recommendations were developed, linked to the EU best practices, on how to increase the access to finance for digital innovations in Georgia. The summarised recommendations in Table 2 are further elaborated in Sections 6-14. The order of the recommendations in the below summary corresponds to the recommendations numbering in the sections.

Table 2 Summary of recommendations

Summary of recommendations
1. Regulatory sandboxes for alternative finance
1.1. In collaboration with the National Bank and blockchain business community in Georgia, develop communication with the advanced EU organisations on alternative finance regulation, for quick learning about the progress and failures, mapping and cross border pilots.
1.2. Consider the usage of best principles elaborated in international practice.
1.3. Consider introducing of an accreditation system for alternative finance providers based on certain eligibility criteria.
***2.* Crowdfunding**
2.1. Consider the legislative proposal for an **EU framework on crowd and peer to peer finance** adopted by the Commission on 08 March 2018 (COM(2018)113/DOCUMENT-2018-31146) and the Proposal for a Regulation of the European Parliament and of the Council on European Crowdfunding Service Providers (ECSP) for Business COM/2018/0113 final - 2018/048 (COD).
2.2. Register the crowdfunding platforms at the **P2PMarketdataplatforms** resource for making the Eastern partner platforms visible in the world (across 171 lending and equity-based platforms in Europe).
2.3. Establish links with EU professional networks for quick learning about the progress and failures, mapping and cross border cooperation (i.e. join the European Crowdfunding Network; meet the other members at the specialized events; join working groups for participation in the development of regulation).
3. Business angels
3.1. Introduce **institutional capacity building for existing and proto-digital business associations** in the Eastern partner region, to make them an integral part of the EU business community and international associations. Specifically, for business-angels, reincarnate Georgian Business Angels Association under the leadership of prominent investors with trustful reputation, through specialised training programme for ecosystem builders and integration with international networks of investors at different stages of innovation lifecycle.
3.2. **Build the capacity of individual business angels (training and networking)** as a main tool for consolidation and increase the success rate of Georgian business angels.
3.3. Introduce the **definition of business angels** for the reasons of introducing tax benefits.
3.4. **Introduce tax benefits for business angels on the country level** to foster investments into innovative businesses. Consider both income and capital gains taxation of investors. Study the possible schemes including deduction, tax exemption, tax credit, tax deferral, loss relief.
3.5. **Introduce co-investments scheme for business angels** to further facilitate business angel investments; complement it with expertise and advice from experienced international investors. This co-investment might be done by a dedicated public fund (from the state budget), or be a private-public find, or a fund established with assistance of international financial organisations (WB, EIB, USAID). The advisory council could be sought from EU/international BA communities.
4. Venture capital
4.1. **Harmonise regulation of venture capital investments** in Georgia with advanced EU legislation (EuVECA, EuSEF, ELTIF, PRIIPs) in order to provide a friendly and understandable environment for the EU-investors.
4.2. Compare the venture investments **taxation regimes** with the other competing jurisdictions.
4.3. Consider the Georgian Venture Capital Association (GVA), as well as Georgian Business Angels Association (GBAA), as strategic partners of the Government, and facilitate their work on establishment of relations with foreign VC funds. Consider establishing of a workgroup involving both regulators and VC association specifically for elaboration of VC legal and institutional support framework.
4.4. Introduce the **national co-investments scheme** for venture capital investments strategically along with the country economic growth. In a medium-term, use the **EU co-investment tools**.

Summary of recommendations
5. Fast track support for high-risk innovations
5.1. Launch additional online channels via internet banking for fast track support for high-risk innovations and social innovations (application to be submitted online with banks being the channels providing passport and credit risk information about clients and a centralised decision being made within a few days by a team of innovation of social fund managers).
5.2. Consider using the available **EU tools** (EIC pilot tools as Pathfinder, Accelerator, FTI), promote their use via ecosystem actors, study their schemes of decision making.
6. Funding of digital transformation of traditional enterprises for the range of areas
6.1. Consider adapting the approach applied by COSME Loan Guarantee Facility as well as country-level approaches (including classification of activities and rules of allocating loans) when revising the framework for financing the digital transformation in the Eastern partner countries.
7. Training opportunities and decision-making tools within the country
7.1. Implement further national training programmes for start-ups and companies wishing to attract business angel and venture funding as well as alternative funding (crowdfunding, ICO) in local language explaining the specifics of operation needed in case of such funding attraction and specifics of exit scheme.
7.2. Link national training programmes for business angels, venture capitalists, venture fund managers with diverse training programmes across the world. Provide various channels and forms of trainings.
7.3. Consider using **specialized decision-making tools** for business angels, venture capitalists, venture fund managers, for example, InnoRate project.
8. Information and advisory support available to SMEs seeking for financing digital innovations
8.1. Provide a list of financial sources available to the country to residents from various organisations in an online freely accessible database, and outfit it with a guide/wizard assisting SMEs to select the funding relevant for the organisation, usage case and innovation lifecycle stage.
8.2. Join the existing matchmaking platforms with a big scale connecting finance-seeking SMEs with investors and lenders beyond the traditional banking system.
8.3. Study the innovative approaches on matching companies seeking for funding with risk and alternative funding and consider their possible transfer on the national level.

Source: Developed by EU4Digital Facility

6 The landscape of actors in the country that provide the financing to SMEs at different stages of development

During field research, the landscape of actors that form the financial framework at different stages was updated, using results of ICT Innovation Study (2018) as a background (see Annex 2 'List of Stakeholders/Actors'). It includes 16 governmental agencies, 14 international donors/IFIs, 6 banks, 3 venture capital funds and 5 crowdfunding platforms. Besides, 20 associations, 8 high-tech parks, 9 universities, 14 ICT training centres, 5 accelerators, 15 business incubators and 21 fablabs support innovative startups via knowledge that should accompany investments for a successful innovation process.

6.1 Government agencies

For consolidation of all the SMEs development efforts and for successful implementation of the entrepreneurship support reforms, the Ministry of Economy and Sustainable Development of Georgia (MoESD) created two new entities in summer of 2014 – Enterprise Georgia and Georgia's Information and Technology Agency (GITA):

- Enterprise Georgia is responsible for coordinating the implementation of SME supportive policies and programmes. The agency supports Georgia's economy in three main directions: business development, export support and investment.
- GITA is the main coordinator and mediator in the process of building a national innovation ecosystem. The purpose of GITA is to create an ecosystem and coordinate its development process; stimulate innovation, modern technologies and R&D; facilitate commercialisation and usage of R&D, support innovative start-ups and their competitiveness growth; facilitate cooperation between the representatives of scientists and businesses; cover the whole country with a high-speed internet connection and computerisation process, etc.

In 2012, JSC "Partnership Fund" – a state owned investment fund – was established by the Government, to promote investment in Georgia by providing co-financing (equity, mezzanine, etc.) in projects at their initial stage of development. Later in 2016, the Startup Georgia programme was launched by JSC "Partnership Fund" and the GITA at the initiative of Prime Minister of Georgia within the framework of economic reform in 2016, which is one of the components of the government's 4-point plan. The program was approved by the Government of Georgia on 11 May, 2016, Resolution 6206. One of the long-term goals of Startup Georgia is to help the establishment of crowdfunding practice in Georgia.

Almost all the national public funds are channelled through Enterprise Georgia, GITA and Agricultural Projects Management Agency. A range of instruments are available – from subsidies and grants to equity investment and loans.

National measures for SMEs in Georgia

National measures for SMEs in Georgia are presented by three big state programmes consolidating about 15 projects with an annual budget of around $100 million:

1. **'Produce in Georgia'** is a state programme launched by the MoESD and implemented by the Enterprise Development Agency (EDA)[1] in June 2014. It aims to develop entrepreneurship in Georgia, increase the competitiveness of the private sector and boost the export potential, through providing financial assistance, infrastructure and consulting support.
2. **Innovation grant programmes** '*Mini Grants*' and '*Micro Grants'* to support innovation, implemented by GITA. The aim is to support market-oriented innovative projects as they go through the process of commercialisation. GITA also implementing the World Bank funded $100,000 and $250,000 *grant programmes to support ICT* in the frame of GENIE project.
3. Start-up Georgia is a special programme supporting Georgian start-ups. The program consists of two components: innovative component and high-tech component.

The Ministry of Agriculture, through the Agricultural Project Management Agency (APMA), is also implementing more than 10 projects under a unified agriculture project to support SMEs development in agriculture.

1 Enterprise Development Agency (EDA) was founded in 2012 with the mission to help Georgian enterprises grow and diversify their exports through advocacy, advisory and promotion. EDA is a member-driven association uniting up to 100 Georgian export-oriented producers and service providers. Its key expertise is the identification and execution of market entry strategies.

6.2 Internationally funded projects on access to finance

There are 14 ongoing and 5 bilateral EU4Business projects running in Georgia (see Annex 3). EU4Business provides grants and loans:

- Grant programmes largely look at increasing the value added to the SMEs in the strategic sectors, such as agribusiness (particularly wine), hospitality and tourism, but also targeting certain niches with high growth potential: export-oriented industries, youth entrepreneurs, value chain development, high-tech and ICT sector, innovation, etc.
- Loan programmes are less restrictive and target the most viable investments. Loans made available to the rural communities, farmers, and agribusinesses are the largest share of all the access to finance support made available through the local banks and other quasi-financial institutions. Loans are often combined with other instruments, such as guarantees, consultancy assistance and access to knowledge and markets, etc.

Along with the EU, a number of foreign/international financial institutions are also supporting entrepreneurship and economic development efforts in the country: The World Bank (WB), United States Agency for International Development (USAID), EBRD, EIB, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Kreditanstalt für Wiederaufbau (KFW), Austrian Development Agency, Asian Development Bank (ADB), ITC, OECD, UNDP and Swedish International Development Agency (SIDA) and other.

In total, there are over 100 projects on access to finance implemented in Georgia by international donors, EU4Business programme, state government projects, and banks. Full list and details about these projects can be found in Annex 3 “List of projects on access to finance in Georgia”.

7 Regulatory sandboxes for alternative finance

Alternative finance refers to a range of products emerging outside of traditional banking for businesses that have difficulties in accessing banking loans because of their high-risk business plans. Alternative finance includes and embraces a range of funding schemes from peer-to-peer lending to crowdfunding, marketplace lending and initial coin offering (ICO).

Status and gaps

MoESD and NBG are the main stakeholders in sandbox development for access to alternative finance and Georgian sandbox is under development or at initial development stage.

Following public consultations, NBG adopted a regulatory sandbox framework, which came into force on 25 May 2020. The rule allows regulated financial institutions to test their innovative products and services in the testing environment. Gradually NBG plans to expand the scope of the sandbox (for example, to crowdfunding).

NBG already is developing communication with the advanced EU organisations on alternative finance regulation – for example, it is a member of Global Financial Innovation Network.

Further study of practical experience of the EU member states' practice of the legal framework for alternative finance, including the development of regulatory sandboxes, would be useful.

Recommendations

❖ What?

1. In collaboration with the National Bank and blockchain business community in Georgia, develop communication with the advanced EU organisations on alternative finance regulation, for quick learning about the progress and failures, mapping and cross border pilots (see basic list of suggested organisations below).
2. Consider the usage of best principles elaborated in international practice (see ESBG's white paper on innovation facilitators (ESBG, 2019), including the following:
    a. Principles of selection criteria for working in the regulatory sandbox are developed.
    b. Supervisors are entitled to identify and select innovative projects.
    c. Selection process should have as an object the type of innovation to be tested, and not the type of innovator (for instance, a call for tender on a specific innovation can be organised to allow several actors to take part on a voluntary basis).
    d. Many actors are involved in a test instead of only one type of actor, to ensure the diversity of sandbox test results that will be used as inspiration for new regulatory rules.
    e. Sandboxes involve (are organised/supervised by) relevant country regulators.
    f. An innovator using the sandbox space test should bear in full the financial risk of the test, in order to ensure consumer protection.
3. Consider introduction by public authorities of an accreditation system for alternative finance providers based on certain eligibility criteria (see example of catalogue and an accreditation system for alternative finance providers administered by the Catalan Agency for Business Competitiveness (ACCIÓ)).

❖ Why?

Alternative finance as new sources of investments enabled by digital technologies can be a powerful factor of economic growth. One of them, ICO, is based on distributed ledgers technologies (like blockchain) which is considered to be a technology with risks of application when not properly governed. That is why many national banks prefer to organise some testing regime before allowing ICO for the whole country – they allow such transactions for certain qualified actors, develop a set of rules for them, and observe if these rules are effective or they need to be changed for more strict/more soft before being applied to the whole country. Regulatory sandboxes can be useful also for the other highly innovative technologies and business models – they help financial authorities and regulators to test them in a controlled environment, before they are introduced on the scale of the country.

❖ Relevant EU and international stakeholders (non-exhaustive list):

- Altfinator is the EU-funded consortium oriented on facilitating access to alternative financing, capacity building of the financial ecosystem and its participants to improve innovative SMEs' access to alternative forms of financing in Europe. Its goals include mapping and analysis of alternative finance ecosystems in South, Central and Eastern Europe to establish capacity-building strategy and implementation plan and engage alternative finance (AF) community to support provision and absorption of financing for innovative SMEs. Altfinator provides the matchmaking tool to help small and medium-sized enterprises discover the most relevant financiers. It has a Credit data tool – a list of all available open and limited access sources that are providing detailed financial and credit information of registered enterprises in European countries, including the Eastern partner countries. It also provides training possibilities for SMEs and financial providers. Altfinator hubs are available in Hungary, Italy, Portugal, Slovakia, Spain, Lithuania, Ukraine and Romania.

- Global Financial Innovation Network (GFIN) – a network of over 50 organisations, including regulators, "to collaborate and share experience of innovation in respective markets, including emerging technologies and business models; provide a forum for joint policy work and discussions; and provide firms with an environment for trial cross-border solutions". It was formally launched in January 2019 by an international group of financial regulators and related organisations. GFIN includes the possibility to apply for a pilot for firms wishing to test innovative products, services or business models across more than one jurisdiction.
- European Savings and Retail Banking Group (ESBG) – an association that represents the locally focused European banking sector, helping savings and retail banks in 21 European countries (EU and non-EU) strengthen their unique approach that focuses on providing services to local communities and boosting SMEs. See Annex 4 for recommendations of ESBG on the regulatory sandboxes implementation.
- The World Savings and Retail Banking Institute (WSBI) focuses on international regulatory issues that affect the savings and retail banking industry.
- European Forum for Innovation Facilitators (EFIF) – a platform for supervisors from across the financial sector "to share experiences from engagement with firms through innovation facilitators, to share technological expertise, and to reach common views on the regulatory treatment of innovative products, services and business models, overall boosting bilateral and multilateral coordination".
- The Department of Enterprise and Employment of the Government of Catalonia has introduced a catalogue and an accreditation system for alternative finance providers administered by the Catalan Agency for Business Competitiveness (ACCIÓ). The accreditation is based on eligibility criteria specified in a regulation. To be accredited, companies must provide documentation verifying their compliance with the requirements. This accreditation and its seal give visibility to the accredited finance providers and the right to participate in alternative finance events. Four categories of alternative financing entities are established with the same accreditation criteria for the following categories: financing collective investment (crowd equity); collective financing loan (crowdlending); invoice discounting (invoice trading); networks of private investors (Business Angels). Requirements to be accredited by Catalan Agency for Business Competitiveness (ACCIÓ):
    - to be an entity with its own legal personality (public or private);
    - to have management ability – to have a responsible person to carry out the management of the platform or network;
    - to carry out operations on a regular basis and to have operations in Catalan companies carried out with a minimum of three closed financed operations in the case of private investor networks, five – in the case of crowd equity, 20 – in the case of crowdlending and – 100 in the case of invoice trading, between 2015 and 2019 call for alternative financing entities;
    - to have the total amount of investments financed in Catalan companies equal to €300,000 in the case of private investor networks and €1,000,000 in the case of crowd equity, crowdlending and invoice trading, between 2015 and the 2019 call for alternative financing entities;
    - to have a minimum of 20 investors registered on their platform or network on the date of publication of the 2019 call for alternative financing entities;
    - not to be in any of the circumstances provided in article 13 of Law 38/2003 of 17 November;
    - to comply with tax obligations to the Generalitat de Catalunya, as well as not to have debts with ACCIÓ or its investee companies.

❖ Potential counterpart(s) in the Eastern partner country:

- National Bank of Georgia;
- MoESD (economic policy department) with its Agencies: GITA and Enterprise Georgia;

- Startup Georgia;
- GNCC.

8 Crowdfunding

Status

Policies related to crowdfunding

Currently, the *Law of Georgia on advertisement* prohibits public offering advertisement, which may be interpreted as a barrier to operation of crowdfunding platforms.

In the *Law of Georgia on security market,* special amendments are planned concerning crowdfunding.

The plan is to create a special working group to elaborate new amendments in relevant laws and propose the package to NBG till the end of this year. GITA is discussing with upcoming USAID funded 'Governing for Growth' (G4G) project to allocate finances and technical assistance to support this process.

NBG started to analyse crowdfunding regulatory frameworks of different countries, including EU regulations, and considers in cooperation with GITA to adopt a draft regulation for crowdfunding service providers. NBG is ready to use regulatory sandbox and use its outcomes to develop regulatory approach.

Mapping

Donation-based crowdfunding platforms existing in Georgia:

- *Investme.ge* is a public funding platform that connects ambitious, innovative and creative projects with the public to raise funds. The platform has been created in 2018 with the support of the President Reserve Fund and is working on four main directions: Entrepreneurship, Creative industry, Social Entrepreneurship, Social activity. Total mobilised funds: 2,833.29 GEL (approximately €913,94). Successful projects: 1, Supported Projects: 72.
- *Wehelp.ge.* Foundation's mission is to connect the main beneficiaries, who need medical assistance to the public at large through the online space. Projects included – 126, users – 3,732, transferred amount – 566,267.86 GEL (approximately €182,620.89).
- *Charte.ge* (GiveInternet) is a non-profit funding platform with a mission to help disadvantaged high school students realise their full potential by giving them Internet access.

The target groups the donation-based crowdfunding platforms are:

- low-income people in emergency operations;
- people in need of help and support;
- initiators of activities related to social culture of charity and promotion; charity events and public awareness.

Equity-based crowdfunding platforms include:

- Crowdfund.ge (equity, loan, perk-based investments) – the first Georgian equity crowdfunding platform. Crowdfund.ge has initiated changes in the regulatory framework drawing on recent international practice and is currently trying to negotiate the adoption of the changes with the government.
- Crystal crowd (shares, loans, rewards). This platform was created by micro finance organisation 'Crystal' to support young entrepreneurs and their initiatives though crowdfunding. The platform has been founded by the Crystal Foundation in the frame of support of USAID project 'Youth entrepreneurship skills development for job creation and income generation in Georgia. As a project partner and co-sponsor, it directly implements the training of young entrepreneurs, within which hundreds of young entrepreneurs have been trained in up to 15 regions of Georgia. The number of funded projects is however not published.

Gaps

The following gaps were identified:

- Donation-based crowdfunding is more developed than equity and loan-based, due to undefined regulatory field for the latter.
- There is no local network of crowdfunding platforms.
- A national regulation on crowdfunding is not in place yet.

A start-up business or idea-level start-up cannot attract investors through crowd fundraising platforms in Georgia. This is due to the stringent requirements of the *Law of Georgia on security market*, which requires companies to submit detailed financial documentation to make a public offering of shares (IPOs) that most start-ups are unlikely to submit (the company has to register as a Joint Stock Entity which implies the stringer regulation compliance comparing to LTD; since start-ups lack resources and capacity to deal with many corporate regulations, they avoid JSC).

To address the problem, the GITA has drafted a legislative amendment that will allow the creation of private crowd fundraising platforms allowing start-up businesses to attract investors by selling their shares to attract investors.

In case legislative requirements are changed and the rules on offering start-up stocks are separately set out in the *Law of Georgia on security market*, it will create a new market for investors and start-ups.

"A legislative initiative is being prepared regarding the crowd fundraising, which will be submitted to the Parliament of Georgia by the end of 2020. This is a fundamental change in the securities law, so that start-ups can be adapted to equity public offerings. Taking into account the best practices in the US and UK legislation, we are going to take serious steps in that direction, and this will be an additional private investment for start-ups that will be regulated at the legislative level," Avtandil Kasradze, Chairman of GITA.

The technology agency is consulting with the National Bank of Georgia on the crowd funding law. With the financial assistance of USAID, a UK expert was attracted who compared the draft law to world practice.

Amendments are also drafted to the *Law on Innovation*. A new article is expected to be added to the bill, which envisages launching a so-called crowdfunding system for start-ups, where the multilateral collaboration is enabled: crowd funding allows start-ups to raise money from many different sources, and small investors become shareholders of one or more projects.

Recommendations

What?

1. Consider the legislative proposal for an EU framework on crowd and peer to peer finance adopted by Commission on 8 March 2018 (COM(2018)113/DOCUMENT-2018-31146) and the Proposal for a Regulation of the European Parliament and of the Council on European Crowdfunding Service Providers (ECSP) for Business (COM/2018/0113 final - 2018/048 (COD)). In particular:
2. Amendments prepared into the law are recommended to cover the basic definitions that are proposed in Article 3 of the abovementioned EU regulation, including:
    a. crowdfunding service;
    b. crowdfunding platform;
    c. crowdfunding service provider;
    d. crowdfunding offer;
    e. crowdfunding project.
3. Amendments prepared into the law are recommended to cover the basic issues including:
    a. Provision of crowdfunding services and organisational and operational requirements of crowdfunding service providers, including:
        i. provision of crowdfunding services;
        ii. effective and prudent management;
        iii. complaints handling;
        iv. conflicts of interest handling;
        v. outsourcing;
        vi. client asset safekeeping, holding of funds and providing payment services.
    b. Authorisation and supervision of crowdfunding service providers, including:
        i. authorisation as a crowdfunding service provider;
        ii. registering of crowdfunding service providers;
        iii. supervision;
        iv. withdrawal of authorisation.
    c. Transparency and entry knowledge test by crowdfunding service providers, including:
        i. information to clients;
        ii. entry knowledge test and simulation of the ability to bear loss;
        iii. key investment information sheet;
        iv. bulletin board;
        v. access to records.

d. Marketing communications, including:
   i. requirements regarding marketing communications;
   ii. publication of national provisions concerning marketing requirements.

4. Register the crowdfunding platforms at the P2PMarketdataplatforms resource for making the Eastern partner platforms visible in the world (across 171 lending and equity-based platforms in Europe).
5. Establish links with the EU professional networks for quick learning about the progress and failures, mapping and cross border cooperation (i.e. joining the European Crowdfunding Network (association) as a member; meet the other members at the specialised events; join working groups for participation in the development of regulation)).

❖ Why?

Crowdfunding platforms in their different models are a new powerful source of alternative funding that make start-ups less dependent on typical venture capital exit models and allow for raising fuds without a material collateral that is required by banks. This tool empowered by digital technologies can be very helpful for the Eastern partner countries, allowing to collect micro funding of business development by population, in the circumstances when the institutional investors are still rare.

Throughout the vast experience of regulatory environment collected in various EU countries, the Eastern partner countries can extract the best and implement it at the stage when the EU countries themselves come to the harmonisation of rules.

Aligning of the national crowdfunding platforms regulation in the Eastern partner countries with rules set within the EU and making the Eastern partner platforms visible in the EU will enable the Europe-wide cross-border activity of crowdfunding platforms, including attracting the EU investors to the Eastern partner market of ideas, and thereby increase access to finance for entrepreneurs, start-ups, scale-ups and SMEs in general.

This is especially important because “after the UK leaves the Single Market, British crowdfunding websites would not be able to make use of any new “passporting” arrangements under the EU Regulation, even if the UK’s regulatory approach to crowdfunding was completely aligned with the EU’s. Instead, UK platforms would have to establish a subsidiary within one of the remaining Member States to obtain a platform and provide services in multiple EU countries on a cross-border basis under the new Regulation”[2]. Thus, the Eastern partner countries need to align with all those countries from which they would like to attract the alternative funding.

Networking with existing professional actors will allow the Eastern partner countries to quickly learn about the progress and failures in regulation and business models, to map the Eastern partner platforms and raise interest of EU investors and collaborate in joint cross border projects.

❖ Relevant EU policies (non-exhaustive list):

- Proposal for a Regulation of the European Parliament and of the Council on European Crowdfunding Service Providers (ECSP) for Business adopted by Commission on 8 March 2018 (COM(2018)113/DOCUMENT-2018-31146). This proposal establishes a European label for investment- and lending-based crowdfunding platforms[3] that enables cross-border activity. With this Regulation, platforms will have to comply with only one set of rules, both when operating in their home market and in other EU countries. This proposal also seeks to empower investors with the necessary information on crowdfunding, including the information on the underlying risks and support investors' trust in these innovative services. This Regulation establishes uniform requirements for the following:
  - the operation and organisation of crowdfunding service providers;
  - the authorisation and supervision of crowdfunding service providers;
  - transparency and marketing communications in relation to the provision of crowdfunding services in the Union.

2 Documents considered by the Committee on 4 September 2019: Crowdfunding and P2P lending: new EU regulatory framework/European Scrutiny Committee; UK Parliament (2019). Source: https://publications.parliament.uk/pa/cm201719/cmselect/cmeuleg/301-lxxi/30108.htm

3 Donation and reward-based crowdfunding are excluded from the scope of this initiative. EU consumer protection legislation already applies to reward-based crowdfunding with strict rules to safeguard consumers. The proposal does not include consumers lending for consumption purposes as this is not business lending and it partially falls within the scope of existing EU legislations, specifically when a consumer is receiving a loan for personal consumption and operating outside of professional capacity this activity falls within the remit of the Consumer Credit Directive and in case of a consumer receiving a loan to purchase an immovable property, (this activity falls within the remit of the Mortgage Credit Directive).

❖ Relevant EU and international organisations (non-exhaustive list):

- Crowd Fund Portal for development of policy strategies and crowdfunding hubs in the Eastern partner countries following the experience of Austria, Croatia, Czech Republic, Germany, Hungary, Italy, Slovakia, Slovenia and Poland.
- European Crowdfunding Network – an association of crowdfunding platforms (potential membership of the Eastern partner crowdfunding platforms and associations).

For more information please see Annex 5 “Overview of the legislative framework on crowdfunding in the EU member states”.

❖ Potential counterpart(s) in the Eastern partner country:

- Startup Georgia;
- GITA.

9 Business angels

Status

Policies related to Business Angels

As for accepting investments on the early (start-up) stages, the regulatory framework in Georgia does not allow investments before the legal entity is established. Initiative group or a person can be an applicant for state grants for start-ups, but in case of shortlist and winning, a legal entity should be established. Convertible loan agreements and advanced subscription agreements as a kind of investments (i.e. provision of loans on the terms of their possible conversion into shares in the authorised capital) are not used in Georgia.

Georgian Law on Investment funds has amendments planned to define start-ups and venture capital to incentivise creation of investment funds.

Tax benefits for business angels are not provided in Georgia. They are planned to be part of the amendment package in Tax Code of Georgia.

Mapping

Projects funded by business angels are less likely to be found in Georgia. Under these circumstances, the government is trying, through the state budget and donor support (EU, WB, USAID), to support innovative activities to encourage investment in small and medium-sized entrepreneurs, meaning to finance projects that are commercially viable.

Over the last couple of years, the Georgian government introduced programmes and concepts, such as the ‘Business Incubator Fab Lab’, ‘Start-up Georgia’ and ‘Technopark’ to promote the demand side of the business angel market. Some of these government programmes have the aim of popularising the idea of Angel Investment and creating precedents for the commercialisation of ideas. For example, ten Georgian start-ups were chosen to be presented in Silicon Valley (in the US state of California) and they tried to find financing there. The scale is tiny, and the process was mostly oriented on foreign investors, and totally subsidised by the government, which will not be a sustainable practice in the long run.

While much work is being done by the government to promote and support start-ups, further policies are needed to popularise an entrepreneurship culture and to raise interest of local investors to participate in the business angel market. The establishment of the Georgian Business Angels Association is the first step forward.

Business angel investments’ market is at the early stages of its development in Georgia. The business-angels market is partially informal and there are probably cases in Georgia when wealthy people have invested in the ideas of others and acted as business mentors, using their experience, skills and contacts in the business sphere. However, these cases are rare, and mostly happen through relatives and private networks, and in non-structured way.

Based on studies conducted in Georgia, three types of angels can be identified:

- ‘Entrepreneurial Angels’ are the current successful entrepreneurs looking for ways to diversify their investment portfolio;
- ‘Professional Angels’ are successful doctors, lawyers, auditors, investing mostly in familiar work and not actively participating in the management of the company;
- ‘Migrant Angels’ are Georgian citizens who are successful abroad, with significant savings, who make valuable investments in helping their relatives and friends, as well as they have patriotic motives.

However, there are no active business angel networks (though some have developed earlier), nor clubs/groups.

In March 2017, a Georgian Business Angels Association, a non-profit organisation, was created with the support of the programme of Private Sector Development Strategies of Swedish International Development Cooperation Agency (SIDA). The main idea of the association is to promote funding of the early stage start-ups, small and medium-sized enterprises by strengthening communication with investors. However, since its establishment, the association did not attract the high level of interest from entrepreneurs, investors, governmental, non-governmental and private sector representatives. Also, it failed to attract financial support and after closure of SIDA’s project, association got inactive. Georgian Business Angels Association has not been a member of any international association.

GITA is a member of EBAN (European Business Angels Association) and the paid annual membership fee is too high in comparison to the benefits the country is having as a member. Only few start-ups have benefited from this network: via access to Amazon and public awareness campaign.

Gaps

The major identified gaps include:

- further policies are needed to popularise an entrepreneurship culture and to raise interest of local investors to participate in the business angel market;
- there are no active business angel networks, nor clubs/groups;
- convertible loan agreements (convertible permissible note) and advanced subscription agreements as a kind of investments are not used in Georgia;
- tax benefits for business angels are not provided in Georgia;
- co-investments from the public funds for business angels are not provided in the country.

In opinion of national experts interviewed by EU4Digital Facility, the market of investors could be enlarged by the establishment of links with the Georgian diaspora. Demand side promotion policies should include the development of an entrepreneurial culture and ecosystem in the country, as well as the provision of programmes to increase entrepreneur investment readiness. Governmental support of Georgian Business Angels Association, as well as the introduction of a legal framework and infrastructure, would further support the business angels market development.

Recommendations

❖ What?

1. Introduce **institutional capacity building for existing and proto-digital business associations** in the Eastern partner region, to make them an integral part of the EU business community and international associations. Specifically, for business-angels, reincarnate Georgian Business Angels Association (various frameworks may be considered, including MoESD) under the leadership of prominent investors with trustful reputation, through specialised training programme for ecosystem builders and integration with international networks of investors at different stages of innovation lifecycle. Review the measures supporting business associations, networks and communities, their networking and linking with the other actors of the digital innovation ecosystem developed in topics 'Ecosystem' and 'Organisational forms' developed by the EU4Digital Facility (localisation may be required).
2. **Build the capacity of individual business angels (training and networking)** as the main tool for consolidation and increase the success rate of Georgian business angels. In addition to WB/EU trust fund programme/assistance under development now, consider using the following activities:
    a. The Guide for emerging markets (WB, 2014) provides basic instructions on BA community-building, also involving diaspora. It can be applied as an extension of work of GITA and Start-up Grind on linking the winners of Georgian start-up competition to San Francisco start-up grind and diaspora.
    b. Best Business Angels in the country might consider becoming Accredited & Qualified Global Mentors (AQGM) of World Business Angel Investment Forum.
    c. Further, requests for a mentorship by WBAF Mentors can be spread among Eastern partner start-ups.
    d. The national translations of the draft shareholders agreements for business angels can be prepared in partnership with local lawyers and used by the BA Association as services for local business angels.
    e. Building communities with local and international lawyers and bridging BAs with them could become an essential service from BA Association.
    f. Becoming the partner of an international 'ESIL – Local leaders' label would mean being a recognised selected organisation which develops the seed investment ecosystem.
    g. Learning the principles and jurisdictions of applicability of convertible loan agreements (convertible permissible note), advanced subscription agreements as a kind of investments, as well as other legal aspects, for better preparation of start-ups to global market.
3. Introduce the **definition of business angels** for the reasons of tax benefits introduction (for example, the following definition may be considered - business angel investors are "high net worth individuals who usually provide smaller amounts of finance ($25,000 to $500,000) at an earlier stage than many venture capital funds are able to invest" (WBAF 2019).
4. **Introduce tax benefits for business angels on the country level** (possibly fixing this in the Georgian Tax Code) to foster investments into innovative businesses. Consider both income and capital gains taxation of investors. Study the possible schemes including deduction, tax exemption, tax credit, tax deferral, loss relief. TAIEX and TWINNING are the EU support tools that could be supportive in transfer

of particular EU tax benefits scheme in the Eastern partner countries by consultations from representatives of relevant EU bodies and organisations regarding the transfer policies and tools that are already applied by them.

5. **Introduce co-investments scheme for business angels** to further facilitate business angel investments, complement it with expertise and advice from experienced international investors. This co-investment might be done by a dedicated public fund (from the state budget), or be a private-public find, or a fund established with assistance of international financial organisations (WB, EIB, USAID). The advisory council could be sought from EU/international BA communities.

❖ Why?

Business angels can only be successful and lead their funded companies to success if they are the part of the wide market saturated with funding opportunities at further stages of business development. In case of small domestic markets as in the Eastern partner region, Eastern partner business angels need to be integrated with the wider networks of business angels (for sharing experience and driving bigger projects up to revenues and exit) and venture capital funds (up to IPO). On the national level, this is best facilitated by associations that perform targeted networking with the international community. However, such facilitation is a complex job.

The difficulty to extract the benefits from international membership is a wide-spread reason for Eastern partner business associations to not consider/quit the memberships. The problems are multifaceted:

- Existing practices of supporting the members in international associations are oriented on mature businesses and the historically inherited traditions of contribution of the business community to the policy framework.
- For most Eastern partner businesses, that are mostly at the early stages of development, the capital accumulation period (orientation on internal pragmatic goals) has still not been transformed into a stage of investments into the external ecosystem.

Thus, the services that could satisfy individual businesses in the Eastern partner countries are not normally delivered by international associations or there are limits in their delivering to businesses that are not English-speaking or oriented on international markets.

The work on identification of such services and on developing the proper value proposition thus lays on the executive office of Eastern partner associations that are acting as direct members of international associations. Herewith, the financial and staff availability restrictions as well as the time needed for understanding the problem and building an organisational mechanism are the usual constrains for Eastern partner business associations – especially for those that are recently established around new technological trends.

Hence, specialised institutional and individual capacity building programmes with targeted support to Eastern partner digital business associations are needed, to make them an integral part of the EU business community and international associations. This is a necessary precondition for the dissemination of good business ethics across the Eastern partner region as well as for intensive network-building.

Specifically, for business-angels, operating as a part of international business network is a direct means of risk-leverage and increase of investments success rate via better decision making and connection to next-stage investors.

❖ Relevant EU and international organisations (non-exhaustive list):

- World Business Angel Investment Forum (WBAF) - international organisation, including Global FDI Club and Business school for angels to upgrade their investment skills.
- Business Angels Europe - association representing more than 40,000 angel investors from the most advanced European angel ecosystems, including:
  - Early Stage Investing Launchpad (ESIL) – a Pan-European community aiming to improve angel investment market.
  - Women Business Angels for Europe's Entrepreneurs – this programme promotes and professionalises female angel investment in 6 countries (Belgium, France, Italy, Portugal, Spain and the UK).
- The European Trade Association for Business Angels, Seed Funds and Early Stage Market Players (EBAN) – a pan-European representative for the early stage investor gathering over 150 member organisations in more than 50 countries, including EBAN Knowledge Centre. Expertise in policy recommendations for business angels activity, their status and certification.
- European Angels Fund (EAF) is an initiative advised by European Investment Fund (EIF) which provides equity co-investments to Business Angels and other non-institutional investors for the

financing of innovative companies in the form of co-investments. Expertise in samples of Co-investment framework agreements (CFAs).

- InnovFin[4] Business Angels targets funds pooled by business angels or business angel co-investment funds investing into Horizon 2020-related enterprises. Expertise in samples of co-investment framework agreements) can be sourced. The possibility to apply this tool in Georgia is to be discussed with EIB.
- Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS), UK. Expertise in Tax incentives for business angels.
- See Annex 6 “Business angels networks, funds and online platforms” and applicable tax reliefs overview in Annex 7 ”An overview of tax reliefs for business angels and venture capital across the world”.

❖ Potential counterpart(s) in the Eastern partner country:

- Georgian Business Angels Association;
- Ministry of Economy and Sustainable Development of Georgia (MoESD);
- Georgia’s Innovation and Technology Agency (GITA).

10 Venture capital

Status

Policies related to Venture Capital

According to the Law on Entrepreneurs, a business entity can be formed as a Limited Liability Company as well as a Limited Partnership. Therefore, the legal structure of a Georgian VC fund can be based on one of these two alternatives.

The Law on Collective Investment Undertakings, issued in 2013, Article 2.7, defines VC fund as a stock fund whose sole business is to invest financial assets in start-up (not older than two years) companies or in business ideas. The VC fund may not involve more than 50 investors. No more than 20% of assets of the VC fund may be invested in publicly offered securities. The VC fund may not take a loan of exceeding the 20% of own assets of the fund. Pursuant to Article 3.3(c) of this law, VC fund is considered a regulated collective investment undertaking. Based on this law, a VC fund shall be registered and supervised by the National Bank of Georgia and shall be accountable to the later.

Important part of how the VC fund works is the asset management company (general partner in terms of the limited partnership) that the sophisticated investors make investments through. This company must be licensed in order to carry out the collective investment undertakings and pursuant to Article 8 shall be registered as a limited liability company or a joint-stock company. The relationship between the VC fund and the management company is therefore regulated by the agreement that combines the scope, the nature and other terms regarding the investments to be carried out.

However, current law does not provide instruments rather serves as a framework for VC development. It provides only listing and definition of investment funds.

Amendment package and new draft Law on Investment funds has been prepared by NBG and submitted to Parliament for approval by end of 2020, which will replace the “Law on collective investment undertaking”. The purpose of this draft law is to support development of investment funds market in Georgia, establish appropriate regulations and ensure environment of free competition, as well as to establish rules for formation and operation of investment funds and create the framework for the protection of investors’ interests. This law inter alia introduces the framework for an Authorised investment fund (Undertaking for collective investment in transferable securities (UCITS) or retail investment fund) and incorporates main principles of Alternative Investment Fund Managers (AIFM) directive. The legal package contains *investment tax framework*. The investment fund legal/regulatory framework (including venture capital) is supported by a number of IFIs.

Once the law is approved, the relevant regulatory package will be issued for public consultation.

Another significant milestone related to access to finance area is the Association Agreement with European Union. The part of the Association Agreement that contains the investments and financial market regulations is the Deep and Comprehensive Free Trade Area (DCFTA). However, in the context of current research the DCFTA does not cover the matter of a VC, hence, there are no arising obligations for Georgia.

4 InnovFin Equity, managed by EIF, is part of ‘InnovFin – EU Finance for Innovators’, an initiative launched by the European Commission and the EIB Group in the framework of Horizon 2020.

Despite significant progress in Georgia in the development of regulation for venture investments, the vector at which the legislative framework is advancing with regards to VC, is considered by VC actors in Georgia as not satisfactory and potentially impeding to the growth of the SMEs operating in the emerging fields.

Mapping

Venture capital funds are available in Georgia (registered as legal entities).

Delta Capital Partners is operating at the Georgian market. It is offering venture capital financing to companies which have minimum a year of experience (not start-ups). Venture capital investments in equity is defined in US dollars. The size of investments in capital is from $100,000 to $ 2,000,000 (made in GEL in accordance with the requirements of the *Law of the National Bank of Georgia*). However, exceptions to this range are allowed in specific cases.

Venture capital fund Green Capital is a wealth management firm based in Tbilisi. The firm provides investment and assets management services focusing on Georgia and Black-Caspian Sea regional markets. Additionally, the firm provides debt, equity, quasi equity and loans for middle market enterprises. The assets of the firm are managed and administered by the executive management team.

Gazelle Finance is a subsidiary of Partnership Fund. It is committed to carry out its operations and investments with environmental, social, and governance (ESG) responsibility and with the highest of ethical standards. In March 2017, Gazelle Finance launched an investment fund with $42 million in committed capital that offers growth-oriented risk capital to small and medium-sized enterprises (SMEs) in the Eurasia region. It is currently operating and investing in Georgia and Armenia. This fund provides growth capital and businesses development services to its portfolio companies to rapidly scale companies businesses and become market leaders. Gazelle Finance has invested in *NUTSGE* in 2019, which is a leading premium hazelnut processing plant in Georgia. Also, it invested in *Mosmeiri,* a leading wine Chateau in Georgia. Other invested companies are: *Mzetamze, Pesvebi School, Ardi Insurance, Prime Concrete* and *Degusto*.

KedariVentures (website under construction) is fund for start-ups and innovative businesses. Projects will be initiated and managed in Georgia for at least three years. The size of the fund should reach 10 million GEL over the next three years. Fund Investment Horizon: active phase – three years; parallel growth phase – four years; withdrawal – five years. Investment characteristics:

- the project should make life easier for people and allow them to create and develop a digital platform;
- the project must have significant potential for expansion into the global market;
- the project should be managed by an established team;
- the project should be launched in the market;
- the project should require an initial investment of between 50,000 GEL and 500,000 GEL (approximately from €14,500 to €145,000);
- the project should create exceptional public good;
- the project should have a clear exit strategy;
- *Orbeliani venture* is in the process of development.

There is also the association of venture capital companies in Georgia. The *Georgian Venture Capital Association* (GVCA) was created in 2017 as the next major economic project of Alliance Group Holding, which seeks to fund Georgia's global technology start-ups. The main objective of the association is to attract venture capital companies in Georgia, support investors, combine resources of different players in this field and connect international partners. GVCA creates a platform for project developers, companies and investors, who are willing to invest in start-ups and seed-stage firms in Georgia or to raise capital for their projects. GVCA is part of the international network: it is a member of Switzerland VC, Ukrainian VC and it is planned to become Polish, US and Turkey VC member in near future.

Co-investments from public funds for venture capital are provided in the country.

Case 1. JSC Partnership Fund (PF) is a state-owned investment fund, established in 2011. The fund was created on the basis of consolidation of the ownership of the largest Georgian state-owned enterprises operating in transportation, energy and infrastructure sectors. The main objective is to promote investment in Georgia by providing co-financing (equity, mezzanine, etc.) in projects at their initial stage of development.

The Partnership Fund is focusing on following specific industries: power engineering, real estate, manufacturing, agriculture and logistics. Focusing on specific industries gives PF's team a good understanding of the economics of the business in competed transactions.

The Partnership Fund is split in two separate business units:

1. Assets management – PF has assets under management with combined annual turnover of over $717 million in 2018. PF's portfolio is comprised of Georgia's strategically important assets:
    a. Georgian Railway – PF holds 100% of shares;
    b. Georgian Oil and Gas Corporation (GOGC) – PF holds 100% of shares;
    c. Georgian State Electrosystem – PF holds 100% of shares;
    d. Electricity System Commercial Operator – PF holds 100% of shares;
    e. JSC Telasi – PF holds 24.5% of shares.
2. Investment activity – the number of the projects implemented or under implementation in various sectors with a total value of over $2.5 billion. Georgian Railway and GOGC are the main sources of financing for PF's investment activity. PF has a mandate to invest only in Georgia. PF's strategy is aimed at attracting and supporting private investors. Energy, agriculture, manufacturing, real estate/tourism and logistics/infrastructure sectors are on the top of the priority list as these sectors are largely untapped and have great potential for further development. PF co-invests in commercially viable investment projects with an experienced partner or specialised operator. PF acts as financial partner for private investors and provides mid to long-term financing. Fund provides Greenfield as well as Brownfield financing and acts as a 'Sleeping Partner' with a predetermined, clear exit strategy. Moreover, PF enables projects to attract senior financing from commercial sources or IFIs.

PF provides equity financing, mezzanine and in some cases subordinated loan (both convertible and non-convertible). PF's participation in projects is limited to minority share (up to 50%). PF co-finances companies and assists its partners and management teams in developing plans to create sustainable long-term value.

Project conceptualisation and initiation processes may be twofold:

- private investor seeks participation of the Fund in its commercially viable project;
- PF initiates projects based on preliminary feasibility studies and then looks for private investors able and willing to fund it, either entirely or partially.

Case 2. Co-Investment Fund of Georgia

The *Georgian Co-Investment Fund* provides investors with exposure to the fast-growing sectors of Georgian economy. It utilises a private equity structure designed to cater investors diverse needs.

Established in 2013, the Fund "considers investment opportunities across sectors and industries which significantly contribute to the development of the Georgian economy, including Energy and Infrastructure, Hospitality and Real Estate, Agriculture and Logistics, and Manufacturing".

The Fund considers investments in Greenfield, Brownfield projects as well as in distressed companies.

The Fund is managing assets over $2 billion. The Fund's minimum IRR threshold for investment in projects is 17% and it intends to invest 25-75% of the total equity investment, with a minimum size of $5 million.

The Fund is expected to retain its ownership interest in the Portfolio Companies for up to seven years, extendable to a maximum of nine. During that period the Fund will exit from its investments through sale of its ownership interest through any of the following routes:

- sale to existing co-owners or partners of the project;
- sale to external third parties;
- IPO on local and international stock exchanges.

Gaps

Acknowledging the current advancements in the development of regulatory framework for venture funds, there is still scope for further harmonisation with the EU of the legislation on venture investment types:

When introducing the new *Law on Investment Funds*, the Georgian legislation shall be analysed and scrutinised from the standpoint of how this instrument can be freely and efficiently operated in the light of associated laws.

More involvement of VC actors in the legislative framework advancement is needed, to foster the growth of the small and medium-sized enterprises operating in the emerging fields.

Tax benefits for venture capital are not provided in the country still; they are planned to be part of the amendment package in Tax Code of Georgia.

Recommendations

- What?

1. Further harmonise regulation of venture capital investments in Georgia with the advanced EU legislation (EuVECA, EuSEF, ELTIF, PRIIPs, see description below) in order to provide a friendly and understandable environment for the EU-investors.
2. Compare the venture investments **taxation regimes** with the other competing jurisdictions, in a framework of Guiding principles of good tax policy.
3. Consider the GVCA (as well as GBAA) as strategic partners of the Government and facilitate their work on establishment of relations with foreign VC funds. Consider establishing of a workgroup involving both regulators and VC association specifically for elaboration of VC legal and institutional support framework. Next, implementation of some support tools (like supervision of the venture projects in the areas of strategic national importance could be delegated to VC association as an operator).
4. Introduce the national co-investments scheme for venture capital investments strategically along with the country economic growth. In a medium-term, use the EU co-investment tools.

- Why?

Raising up national venture investors is a long-term task that includes providing the wealthy citizens with incentives (including trust to national regulation) to make risky investments inside the country and training very well educated and internationally practiced venture funds managers.

The medium-term task is to attract the venture investments from abroad to Georgia. This is needed to equip the Georgian start-ups with an opportunity to get bigger funding for their development while staying the residents of the country. Attraction of the foreign investors implies creation for them of clear and understandable rules, the same or better than those in their home country or in the other locations with comparable profit rate and supply of innovations.

Thus, making decision about the model regulations should of course take into account the best world practices, but herewith the terms and definitions should be understandable to those countries, from which the investors are expected to be attracted.

Georgian Venture Capital Association as well as Georgian Business Angels Association should be seen as the segments of the whole chain for funding of innovative companies. Herewith, development of business angels facilitating the business development and public risk investments in cases when the VC-preferred exit models are not desirable (i.e. strategic national interests, exits that lead to blocking of treatments methods, etc.) is important, to avoid the brain drain and businesses drain from the country (business at every stage of development should feel comfortable and find resources within the country).

- Relevant EU policy/organisations (non-exhaustive list):

  - **Regulations:**
    - The directive on undertakings for collective investment in transferable securities (UCITS) is the main European framework that allows collective investment schemes to operate freely throughout the EU on the basis of a single authorisation from one member state. The directive provides common basic rules for the authorisation, supervision, structure and activities of UCITS established in the Member States and the information that they are required to publish.
    - The alternative investment fund managers (AIFM) directive covers managers of alternative investment schemes designed for professional investors. Alternative investment funds are funds that are not regulated at the EU level by the UCITS directive. They include hedge funds, private equity funds, real estate funds and a wide range of other types of institutional funds.
    - The European venture capital funds (EuVECA) regulation covers a subcategory of alternative investment schemes that focus on start-ups and early stage companies.
    - Regulation on European Venture Capital Funds (Regulation (EU) 2017/1991 of the European Parliament and of the Council of 25 October 2017 amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds.
    - The European social entrepreneurship funds (EuSEF) regulation covers alternative investment schemes that focus on social enterprises. These are companies that are set up with the explicit aim to have a positive social impact and address social objectives, rather than only maximising profit. While these enterprises often receive public support, private investment via funds remains vital to their growth.

- [New rules] on venture capital investment (EuVECA) and social entrepreneurship funds (EuSEF) entered into application on 1 March 2018, making it easier for fund managers of all sizes to run these funds and allowing a greater range of companies to benefit from their investments. The new rules will also make the cross-border marketing of EuVECA and EuSEF funds less costly and will simplify registration processes.
  - The European long-term investment funds (ELTIF) regulation covers funds that focus on investing in various types of alternative asset classes such as infrastructure, SMEs and real assets.
  - Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs) covering all types of investment funds, insurance-based investments, retail structured products, private pensions.
  - Measures to facilitate cross-border distribution of funds contained in Directive and Regulation that complement and amend the existing EU legislation on collective investment funds. It is expected to increase transparency and create a single access to information on national rules related to marketing requirements and regulatory fees and charges levied by national competent authorities. The package allows for simpler exit of the host market (de-notification) and permits management companies to choose more flexible ways of communication and provision of administrative services to investors in other Member States and create conditions for promotion of AIFs and investment strategies and seek for new investors before using the passport for marketing.
  - Directive (EU) 2019/1160 amending Directives 2009/65/EC and 2011/61/EU with regard to cross-border distribution of collective investment undertakings, containing measures to facilitate cross-border distribution of funds. It is expected to increase transparency and create a single access to information on national rules related to marketing requirements and regulatory fees and charges levied by national competent authorities. The package allows for simpler exit of the host market (de-notification) and permits management companies to choose more flexible ways of communication and provision of administrative services to investors in other Member States and create conditions for promotion of AIFs and investment strategies and seek for new investors before using the passport for marketing.
- **EU co-funding amplifying VC investments:**
  - European Investment Fund (EIF), part of the EIB Group, is a specialist provider of risk finance to benefit small and medium-sized enterprises (SME) across Europe. EIF shareholders are the European Investment Bank (EIB), the European Union, represented by the European Commission, and a wide range of public and private banks and financial institutions. EIF carries out activities using either own resources or those provided by the European Investment Bank, the European Commission, by the EU Member States or other third parties. More than 1 million SMEs have benefited from enhanced access to finance through financial instruments managed by EIF. On www.eif4smes.com there is an interactive map that identifies all the SMEs that have received EU-support from EIF[5].
  - InnovFin[6] Venture Capital targets investments into venture capital funds that provide funding to enterprises (including social enterprises) in their early stage operating in Horizon 2020 sectors. Under InnovFin VC EIF seeks to invest in first closing of the funds. It can also invest in other closings, especially if its intervention is catalytic to further fundraising. ‘First-time’ or ‘emerging’ investment teams seeking for the first-time institutional fundraising are also eligible. Via selected venture capital funds, EIF provides risk capital financing to enterprises in their seed, start-up and other early stage phases investing predominantly in their seed and series A rounds. The possibility to apply this tool in Georgia is to be discussed with EIB.
  - Pan-European venture capital fund-of-funds programme (VentureEU) launched by the European Commission and the European Investment Fund (EIF) In April 2018. EIF seeks to invest in fund-of-funds which have wide geographical coverage of more than three countries and focus on early stage or follow balanced strategies with at least 30% early stage target allocation. VentureEU will provide new sources of financing, giving European innovators the

5 In Ukraine, 410 SMEs with 31,111 workplaces have received EIF funding so far, at a total cost of €149 million; in Moldova – 209 SMEs and €81 million.

6 InnovFin Equity contributes to the Pan-European Venture Capital Fund-of-Funds programme. InnovFin Equity is a successor to the early stage window of High Growth and Innovative SME facility (GIF1) under the Competitiveness and Innovation Framework Programme (CIP) implemented in 2007-2013.

opportunity to grow into world-leading companies. Around 1,500 start-ups and scale-ups are expected to gain access across the whole EU.

- Polish Growth Fund of Funds (PGFF) co-managed by EIF[7] targeting at growth-focused enterprises in Poland, Central and Eastern Europe through portfolio of investments into Venture Capital, Private Equity and Mezzanine funds. EIF, as manager of PGFF, considers the opportunities of co-investments into early to growth phase SMEs alongside institutional investors which are domiciled in a Central and Eastern European country, or can consider investments into this area.
- Venture Capital Investment Programme run by EBRD. On 27 November 2019, EBRD approved the empowerment of €30 million with the Earlybird Digital East Fund II (total project cost €150 million), designed to make equity and equity-related investments in technology-based early and growth stage micro, small and medium-sized companies in Central and South-eastern Europe, Turkey and Jordan. The fund is managed by Berlin-based venture capital firm Earlybird founded in 1997.

See more information in annexes:

- Annex 7 “Overview of tax reliefs for business angels and venture capital across the world”;
- Annex 8 “Overview of the issues covered by the EU regulations of venture capital investments”;
- Annex 9 “Venture capital funds in EU”;
- Annex 10 “EIF-managed Fund-of Funds and Guarantee Debt funds”.

❖ Potential counterpart(s) in the Eastern partner country:

- GITA;
- National Bank of Georgia;
- Georgian Venture Capital Association.

11 Fast track support for high-risk innovations

Status

Fast track support for high-risk innovations is available in the country.

Both GITA and ‘Startup Georgia’ perceive most of the ICT start-ups as high-risk start-ups.

GITA’s grants portal calls for applications twice a year for a Startup matchmaking grant. Innovation matching grant call re-opens monthly on average with a grant size up to €180,000. There are also small grants (for prototyping, travel grants, events) available for entrepreneurs and individuals

Startup Georgia tries to invest in ideas where material assets will be created, which will be easily convertible into cash in case of a problem, as there are no mechanisms in place to return investments. ‘Startup Georgia’ has high technology component[8] in the programme as well. The fact that this programme is always open allows for a systematic review without large delay.

Funding in the innovative component under Startup Georgia programme can be obtained by any individual or citizen of Georgia who has an innovative business idea. It is allowed to finance any field / field, which is not prohibited by the legislation of Georgia. Innovative idea means the introduction of a usable, new or significantly improved product, process, or service of economic or social value. The business idea must be economically viable and attractive in terms of investment. Specific conditions in this case are that:

- The amount of co-financing of Startup Georgia is set from 15,000 GEL to 100,000 GEL (approximately from €4,350 to €29,000). The total budget of an individual project is not limited.
- The applicant can participate in the project in cash and non-cash form; however, the applicant's monetary contribution must be at least 10% of the total cash budget of the project.
- 45% of the company shares will be transferred to the applicant in exchange for the business idea, while the remaining shares will be distributed proportionally, in accordance with the capital contributions. In

7 EIF is advising, sponsoring or managing a number of equity Funds-of-Funds and guarantee/debt funds on behalf of third-party investors, including national and regional governments as well as private strategic investors. The objective is to support the EU policy objectives and provide a wide choice of financial solutions tailored to complement existing national schemes to support SMEs.

8 Agency considers as a hi-tech business the following: Aerospace production; Automobiles; Artificial Intellect; Biotechnologies; Bioinformatics; Computer Engineering; Computer Science; Information technologies; Nanotechnologies; Nuclear Physics; Electromagnetic radiation; Robotics; Semiconductors; Telecommunications

terms of minimum mandatory co-participation in a joint venture (startup company), the beneficiary's share is at least 50,5%.
- The beneficiary is not required to provide any personal property as collateral, only the assets of the startup company are provided as collateral.

In case of high-tech component:

- The project is evaluated by leading international experts from Silicon Valley (USA).
- Investment financing up to 100,000 GEL (approximately €29,000) is provided in form of a grant.
- The applicant's financial contribution is not required.
- Applicant's equity ownership is 95%.
- Successful projects are planned to be pipelined to international investors for additional investment in Silicon Valley; only the assets of the start-up company serve as collateral; no other or additional collateral is required.

Gaps

Even though several organisations are taking actions to provide the fast track support for high-risk innovations, the following gaps can be identified:

- The size of funding available is rather small, especially for establishing a high-tech business. To compare, Fast Track to Innovation in EIC Pilot may award grants up to €3 million.
- Application procedure for grants can be further improved by integration of additional channels of application submission and processing.
- Fast track EU funding for innovations to which Georgia is eligible (like FTI), is not sufficiently promoted to startups.

Recommendations

❖ What?

1. Launch additional online channels via internet banking for fast track support for high-risk innovations and social innovations (application to be submitted online with banks being the channels providing passport and credit risk information about clients and a centralised decision being made within a few days by a team of innovation of fund managers).
2. In a medium-term, use wider the available EU tools (EIC pilot tools as Pathfinder, Accelerator, FTI), are recommended to be wider used by the Eastern partner countries, promote them via ecosystem actors, study their scheme of decision making.

❖ Why?

In a digital economy, new ideas need to have the opportunity of very fast approbation on the market. The ideas are spreading instantly across internet and those who launch a reliable service faster may become the global winners just due to a network effect. In such circumstances, the global leaders are often not those companies which build long, but those which move faster. This is true also for big scale digital solutions which become the global standard because they have been the newcomers. Financial resources for such cases need to be open immediately; a 9-month project contest, which is a conservative procedure in many programmes, is an extremely unsatisfactory pipeline for digital innovations.

❖ Relevant EU organisations (non-exhaustive list):

- Enhanced European Innovation Council (EIC) pilot is available to innovators from all EU Member States, countries associated to the EU Horizon 2020 programme, and to innovators from all parts of the world who establish their activities in Europe. The EIC pilot 2019-2020 phase disposes of over €2 billion funding covering the innovation chain via its tools:
  - ‘Pathfinder’ projects to support creating novel breakthrough technologies from the research base.
  - ‘Accelerator’ funding to support start-ups and SMEs develop and scale up innovations to the stage where they can attract private investment (open in June). Under ‘accelerator’ funding companies can access blended financing (grants and equity) of up to €15 million.
- Fast Track to Innovation (FTI).
- Horizon Prizes.

EU4Digital

- The Fast Track to Innovation (FTI) is a fully-bottom-up innovation support programme promoting close-to-the-market innovation activities open to industry-driven consortia that can be composed of all types of participants for close-to-market innovation activities in any area of technology or application. It can help partners to co-create and test breakthrough products, services or business processes that have the potential to revolutionise existing or create entirely new markets. A maximum EU contribution FTI is €3 million per proposal with time-to-grant (from the cut-off to the signature of the grant) of around six months.
- The Social Impact Accelerator (SIA) is the first pan-European public-private partnership addressing the growing need for availability of equity finance to support social enterprises. In the context of the SIA, a social enterprise shall be a self-sustainable SME business model of which serves to achieve a social impact. It shall provide an entrepreneurial solution to a societal issue based on a scalable approach and shall have a measurable impact.

❖ Potential counterpart(s) in the Eastern partner country:

- Startup Georgia (innovation expertise centre of the fast track support tool);
- Solidarity Fund of Georgia (social innovations fund extension);
- Banks (BOG, TBC, Crystal, Procredit) (roles as operators of the fast track support).

12 Funding of digital transformation of traditional enterprises for the range of areas

Status and gaps

The table below present the Funding accessible for state-owned and private enterprises for various components of the digital transformation in Georgia.

Table 3 Funding accessible for state-owned and private enterprises for various components of the digital transformation in Georgia

Areas of digital transformation	State-owned enterprises	Private enterprises
Internal processes: the digitalisation of existing business processes leading to significant improvements of the processes.	-	-
Supply chain management: e.g. in terms of interaction with suppliers, inventory management, and participation in integrated supply chains of larger businesses.	-	ITC USAID
Product/service innovations: making use of or by integrating digital technologies into products and services and/or leading to the development of products and services which are new to the business.	Start-up Georgia GITA	-
Customer relationships: enhancing the marketing, customer experience, delivery of products and service to customers.	Enterprise Georgia	-
Business development: preparing the business to expand into new markets in terms of geography and/or in terms of target customers.	-	EU EBRD GIZ SIDA
Innovative business models: enabling the business to develop new business models, e.g. servitisation (adding services to products or even replacing a product with a service.	-	-
Security: improving the digital security of business, notably against cyberattacks.	DEA	-
Digitals skills and training: supporting the training of employees and/or management in digital technologies.	EMIS	-

Source: Data collected by EU4Digital Facility

Recommendations

❖ What?

Consider using the approach applied by COSME Loan Guarantee Facility as well as country-level approaches (including classification of activities and rules of allocating loans) when revising the framework for financing the digital transformation in the Eastern partner countries.

❖ Why?

Digital transformation is differing from informatisation because it implies systemic changes, including the revision of the business model because this is enabled by new technologies. A systemic approach to digital transformation is much more cost-efficient than sporadic introduction of new technological tools. All the changes consume time, expertise and hence resources. For traditional industries that are far away from IT, this expertise is very rare. Thus, public and private financial support for digital transformation should be per se structured in a way helping the traditional enterprises to understand, that they need to take care not only about, for example, CRM introduction, but also about, for example, cybersecurity and supply chain management.

❖ Relevant EU organisations (non-exhaustive list)

COSME Loan Guarantee Facility (LGF) within COSME (2014-2020) (EU programme to raise SMEs competitiveness) supports the financing of digital transformation projects by SMEs in all sectors of the economy, regardless of their current level of digitalisation[9]. SMEs from COSME Associated Countries, including Moldova, Armenia and Ukraine are eligible. For Georgia and Belarus, the possibility of extension is to be negotiated.

On the country level of the EU countries, the examples of **Germany** and **Spain**[10] are recommended to be studied in detail when developing the financial support mechanisms for digitalising industry.

❖ Potential counterpart(s) in the Eastern partner country:

- GITA;
- Enterprise Georgia;
- Start-up Georgia;
- Ministry of Education, Science, Culture and Sport;
- Shota Rustaveli National Science Foundation of Georgia.

9 SMEs from Ukraine and Moldova are eligible for COSME digitalisation support.

10 MONITORING PROGRESS IN NATIONAL INITIATIVES ON DIGITISING INDUSTRY. Country report: Spain. – EC, 2019. https://ec.europa.eu/information_society/newsroom/image/document/2019-32/country_report_-_spain_-_final_2019_0D31CE69-E569-D4F3-80FD117CBBD43C8D_61222.pdf

13 Training opportunities and decision-making tools within the country

Status

Training opportunities for business angels, venture capitalists, venture fund managers as well as training opportunities for start-ups and companies wishing to attract venture funding are being developed.

The World Bank/EU Trust fund 'Startup Investors Program' started from January 2020 and implemented by GITA has two components, supporting both supply and demand side of Business Angel investing in Georgia:

- Its component 1 'Investors Program' supports investments supply side and is intended to help new and existing investors to improve their investing knowledge and skills, enabling them to make better investment decisions. The 'Investors Program' provides existing and potential investors with opportunities to:
  - discover the best strategies and tactics to invest in companies of the future;
  - become skilled in assessing investment opportunities, methods of valuation and alternative deal structures;
  - hear from experienced investors about how they manage risk and optimise return potential;
  - find out how best to engage with companies post investment to help maximise value through mentoring and other support.
- Support includes:
  - technical assistance and training provided by international experts in early stage private equity investing (in-person or webinars);
  - coaching from experts to develop appropriated investment models and approaches to investing;
  - provision of support materials such as sample term sheets and due diligence resources.
- Component 2 'Investment Readiness Program' supports demand side (entrepreneurs seeking for investments). Programme aims to improve the ability of Georgian entrepreneurs to identify and access new sources of capital, prepare for engaging investors and secure appropriate business financing, particularly equity investment form private investors. Programme supports start-ups with:
  - knowledge and skills to develop appropriate financing/capital raising strategies;
  - know-how to effectively identify and engage investors;
  - the ability to understand, strengthen and measure key investor metrics and support during fundraising and investment structuring processes.

Start-ups will also receive support during fundraising and investment structuring processes, dealing with due diligence, valuation and investment terms.

Programme supports start-ups that are considering or actively raising capital. Support includes periodic workshops, consultation and trainings, one-on-one coaching for investor engagement, screening-general information regarding raising private capital and self-assessment.

Gaps

While the training programmes are introduced in Georgia, there is a potential in further linking if these programmes to the international training opportunities. Additionally, modern decision-making tools for business angels, venture capitalists, venture fund managers are to be introduced into practice.

Recommendations

❖ What?

1. Implement further national training programmes for start-ups and companies wishing to attract business angel and venture funding as well as alternative funding (crowdfunding, ICO) in local language explaining the specifics of operation needed in case of such funding attraction and specifics of exit scheme.
2. Link national training programmes for business angels, venture capitalists, venture fund managers need to diverse training programmes across the world and ensure an intensive practical component. Provide various channels and forms of trainings.
3. Consider using **specialized decision-making tools** for business angels, venture capitalists, venture fund managers, for example, InnoRate project.

❖ Why?

Though general principles of business relations among start-ups and early stage risk investors are common, important knowledge for both sides are the knowledge of local markets (their legislation, institutional specifics, demand trends, etc.) and knowledge of specific sectors (logistics, healthcare, finances, etc.), which become the critical factors of business success. That is why venture money should also come together with the knowledge of the market. Hence, for enabling a wide international stage for start-ups from small countries, national training programmes should be linked to diverse training programmes across the world.

Besides, training opportunities should be provided through multiple channels, enabling the remote training.

❖ Relevant EU and international organisations (non-exhaustive list):

- Altfinator. This course introduces the key models and approaches related to raising finance from sources alternative to bank lending (crowdfunding, invoice trading, venture capital, business angels, fintech platforms).
- Venture University. Admission is open to experienced professionals, angel investors, family offices, new fund managers, founders and entrepreneurs, current and recent undergraduates and graduate students, with a preference for those that have evidence of extraordinary abilities and a track record of exceptional achievement.
- EBAN Knowledge Centre. Since its inception, EBAN always dedicated its efforts to providing first class documentations, resources, statistics, and many more papers to its members. The robustness and the credibility of these documents were built on several years of experience and expertise in the early stage investing market. Thanks to this, EBAN could assemble a combination of the most important tools needed when it comes to investing, informing, coaching or training about Business Angels, Start-ups, SMEs and the early-stage investors.
- World Business Angel Investment Forum Business School. As a global organisation, the World Business Angels Investment Forum is bringing together key players of the equity market to discuss the benefits of and the challenges to the angel investment community's achieving successful growth for their businesses and to discuss what more can be done to connect the early-stage market ecosystem.
- ESIL (Early stage investing Launchpad). The ESIL community on EuroQuity aims to gather individual investors, Business Angels, Business Angels Networks, Federation of Business Angels, crowdfunding platforms and early stage VCs. The ESIL community members have access to a dedicated set of added value services, including:
  - open days country by country to facilitate collaboration, relationships with policy makers and syndication;
  - webinars, reverse pitches and online conferences dedicated to experience sharing between BAs to increase cross-border investments;
  - trainings based on market development stages and level of angel readiness.
- WBAF Business School helps investors to study the best practices of negotiating deals for early-stage investment. It offers a variety of training programmes, educational webinars and certification programmes through 48 international faculty members from 26 countries with a successful international entrepreneurial background. WBAF Business School offers Certification of Qualifications 'QBAC+ Angel Investor Course & Bootcamp. It also delivers the world's only proficiency test for angel investors 'Proficiency Test for Angel Investors'.
- Global Mentors Club established in 2019 by the World Business Angels Investment Forum to support start-ups and to accredit qualified entrepreneurs and investors as qualified mentors.
- Startup Ecosystem EU provides coaching for business executives teaching them into the appropriate operating models for venture funding and helping them to prepare themselves and the business to the dialogue and relations with these types of investors.
- Horizon 2020 project 'INNOSUP-09-2018 – Design and development of a tool to support and improve the decision making process of investors for financing high-growth potential innovative SMEs'(end date – 31 December 2021). InnoRate project will deploy *"a trusted, objective and recognised service platform across the EU and AC"* including the package of digitally enabled decision support tools and services provided through the platform (based on semantic technology and existing data sources).

- Potential counterpart(s) in the Eastern partner country:
  - GITA;
  - Universities and private training centres.

14 Information and advisory support to SMEs seeking for financing digital innovations

Status

The main source of funding, and hence the main source of information for SMEs working in Innovation/digital/ICT is now GITAs website (https://gita.gov.ge/eng), which is at the same time the recipient and implementer of WB-funded GENIE project.

SMEs seeking for financing from public funds and banks can find it from financing provider website/hotlines.

Gaps

An online freely accessible database of existing funding sources, listing financial sources available to the country residents from various organisations, is not available.

The information for SMEs seeking for financing is available in a fragmented way.

There is no single online source of information available for SMEs seeking for financing. Information is very fragmented, available per financing provider website/hotlines. Available information about assistance and financing sources needs to be consolidated and one single database needs to be created.

There is also no online easy to understand guide/wizard available, assisting SMEs to select among the range of existing funding possibilities in the country that're relevant for the organisation and innovation lifecycle stage. Detailed instruction of participation and assistance is available only directly on providers sites (i.e. Enterprise Georgia; StartUp Georgia; EU4Business), including GITA’s programmes and funding sources.

Recommendations

❖ What?

1. Provide a list of financial sources available to the country to residents from various organisations in an online freely accessible database, and outfit it with a guide/wizard assisting SMEs to select the funding relevant for the organisation, usage case and innovation lifecycle stage.
2. Join the existing matchmaking platforms with a big scale connecting finance-seeking SMEs with investors and lenders beyond the traditional banking system.
3. Study the innovative approaches on matching companies seeking for funding with risk and alternative funding and consider their possible transfer on the national level.

❖ Why?

With a growing variety of funding sources that are coming to Georgia, especially coming from private and international financial organisations, the availability of one reliable source accumulating the necessary information about funding possibilities available to the country residents from various organisations is a necessary economic instrument. The necessary characteristics are:

- online format;
- free access for those looking for funding;
- searchable database (possibility to modify the list depending on the customers’ conditions);
- regular updates (best automatically via APIs with information systems of funding providers).

In the EU practice, the portals focused on publicly supported funding schemes, instruments and vehicles are managed by public bodies, such as promotional and development banks (KfW in Germany, AWS in Austria, BBB in the UK etc.), state agencies for SMEs (IAPMEI in Portugal, Malta Enterprise in Malta, TEKES in Finland etc.) or other similar structures (for example, the Local Enterprise Offices in Ireland). They are usually administered by promotional and development banks, in some cases in co-operation with partners from the private sector. There are also some state-supported portals that present an overview of all financing products supported by national public funding programmes (like http://foerderdatenbank.de/ and http://www.aides-entreprises.fr/).

Another good practice is a platform allowing the comparison of bank credits and funding opportunities. The costs of developing and maintaining such a platform easily outweigh the costs of hundreds thousands of SMEs and start-ups which spend dozens of hours looking for a suitable funding opportunity and even more to understand where they are applicable and how to prepare the necessary documentation (transaction costs that impact the time-to-market and final price of goods and the international competitiveness of the companies). Hence, such database can be considered a *public good* that is eligible for funding from *public sources*. However, in a vibrant market with intensive monetary flows such platform can even become a profitable business case (i.e. covering the OPEX by advertisements or (micro)payments flow generated by the built-in services). Given the high economic impact of such platform, the capital investments of building such a digital platform might be covered through PPP co-investments.

The portals focused on alternative funding sources provided by the private sector are mostly managed by entities representing the private sector.

Because the effectiveness of matchmaking platforms that connect finance-seeking SMEs with investors and lenders beyond the traditional banking system increases with scale, for small markets of the Eastern partner countries the strategic direction would be to become adjoined to the existing platforms with a big scale.

❖ Relevant EU and international organisations (non-exhaustive list):

- Examples of databases of funding sources available to the country residents:
  - The Irish Government's Supporting SMEs Online Tool provides an interactive easy-to-use online guide on state support.
  - The web portal developed by Enterprise Ireland provides information on the different publicly supported programmes and funding schemes. It allows companies to select the range of funding supports that best reflects their stage of development and specific funding needs (i.e. high-potential start-ups, SMEs or large companies).
  - EIC wizard run by the European Innovation Council Pilot assists in identification of the relevant funding for different types of stakeholders.
  - The Finance Desk developed by the Netherlands Chamber of Commerce is an online platform for first-line support on finance.
- Matchmaking platforms connecting finance-seeking SMEs with investors and lenders:
  - Access2finance portal of YourEurope provides up-to-date information on how businesses can access the EU financial instruments from various EU programmes in each country and language (search is also possible for Ukraine and Moldova).
  - EuroQuity is a web platform aimed at matchmaking developing companies with investors and other potential partners for their growth (advisors, technological partners, etc.). Its goal is to gradually move into other countries each time a major public operator is available to lead it, which is a clear recommendation for consideration by the Eastern partner countries.
  - A Horizon 2020-funded EU project ALTFInator offers the services both for financial providers and SMEs improving their understanding and access to different types of funding through a matchmaking tool. Additionally, the project offers a Credit data tool, listing "all available open and limited access sources that are providing detailed financial and credit information of registered enterprises in European countries". For the Eastern partner countries, the following tools are available: Amadeus; Crunchbase; Kompass; European Business Register - EBR; EU Insolvency Registry. These opportunities are recommended to be widely promoted across the Eastern partner countries.
- Matching companies seeking for funding with risk and alternative funding:
  - The UK government adopted The Small and Medium-sized Business (Finance Platforms) Regulations (2015) which provide for the establishment of private sector finance platforms, designated by the UK government to match SMEs to a range of finance providers, both traditional and alternative. From 2016, the UK's biggest SME lending banks (by market share and geographical coverage) are obliged to offer to SMEs rejected for finance the opportunity for their details to be referred to these designated platforms. The referral is subject to agreement from the applicants. Once information is referred to finance platforms, SMEs are no longer required to actively search for finance alternatives yet keeping control of the process via consent requirements – the further initiative rests with the finance platform and its panel of lenders. This helps SMEs to mitigate their lack of experience in the funding market or in approaching alternative finance providers and lack of time and effort in researching finance options.

❖ Potential counterpart(s) in the Eastern partner country:

- National Bank of Georgia;
- Ministry of Economy and Sustainable Development of Georgia;
- GITA.

Annex 1. List of organisations and experts consulted during verification process

Organisation	Experts
Ministry of Economy and Sustainable Development of Georgia	Deputy Minister
Ministry of Economy and Sustainable Development of Georgia	Chief Specialist of Innovation and CIT department
Ministry of Economy and Sustainable Development of Georgia	Deputy Head of Economic Policy Department
Ministry of Education and Science of Georgia	Deputy Head of VET Department
Georgia Innovation and Technology Agency (GITA)	Deputy Chair
Georgia Innovation and Technology Agency (GITA)	Digital Economy Skills Development Program Coordinator
Georgia Innovation and Technology Agency (GITA)	Legal Department
Enterprise Georgia	Deputy Head
Education Management Information System (EMIS)	Deputy head of IT Department
Shota Rustaveli Fund	Head
Startup Georgia	Head
SPARK (Tbilisi Accelerator)	Head
National Bank of Georgia	Head of Department
World Bank	Consultant
ICT Cluster	Head
ICT Business Council	Deputy Head
ICT Coalition	Head
Georgian Research and Educational Networking Association (GRENA)	Head
VC Association	CEO
Business Angels Association	Chair
European Business Association (EBA)	Deputy Chair
Crowdfunding platform (investme)	Founder
Orbeliani Venture	Co-Founder
Business and Technology University (BTU)	Head of Innovation centre
Georgia Technical University	Deputy Chair of ICT Department
World Bank and GITA	UK expert on Business Angels training

Annex 2. List of stakeholders / actors

#	Stakeholder name
Institutional framework of the ecosystem	
Governmental agencies	
1	Ministry of Economy and Sustainable Development of Georgia (MOESD)
2	Georgia Innovation and Technology Agency (GITA)
3	Enterprise Georgia
4	Startup Georgia
5	Partnership Fund
6	SPARK
7	Research and Innovation Council
8	Ministry of Education and Science of Georgia
9	Education Management Information System (EMIS)
10	Shota Rustaveli Fund
11	National Academy of Science
12	AOG
13	Sakpatenti
14	National Bank of Georgia
15	Innovation Council
16	Co-Investment Fund
International donors / International finance institutions (IFIs)	
1	Asian Development Bank (ADB)
2	Agence Francaise De Developpement (AFD)
3	Austrian Development Agency (ADA)
4	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
5	European Union (EU)
6	European Bank for Reconstruction and Development (EBRD)
7	European Investment Bank (EIB)
8	International Trade Commission (ITC
9	Kreditanstalt für Wiederaufbau (KfW)
10	Organisation for Economic Co-operation and Development (OECD)
11	Swedish International Development Cooperation Agency (SIDA)
12	United Nation Development Program (UNDP)
13	Unites States for International Development (USAID)
14	World Bank (WB)
Centres of competence	
Universities	
1	Business and Technology University (BTU)
2	Tbilisi State University
3	ILIA State University

#	Stakeholder name
4	Free University
5	Agrarian University
6	Caucasus University
7	Georgian Technical University
8	Black See University
9	San Diego State University
ICT training centres	
1	Softline Training Centre
2	Computer Technology Academy
3	ITDC Training
4	Creative Education Studio
5	UGT
6	Training Centre of Justice of Georgia (Tbilisi/Kvareli)
7	UNIKO
8	Spar
9	Next-IT academy
10	Indigo Training Centre
11	Youth Innovative Centre
12	GRENA
13	Information Technology Academy
14	Caucasus University Training Centre
15	Adjara Education Fund
16	ICT Business Council
Framework for launching and development of businesses	
High-tech parks	
1	TECHPARK TBILISI
2	TECHPARK ZUGDIDI
3	Telavi TechPark
4	Akhmeta Innovation Centre
5	Rukhi Innovation Centre
6	Bagdati Innovation Centre
7	Kharagauli Innovation Centre
8	Choporti Innovation Centre
Fablabs	
1	FabLab TSU
2	FabLab Iliauni
3	Fablab ATSU
4	FabLab BSU
5	FabLab GTU

#	Stakeholder name
6	FabLab AISI
7	FabLab Akhali Talga
8	FabLab Black Sea
9	FabLab EMISI
10	FabLab Erqvani
11	FabLab GLDANI
12	FabLab Iberia
13	FabLab LAKADA
14	FabLad Modusi
15	FabLab OPIZARI
16	FabLab PHAZISI
17	FabLab SPECTRI
18	FabLab Tetnuldi
19	FabLab Art Academy
20	FabLab Mermisi
21	FabLab European School
Incubators	
1	IMPACT HUB
2	Startup Grind
3	Startup MARANI
4	iHUB
5	Smart Up Georgia
6	VEGA Startup LAB
7	Georgia Industrial Development Group
8	Georgian Centre for Strategic Research and Development
9	Agricultural and Rural Development Agency
10	Enterprise Georgia
11	Business and Technology University
12	International Black Sea University
13	IT Incubator
14	Business Incubator
15	SakPatenti
Accelerators	
1	SPARK
2	GeoLab
3	GameLab Iliauni
4	CG MultiLab GIPA
5	Georgia's Innovation and Technology Agency
Crowdfunding Platforms	

#	Stakeholder name
1	First Step Georgia
2	StatusDonate
3	Crystal Crowd
4	Zcrowd.fund
5	PowerShare
	Network of Business Angels
1	Georgian Business Angels Association
	Venture Capital Funds
1	Partnership Fund
2	Kedari Ventures
3	The Georgian Venture Capital Association
4	Gazelle Finance
	Business associations
1	ICT Cluster
2	ICT Business Council
3	ICT Coalition
4	GRENA
5	GSMETO
6	Gazelle financing
7	Startup grind
8	VC Association
9	EBA
10	FINTEC
11	Crystal Crowd
12	Orbeliani Venture
13	Kedar Venture
14	Georgia Tech Startups Association
15	GSMEA
16	Innovation Development Platform
17	Crowdfunding platform
18	The Georgian Chamber of Commerce and Industry (GCCI)
19	Georgian Small and Medium Enterprises Association (GSMEA)
20	Georgian Employers' Association
	Banks
1	TBC Bank
2	Bank of Georgia
3	Procredit Bank
4	Liberty Bank
5	Crystal

#	Stakeholder name
6	Credo

Annex 3. List of projects on access to finance in Georgia

Ongoing EU4BUSINESS projects in Georgia						
#	Implementer	Project Name	EU contribution	Duration	Category	Description
1	EBRD, KfW	SME Finance Facility Phase I - EBRD/KfW	€6,243,103	22.12.2010 - 22.12.2019	Access to finance	The SME Finance Facility combines loans from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the KfW (Kreditanstalt für Wiederaufbau, German government's development bank) with EU grant resources, to support SME lending in the Eastern Partnership region. Financing is channelled through financial intermediaries throughout the region, increasing the availability of long-term funding to the SME sector.
2	EIB	SME Finance Facility Phase I – EIB	€2,891,700	23.12.2010 - 22.12.2020	Access to finance	The SME Finance Facility combines loans from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the KfW (Kreditanstalt für Wiederaufbau, German government's development bank) with EU grant resources, to support SME lending in the Eastern Partnership region. Financing is channelled through financial intermediaries throughout the region, increasing the availability of long-term funding to the SME sector.
3	KfW	EFSE (Neighborhood Window of the European Fund for South East Europe-ENR Component)	€1,927,512	17.12.2009 - 31.12.2021	Access to finance	The Fund aims to foster economic development and prosperity through the sustainable provision of additional development finance, notably to micro and small enterprises (MSEs) and to private households, via qualified local financial institutions.
4	EBRD (Implemented by: Bank of Georgia)	Women in Business	€1,810,539	30.12.2015 - 29.12.2022	Access to finance	The Women in Business programme helps women-led small and medium-sized enterprises to access the finance and the know-how they need to grow. The EBRD provides access to finance through credit lines to local banks dedicated to developing women-led SMEs, alongside business advice to help businesses become more competitive. The programme also offers training, mentoring and other support to enable women entrepreneurs to share experiences and learn from each other.
5	EIB	DCFTA Initiative East (EIB)	€10,440,632	19.12.2016 - 31.12.2021	Access to finance	The Deep and Comprehensive Free Trade Area (DCFTA) Initiative East aims to strengthen economic development in the countries which have signed an association agreement with the EU – namely Georgia, Moldova and Ukraine – by providing targeted financial and

Ongoing EU4BUSINESS projects in Georgia						
#	Implementer	Project Name	EU contribution	Duration	Category	Description
						technical support to small and medium-sized enterprises (SMEs) in these three countries.
6	EBRD	EU4Business – EBRD Credit Line – Phase I	€16,842,776	13.05.2016 - 12.05.2026	Access to finance	The project helps small and medium-sized enterprises to take advantage of the opportunities provided by the Deep and Comprehensive Free Trade Area (DCFTA) between Georgia, Moldova, Ukraine and the European Union. The EBRD helps SMEs access finance for DCFTA-related investments through local partner financial institutions. It also provides technical assistance to help businesses better define those investments and improve their international competitiveness.
7	EBRD	EU4Business – EBRD Credit Line – Phase II	€6,377,579	21.12.2017 - 20.12.2027	Access to finance	The EBRD DCFTA Programme assists the development of the SME sector and its capacity to take advantage of DCFTA opportunities through a variety of investments supported by grant funding from the EU for risk mitigation, investment incentives to SMEs and technical assistance.
8	EBRD	DCFTA Direct Finance Facility /DCFTA SME Direct Support Facility	€3,445,200	01.09.2014 - 31.08.2024	Access to finance	The Facility combines loans with EU grants to support direct SME financing in Georgia, Moldova and Ukraine. It seeks to improve access to finance by providing guarantee schemes and technical assistance to increase the number of viable projects carried out by SMEs.
9	EBRD	Framework for Capacity Building to support Financial Intermediaries in Azerbaijan and Georgia	€588,196	19.05.2009 - 31.12.2019	Access to finance	The project seeks to create sustainable financial intermediaries (FIs), as well as to improve the local financial sector's efficiency, effectiveness and transparency needed to facilitate the access to financing for enterprises. It provides assistance to FIs focusing on specific projects and clients, supports the application of internationally acceptable banking practices, and promotes competition in the region.
10	EBRD	Financial Sector Institution Building and Crisis Response	€540,000	25.02.2009 - 30.04.2021	Access to finance	The project aims at restoring access to credit for micro, small and medium enterprises (MSMEs) in the Eastern Neighbourhood region by providing assistance to financial institutions particularly affected by the financial crisis. Developed as a response to the exceptional situation created by the crisis, the project aims to prevent the risks of contagion of bank failures across the region and a sudden shrinking of the real economy.

Ongoing EU4BUSINESS projects in Georgia						
#	Implementer	Project Name	EU contribution	Duration	Category	Description
11	KfW	EU4Business – The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	€13,725,202	20.12.2018 - 20.06.2039	Access to Finance	The main goal of the action is to make it possible for EFSE to provide access to medium term credit in local currency for underserved MSMEs and low-income households without exposing them to foreign currency risk. In addition to this, the Action also has the following specific objectives: 1. improving access to finance and job stability/creation; 2. leveraging public and private capital (catalytic effect); and 3. strengthening inclusion of local financial market.
12	World Bank	Strengthening Auditing and Reporting in the Countries of the Eastern Partnership	€166,667	25.02.2014 - 28.02.2019	Policy and Regulation	STAREP aims to help participating countries both to improve their frameworks for corporate financial reporting and to raise the capacity of local institutions to implement these frameworks effectively.
13	OECD	EU4Business: From Policies to Action	€666,667	01.09.2017 - 31.08.2020	Policy and Regulation	The Action is structured around two pillars: a country-level pillar to provide tailored support in the design, monitoring and upgrading of strategies and programmes to support firm competitiveness, evidence based policy making and wider business environment reforms; and a regional pillar to support regional policy dialogue, notably via the annual OECD Eurasia Competitiveness Roundtable and benchmark policy performance across the region through a new SBA assessment cycle (2018-2019).
14	EBRD	Advice to Small Business – Phase II	€1,501,954	23.12.2015 - 22.12.2019	Knowledge base and business skills	The programme aims to promote good management in the small and medium-sized enterprise (SME) sector by providing technical assistance to individual enterprises, helping them to grow their businesses. It supports SMEs to make structural changes and develop new business skills, helping them to thrive and compete in market economies. The programme also seeks to enable SMEs to access local consulting services on a cost-sharing basis by providing grants of up to €10,000. Furthermore, it aims to develop a sustainable infrastructure of business advisory services, ensuring improved services for SMEs.

EU4BUSINESS bilateral projects						
#	Implementer	Project name	EU contribution	Duration	Category	Description
1	GIZ	SME Development and DCFTA in Georgia	€5,033,940	26.11.2015 - 25.01.2020	Knowledge base and business skills	The project supports the implementation of DCFTA-related institutional and regulatory reforms in Georgia. It lays the ground for strengthening the SME sector to ensure broad-based growth, by increasing the competitiveness of Georgian SMEs and ensuring their adaptation to the new regulatory environment enabling them to benefit from the opportunities under the DCFTA.
2	EBRD	DCFTA Adaptation Programme (DAP) – Support for SME Competitiveness in Georgia	4,500,000€	30.12.2015 - 29.12.2019	Knowledge base and business skills	The project aims to strengthen the competitiveness of Georgian small and medium-sized enterprises (SMEs), facilitate exports, adopt new standards and raise awareness of the DCFTA (free trade agreement with the EU). It also works to improve the quality of local business advisory services.
3	ITC	Eastern Partnership: Ready to Trade	€900,000	01.09.2017 - 31.12.2020	Access to market	The project helps small and medium-sized enterprises (SMEs) from Eastern Partnership countries integrate into global value chains and access new markets with a focus on the European Union (EU). The intervention will assist SMEs in producing value-added goods in accordance with international and EU market requirements; while linking them with buyers from global value chains and markets, in particular within the EU. As part of this process, the assistance will improve sector specific services to SMEs along the selected value chains by strengthening the capacity of local business support organizations (BSOs).
4	Austrian Development Agency	Green Economy: Sustainable Mountain Tourism & Organic Agriculture (GRETA)	3,000,000 €	2018-2023	Knowledge base and business skills	The objective of the Action is to facilitate an improvement of the business environment and the creation of new income opportunities in sustainable mountain tourism and organic agriculture in order to reduce poverty and exclusion in the selected mountain areas of Georgia.
5	GIZ	Clusters for Development Better Business Sophistication in Georgia	€5,300,000	01.07.2019 - 31.01.2023	Knowledge base and business skills	The objective of the Action is to contribute towards enhanced business performance of private sector actors in the construction, tourism and apparel sectors through cooperation mechanisms (Components 1-3); and improved institutional framework for cluster and business development (Component 4).

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
1	Enterprise Georgia	Industrial Component	GEL10,000 - GEL5,000,000	Ongoing / Recurrent	Access to Finance	Offering support mechanisms tailored to the specific stages of development and financial needs of a business. Project offers credit (GEL 150,000-5,000,000); 7% co-financing of the annual interest rate for the first 24 month; leasing – GEL 100,000, 9% co-financing of the annual interest rate for the first 24 months. Technical assistance – GEL 10,000, valuable technical assistance associated with business development and operational optimisation. • Total VAT turnover of the Entity or its Affiliated Legal Entity for the preceding 12 calendar months exceeds GEL 2 million (annual turnover of the companies equals approximately GEL 10 million) or the afore mentioned partner company is new for the first year. • Previous 12 calendar months income of an entrepreneur or his/her partner natural person exceeds GEL 300,000.
2	Enterprise Georgia	Hotel Industry		Ongoing / Recurrent	Access to Finance	Entrepreneurs operating in the regions of Georgia can benefit from the Hotel Industry Incentive. Programme is to promote hospitality business across country, attract increasing number of tourists, create jobs and develop each region of Georgia. The scheme promotes entrance of international hotel brands via franchise or management contracts by co-financing royalty fees. For Hotel expansion – GEL 200,000-2,000,000 loan, 7% interest rate co-financing for the first two years. For international brand hotel development – GEL 200,000-5,000,000, 7% interest rate co-financing for the first two years, co-financing of Franchise/Management agreement for the first two years. Technical assistance GEL 10,000. Participation restrictions: • Total VAT turnover of the Entity or its Affiliated Legal Entity for the preceding 12 calendar months exceeds GEL 2 million (annual turnover of the companies equals approximately GEL 10 million) or the afore mentioned partner company is new for the first year.

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						• Previous 12 calendar months income of an entrepreneur or his/her partner natural person exceeds GEL 300,000.
3	Enterprise Georgia	Micro and Small Business Support	About GEL20,000	Ongoing / Recurrent	Access to Finance Knowledge base and Business Skills	The programme is designed to render financial support and consulting to micro and small businesses across Georgia. It is for state programme for micro and small enterprises which within the framework of a grant competition had not received funding before or takes part in for the first time, as well – the businessman/entrepreneurs who had once been in the program for micro and small enterprises support. Participants should meet following requirements: • Georgian citizen, at least 18 years old; • not a public servant; • no overdue tax obligation; • provide at least 20% of co-financing after successfully completing all the stages of the project. If an applicant has successfully passed the first stage of the selection process he/she is obliged to register as an entrepreneur and obtain of the following statuses: fixed taxpayer, micro- and small entrepreneur.
4	Enterprise Georgia	Balneological Resorts Industry	GEL200,000-3,000,000	Ongoing / Recurrent	Rising Awareness	To showcase the potential of the regions, create tourism businesses and sustainable economic benefits, the Balneological Resorts industry component enables entrepreneurs to develop hotel businesses in the regions, create new jobs, attract more tourists, and contribute to the region's economic development. Hotel development – loan GEL 200,000-3,000,000, 7% interest rate co-financing for the first two years. Development of international brand hotels – GEL 200,000-6,000,000, 7% interest rate co-financing for the first two years, co-financing of Franchise/Management agreements for the first two years (up to GEL 300,000 annually). Technical assistance GEL 10,000. Participation restrictions:

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						• Total VAT turnover of the Entity or its Affiliated Legal Entity for the preceding 12 calendar months exceeds GEL 2 million (annual turnover of the companies equals approximately GEL 10 million) or the afore mentioned partner company is new for the first year. • Previous 12 calendar months income of an entrepreneur or his/her partner natural person exceeds GEL 300,000.
5	Enterprise Georgia	Film in Georgia	About GEL500,000	Ongoing / Recurrent	Rising Awareness	In 2016 Enterprise Georgia introduced programme 'Film in Georgia' that is a joint initiative of the Ministry of Economy and Sustainable Development of Georgia and the Ministry of Culture and Monuments Protection of Georgia. 'Film in Georgia' 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 following actions are needed to get the following services: • A legal entity registered in Georgia fills the form of an online application. • The agreement is signed between the Agency 'Enterprise Georgia' and the applicant. • The applicant is awarded with the unique code of the programme beneficiary. • Within two years of receiving the certificate, the beneficiary must submit an independent assurance service report by the audit company; • Within 90 days after the conclusion, the Agency shall reimburse 20% of the limited qualified expenses. • After paying 20%, the beneficiary has two years to complete an additional 2-5% e-payment, based on the so-called 'Cultural Test'. The 'Cultural Test' is drawn up and approved by the Georgian National Film Centre (Decree N236). • Commission drawn up by the Director of the Agency (Commission members: Ministry of Economy,

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						Administration of Government, Ministry of Culture, Film Centre, Tourism Administration) is considering an additional 2-5% compensation, based on the Decree N236 approved by the Georgian National Film Centre. • No later than 90 days after the application is received, the agency will pay an additional amount of 2-5%. Or with the relevant reasoning to disclose the beneficiary's application.
6	Enterprise Georgia	Credit Guarantee Mechanism	GEL50,000-2,000,000	Ongoing / Recurrent	Access to Finance	The credit guarantee mechanism involves issuing credit guarantees to viable small and medium-sized enterprises that are unable to meet the loan requirements. The loan will be available within the following directions: Production and processing; Hotel industry; Electricity generation; Educational activities; Training Centres; Export of services; High-tech medical laboratories. In terms of the commercial banks: • Credit Guarantee Scheme will be based on Portfolio Guarantees and the loan will be evaluated by the Commercial Bank. • A security provided by the Agency for up to 70% of the principal amount for each loan disbursed by commercial bank within the framework of the programme. Guarantee shall be issued for each bank participating in the programme for up to 15% of the disbursed loan portfolio within this programme, at any moment. • Minimum loan volume – GEL 50,000, while maximum loan volume – GEL 2,000,000. Programme conditions: • Beneficiaries of Credit Guarantee Scheme, and each of co-borrowers should meet following criteria: average turnover during the last 3 years shall not exceed GEL 20 million and total liabilities (at the moment of taking credit) shall not be more than GEL 8 million. The beneficiary shall ensure starting new production in an industry specified under this Resolution in case of opening

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						a new enterprise within 24 months, while in case of existing company within 12 months.
7	Enterprise Georgia	Enterprise for better future	GEL7,000-35,000	Ongoing / Recurrent	Access to Finance	The programme supports the joint production (Abkhazia, Tskhinvali region (the former South Ossetian Autonomous District)) and trade partnership projects of the population on both sides of dividing line. Also, project considers related economic activities, cooperation and building trust among two sides. The following individuals can become beneficiaries of the programme: 18 years old residents of Autonomous Republic of Abkhazia or Tskhinvali Region; entrepreneurs who legally operate in Abkhazia or Tskhinvali; 18 years-old citizens of Georgia, who legally perform activities on the territories controlled by Georgia.
8	Enterprise Georgia	Tourism Services Industry	GEL150,000 - 2,000,000	Ongoing / Recurrent	Tourism Promotion	The goal of the tourism services industry component is to develop theme parks, tourist services and climate-resorts. These innovative trends will facilitate the replacement of traditional economic activities with modern business activities. Tourism services industry, that promotes theme parks and adventure tourism - 7% Interest Rate Co-financing for the first two years – loans in GEL, loan amount GEL 150,000 – GEL 5,000,000. Restrictions: total VAT turnover of the Entity or its Affiliated Legal Entity for the preceding 12 calendar months exceeds 2 million GEL (annual turnover of the afore mentioned companies equals approximately 10 million GEL) or the aforementioned partner company is new for the first year. Previous 12 calendar months income of an entrepreneur or his/her partner natural person exceeds GEL 300,000.
9	Georgia Innovation and Technology Agency	Micro Grant	GEL5,000	Ongoing / Recurrent	Access to Finance	Micro grants programme aims to support innovative ideas and its commercialisation by financing creation of prototypes; organising innovation competitions; study visits. Micro grants are awarded for purposes of designing, testing and refining prototypes in the field of innovation and technology. The deliverable of the project should be application of new technologies or development of existing once, that can be marketed locally or globally.

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
10	Georgia Innovation and Technology Agency	Innovation Infrastructure Development		Ongoing / Recurrent 2015-2020	Formation of infrastructure; access to innovation services; trainings.	The objective of the development of innovation infrastructure is to increase innovative activities of firms and individuals in the regions and their participation in the digital economy.
11	Georgian Innovation and Technology Agency	IT hub		Ongoing / Recurrent	Knowledge base and Business Skills	Creating high-paying jobs, increasing the number of qualified staff, enhancing technological entrepreneurship opportunities and developing human capital.
12	Georgian Innovation and Technology Agency	Internship Programme		Ongoing / Recurrent	Knowledge base and Business Skills	The goal of the programme is to increase the number of people involved in the start-up ecosystem, to support young people in the ecosystem. Engaging innovators and developing existing start-up companies to promote anti-ad hoc approaches, develop the ability to work with ICT for university students and to facilitate their future integration into the labor market.
13	Georgian Innovation and Technology Agency	Business Incubator	GEL5,000	Ongoing / Recurrent	Knowledge base and Business Skills	'Business Incubator' is a beginner business programme that enables entrepreneurs to undertake their own business idea development and development process. The 6-month programme includes several stages for start-ups. At the initial stage, the teams will work on the creation of prototypes in the next three months. Six months after the start of the project they will have a business plan, business model, and financial forecasts, and the last stage involves seeking and negotiating investors. Project will provide training for: project management, marketing, business plan development, etc. They will advise on financial, legal, intellectual property protection and other issues. The teams will be provided with technical work in the Technopark and will receive software, intellectual and material support from the Agency, members of the Mentor Network and the partner organisations.
14	Georgian Innovation and Technology Agency	Start-up Friendly		Ongoing/ Recurrent	Access to Finance	The goal of the project is to cooperate with Georgian and international organizations to promote the rapid development of start-ups. The project implies searching companies which can offer various services for start-ups.

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						Company can become Start-up Friendly, if it has special offer for start-ups, finances start-ups or collaborates with start-ups on the common projects/services.
15	Georgian Innovation and Technology Agency	Start-Up Beats		Ongoing / Recurrent	Knowledge base and Business Skills	The main goal is to create and develop Georgian start-up society and the same exact dynamics. Accordingly, it is very important for us to start a business venture within the project strengthening relations and to connect speakers to the start-ups, to communicate and share the experience.
16	APMA	Rural Development Program	GEL20,000-300,000	Ongoing / Recurrent	Access to Finance	The programme is designed to support rural economic and environmental activities through co-financing. The goals of the programme are: • supporting the development of non-agricultural entrepreneurial activities in rural areas, which in turn will stimulate the economic development of the municipality, improve socio-economic conditions, economic diversification and create new jobs; • overcoming environmental and climate change challenges and using natural resources effectively. The tasks of the programme are: • promoting rural economic growth and competitiveness; • promoting social conditions and improving living standards; • improvement of environment and sustainable management of natural resources.
17	APMA	Georgian Tea Plantation Rehabilitation Program	GEL43,151,000	2015-2020	Access to Finance Improving Skills and knowledge	Project goals: • Maximum use of Georgian tea potential and promotion of high-quality tea production, including production of bio (organic) tea. As a result, raising self-sufficiency and export capacity. • Privately owned as well as state owned abandoned tea plantations will be rehabilitated and tea primary processing modern enterprises will be established under this project.

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						• Increase Employment rate and improvement of socio-economic state of population. Promotion of modern Tea primary processing enterprises.
18	APMA	State Program for Rational Use of State-Owned Pasture in Highland Regions – Resolution		Ongoing / Recurrent	Rising Awareness	In Mountainous Regions: • rational use of state-owned lawns and pastures; • supporting livestock development; • selection and testing of highly productive cattle breeds; • promotion of local production; • improving the quality and quantity of manufactured products; • help to improve the socio-economic status of the population and to halt migration.
19	APMA	State Program for Implementation and Branding of International Standards in Agricultural Cooperatives		Ongoing / Recurrent	Access to Finance	• Ensure food safety/traceability produced by agricultural cooperatives and increase their competitiveness. • Financial support to agricultural cooperatives in implementing international standards and in promoting the manufactured product.
20	APMA	State Program for Support of Dairy Producers		Ongoing / Recurrent		• Supporting the production of milk and dairy products in Georgia. • Providing the dairy processing industry with raw milk. • Creation of raw milk receiving, and processing plants equipped with modern technologies within agricultural cooperatives. • Improving the quality of local dairy and dairy products and raising competitiveness. • Breeding of cattle in agricultural cooperatives. • Improvement of socio-economic conditions of rural population.
21	APMA	State Program for Promotion of		Ongoing / Recurrent	Access to Finance;	• Supporting the development of viticulture in agricultural cooperatives.

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
		Agricultural Cooperatives			technical assistance	• Promoting the processing of grapes produced in the country, including those produced by agricultural cooperatives. • Creation of grape-making enterprises equipped with modern technologies within the agricultural cooperatives. • Improving the quality of the wine produced and increasing its competitiveness. • Improvement of socio-economic conditions of rural population.
22	APMA	Young Entrepreneurs		Ongoing / Recurrent		Project objectives: • promoting of development of young entrepreneurs and their involving into business in rural area; • enhancing of economic development and strengthening of the private sector in the regions; • investing in the chain of production-sale of the agricultural products because of which socio-economic conditions of young entrepreneurs will be improved and new working places will be created.
23	APMA	Co-financing of Agro Processing and Storage Enterprises	GEL5,000,000	Ongoing / Recurrent	Access to finance; improving Skills and knowledge	The project comprises two components: 1. agricultural products processing enterprises co-financing component; 2. storage enterprises co-financing component. The target area of agricultural products processing and storage enterprises co-financing covers all municipalities and self-governing cities of Georgia, except for the following self-governing cities: Tbilisi, Rustavi, Kutaisi, Batumi, Poti.
24	APMA	Preferential Agro Credit Project	GEL45,000,000	Ongoing / Recurrent	Access to finance	The purpose of the project is to improve the processes of primary agricultural production, processing, storage and sale by providing the legal and natural entities with chEastern partner, long-term and preferential funds.
25	APMA	Agro Insurance	GEL5,000,000	Ongoing / Recurrent	Access to finance	To develop the insurance market in agricultural sector, promote agricultural activities, retain the income for the individuals with the occupation of the mentioned activities

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						and reduce risks. Programme is purposed to develop the insurance market in agricultural sector, promote agricultural activities, retain the income for the individuals with the occupation of the mentioned activities and reduce risks.
26	APMA	Agro Credit	GEL10,000,000	Ongoing / Recurrent		The purpose of the project is to improve the processes of primary agricultural production, processing, storage and sale by providing the legal and natural entities with chEastern partner, affordable long-term and preferential funds. Within the frame of the project, the enterprises engaged in the processes of primary agricultural production, processing and storage will receive the preferential agrocredit/agroleasing from the financial institutions for fixed and current assets.
27	APMA	Program of Co-financing Agricultural Machinery	GEL150,000-300,000		Increasing Business Development	The aim of the programme is to give a chance the individuals to purchase agricultural equipment.
28	Tbilisi City Hall / EU - Mayor for Economic Growth (M4EG)	SPARK – Tbilisi Accelerator	About GEL3,000,000	2018-2024	Knowledge Sharing	The purpose of the project is to promote employment, enhance the capacity of Georgian entrepreneurs and SMEs, as well as facilitate implementation of innovative business ideas. Spark's services are available to start-ups as well as SMEs. The space created for business combines several areas, including a training centre providing the basic education needed to start a business. The accelerator focuses on eight directions: Tourism and related business; Professional and higher education; Medical business; Business related to sport and health; Traditional crafting (handmade objects); IT technologies; Innovative business ideas in different fields; Energy efficient technologies and innovations. SPARK is co-funded by EU and Tbilisi City Hall.
29	Startup Georgia GITA	Startup Georgia	GEL 15,000 to GEL 100,000	Recurrent	Access to Finance	The amount of co-financing for Startup Georgia ranges from GEL 15,000 to GEL 100,000. The total budget of a particular project is not limited. The applicant may participate in the project in monetary and non-monetary terms, however, the

EU4Digital

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						applicant's monetary contribution shall be at least 10% of the total monetary budget of the project. 45% of the company shares are transferred to the applicant in exchange for a business idea, while the remaining shares are distributed proportionally in accordance with capital investments. In the case of minimum mandatory participation in the joint venture (start-up company), the shareholding of the beneficiary shall be at least 50.5%. Startup Georgia has been a joint venture partner for no more than 10 years, however, the deadline is individual for each project, depending on its specificity. 10% of the invested amount is compounded annually by the compounding method, taking into account the actual maturity. The beneficiary does not require any personal property as collateral. The following would be considered a high-tech idea: • aerospace production; • automobiles; • artificial intellect; • biotechnologies; • bioinformatics; • computer Engineering; • computer Science; • information technologies; • nanotechnologies; • nuclear Physics; • electromagnetic radiation; • robotics; • semiconductors; • telecommunications; In case of hi-tech business: the project will be evaluated by leading international experts from Silicon Valley (USA); investment financing up to GEL 100,000; the applicant's financial contribution is not required. Submission of

State government projects						
#	Implementer	Project Name	Budget per Beneficiary project	Duration	Category	Description
						successful projects to international investors for additional investment in Silicon Valley. Only the assets of the start-up company are collateral.

International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
1	USAID (Implemented by: Partnership Fund/Startup Georgia)	Zrda New companies near demarcation villages	$500,000	2016-2020	Access to Finance	The USAID Zrda Activity promotes inclusive and sustainable economic growth in target regions by promoting Micro, Small, and Medium Enterprises (MSMEs) growth, increasing productivity of rural households, facilitating market linkages between producers and buyers, and promoting local economic development by establishing and strengthening networks. Zrda works in 106 villages in proximity to the administrative boundary lines and communities with ethnic minority populations. The main purpose of the programme is to purchase fixed assets (machinery) for a business. The activity aims to create 2,400 jobs, increase sales for 800 SMEs, increase incomes of 13,200 households, and generate measurable improvements in community resilience and economic conditions. The beneficiary will be required to make a minimum cash contribution of only 10%, the remaining 90% will be funded by programme with preferential long-term loans, and the project increase will enable the beneficiary to double the total amount and transfer it as a free grant.
2	USAID	Economic Security Program		2019-2024	Access to Finance	Programme aims to assist Georgian firms to take advantage of the country's market access and location to exploit regional economic opportunities and compete with international competitors for Georgia's domestic market. The Programme will focus on enterprises outside of agriculture that show strong potential to create jobs, increase incomes, and increase revenues, as well

International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
						as support diversification to more productive economic activities, including the tourism sector and up to three additional sectors. Using timebound “smart incentives”, the programme will then co-invest with market actors in their own pro-growth solutions. The programme is strengthening the capacity of small businesses to access trade finance that supports growth and creates jobs. The programme is also stimulating the local banking sector to offer tailored trade finance products and services to SMEs.
3	USAID	Economic Governance program	$20,000,000	2020-2025	Policy Development	Programme aims to help Georgia design and implement transparent, evidence-based economic policies to improve its business and investment environment. The programme involves providing technical assistance to the Government of Georgia to ensure evidence-based policymaking that accounts for the needs of all stakeholders. The Economic Governance Program also supports business associations and civil society to drive Georgia’s reform processes through research and advocacy.
4	USAID / CNFA	Georgia Hazelnut Improvement Project	$3,000,000	2015-2020	Access to Finance	USAID’s Georgia Hazelnut Improvement Project supports capacity building among Georgia’s hazelnut producers by leveraging financial support from the American people and technical expertise from the global confectionery company Ferrero. A public-private partnership, the programme aims to increase the quality and quantity of Georgian hazelnut production, improve processing capabilities, and establish market linkages to allow local growers to reach lucrative end markets.
5	USAID	Supporting Youth Entrepreneurial Skills for Advancing Employability and Income Generation in Georgia	$840,000	2015-2024	Access to Finance	Programme aims at long-term development with more opportunities for young people and women. Through the Supporting Youth and Women Entrepreneurship in Georgia (YES-Georgia) programme, USAID supports dynamic and inclusive economic growth by unleashing the power of young entrepreneurs and professionals. The initiative broadens economic opportunities by supporting innovation, entrepreneurship, and

International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
						employability in key sectors. Specific activities involve skills training, confidence building, mentoring, and awareness raising, with high-performing participants having opportunities to receive co-financing. Programme provides business management training, access to legal and accounting services, and mentoring and networking opportunities. This assistance will support entrepreneurs to grow their businesses and contribute to wider growth in Georgia's economy.
6	USAID	Agriculture Program		2018-2023	- Improving Skills and knowledge	The Programme co-invests with key Government ministries, farmers, and food processors to increase production capacity, efficiency, and compliance with international standards of quality. The programme targets support toward agricultural value chains that show the most potential to generate revenues and create high-value jobs in rural Georgia.
7	USAID/TBC Bank	Loan Portfolio Guarantee		2015-2022	Access to Finance	USAID extended a Development Credit Authority (DCA) loan portfolio guarantee to TBC Bank to make commercial credit of up to $15 million available to private agribusinesses in Georgia, thereby stimulating economic growth.
8	World Bank	Increasing Institutional Capacity for Innovation Project	€2,700,000	20.12.2018 - 31.12.2022	Knowledge base and business skills	The overall objective is to increase Georgia's Innovation and Technology Agency (GITA's) ability to effectively coordinate the government's approach to innovation policy formulation and implementation.
9	World Bank	Financial Inclusion and Accountability	€4,500,000	15.12.2018 - 14.12.2022	Policy and Regulation	Support deepening and inclusion in financial sector through advancing reforms of capital markets, insurance and responsible financial inclusion.
10	World Bank GENIE Project (Implemented by: Georgia Innovation and Technology	Start-up Matching Grants	GEL100,000	Ongoing / Recurrent	Access to Finance	The objective of the programme is to stimulate innovation and creation of innovative enterprises in Georgian economy through development/adoption and commercialisation of Innovative products and services with the potential for internationalisation. It is small matching grants to early-stage private and small-enterprises incorporated in Georgia within the last two years. The programme consists of two components:

International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
	Agency, Start-up Georgia)					innovative component and high-tech component. The Agency carries out a high-tech component and finances projects of the following directions: aerospace production, automobiles, artificial intellect, biotechnology, bioinformatics, computer engineering, computer science, information technology, nanotechnologies, nuclear physics, electromagnetic radiation, robotics, semiconductors. Program features: • The project is evaluated by leading international experts from Silicon Valley. • Investment Funding up to GEL 100,000 per project. • Applicant's financial involvement not required. • The applicant's share participation is 95%. • Submitting successful projects to international investors in Silicon Valley. • The agency remains a partner of a 5% share in the joint venture for a period not exceeding seven years and does not interfere with the start of management. • Ensure mentoring and coaching. Individuals can also submit the application, however if selected, they will be requested to register the legal business unit prior to contract signing.
11	World Bank/EU (Implemented by: Georgia Innovation and Technology Agency)	Technology Transfer Pilot Program (TTPP)		2019-2022	Capacity Building	The objectives of the project are to: 1. build capacity of GITA and public partner organisations in technology transfer and commercialisation process, from the initial disclosure until deal closure; 2. test whether inventions coming from public universities and research institutions have commercialisation viability; 3. facilitate contracting between private or public customers and scientific teams.
12	World Bank GENIE Project	Innovation Matching Grants	GEL650,000	Ongoing	Access to Finance	Innovation Matching Grants Programme aims to stimulate innovation and creation of innovative enterprises in the Georgian economy. The programme will promote product, technological or business process

International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
	(Implemented by: Georgia Innovation and Technology Agency)					innovation by Georgian SMEs with a preference to innovation that introduces innovation on a global scale with a clear Georgian nexus and operations headquartered in Georgia. The programme will fund a portfolio of projects showing significant innovation and market potential. Projects should aim to develop new products, processes or services (or innovative use of existing ones) that are new at least to the Georgian market. Eligibility Criteria for applicants: • private sector (at least 51% privately owned) business entity; • with annual turnover of up to GEL 30 million; • companies registered at least one year before the call is launched; • 50% or more cannot be owned by another shareholder company. • eligibility/criteria of co-applicants: • private sector (at least 51% privately owned) business entity incorporated under the applicable/current Entrepreneurs Law of Georgia, and/or an authorised higher education institution (public or private) located in Georgia, and/or Georgian scientific academies or scientific research institution.
13	UNDP	EU Innovative Action for Private Sector Competitiveness in Georgia (EU IPSC)	€5,000,000	21.12.2018 - 31.01.2023	Knowledge base and business skills	The overall objective of the action will be to enhance entrepreneurship and business sophistication by strengthening the capacities of government and local entities to develop and operate clusters and supporting companies directly with strategic investments and better connect to diaspora groups, while also demonstrating the effectiveness of these strategies to businesses.
14	EU Funds (Implemented by: UNDP)	ENPARD-3: Sustainable Rural Development in Georgia	€22,000,000	2018-2022	Rural Development	ENPARD aims to reduce rural poverty and promote rural development in Georgia, boost development potential of the rural areas and create economic and social opportunities for people beyond agricultural activities. UNDP focuses on the improvement of rural development

International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
						policy and governance, diversification of rural economies, sustainable environmental practices, and on the increased engagement of all stakeholders, including local communities, in rural development. Specific pilot initiatives are being implemented in the municipalities of Lagodekhi, Dedoplistskaro, Tetritskaro, Borjomi, Akhalkalaki, Kazbegi, Keda and Khulo.
15	DFID	British Council – Georgia	£2,632,482	2016-2020	Improving Skills and knowledge	Contributing to shared prosperity and development through projects which support skills, employability and education of young people, strengthen English language teaching and learning and promote development of arts and culture.
16	DFID	The Good Governance Fund - Collaboration with International Financial Institutions and other Partners (II)	£18,096,791	2016-2021	Improvement of Business Environment	The support will focus on areas such as: anti-corruption; improving the business environment; judicial reform; key sector reforms (e.g. banking and energy); strengthening the rule of law; and supporting an independent media.
17	DFID	Good Governance Fund - Supporting governance and economic reform in Georgia	£1,809,200	2019-2021	Good Governance	Through a range of partners including International Financial Institutions, multilateral organizations, private sector and CSOs, the Good Governance Fund supports a series of governance and economic reform initiatives, aimed at building stability, reducing poverty and increasing prosperity in Georgia. Focus areas include business environment reform, addressing the skills mismatch, public administration reform and promoting inclusive and participatory governance.
18	SIDA	Increasing Competitiveness of SMEs in Georgia (GEclose2EU)	SEK20,000,000	2018-2022	Access to Finance	The objectives of this intervention are: 1. identification of new sectors, products and services of SMEs with high growth and expansion potential, through market and sectoral research and analysis; 2. promoting DCFTA opportunities among SMEs to advance their domestic and international market expansion strategies, increasing skills, domestic and international competitiveness of SMEs through

International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
						providing direct mentoring, educational and technical assistance, bringing them in compliance with the EU's Association Agreement and DCFTA requirements; 3) increasing capacity of the entrepreneurship promotion agency, Enterprise Georgia, through capacity building, increased access to international markets and technical assistance of its beneficiaries.
19	SIDA (Implemented by: TBC bank)	Portfolio Guarantee Georgia	$20,000,000	2018-2026	Access to Finance	The overall purpose of the contribution is to increase the proportion of competitive MSMEs that contribute to the Georgian economy and a loan environment that provides better opportunities for loans to smaller companies. Sida plans to set-up a guarantee to promote the development of micro, small and medium sized enterprises (MSMEs, start-ups included) in Georgia within the sectors agriculture, manufacturing and services. Gender and environmental aspects are also integrated within the contribution, where Sida undertakes to cover 60 % of the risk if borrowers are female entrepreneurs, start-ups or if the loans that are provided are planned to be invested into environmentally sustainable purposes. At least 25% of the guarantee shall consist of loans for start-ups (owned by men or women).
20	ADB	Modern Skills for Better Jobs Sector Development Program		Planned		
21	ADB	Financial Inclusion for Micro and Small Business Growth for Credo, Finca Bank, and TBC Bank (CDTA)		Planned		
22	AFD	Improving Access to Finance for Small Firms	£4,000,000	2017-2022	Access to Finance	The objective: to promote access to agricultural finance for small semi-commercial farms and cooperatives. This programme includes:

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International donors projects						
#	Implementer	Project Name	Budget	Duration	Category	Description
						• An initial pre-project phase: identification of small so-called semi-commercial farms and promising cooperatives and design of a farm advisory scheme that meets their specific needs. • Setting up a pilot operating advisory system at the level of one or more regions. • A reflection on the implementation of innovative financial tools. • *Ad hoc* expertise for financial institutions: development of dedicated tools / risk assessment methodologies, social responsibility, etc. Contributing to political dialogue in the agricultural field and particularly on the issue of financing agriculture.

Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
1	Procredit Bank (Funding: European Investment Bank Funds)	InnoFin Program	€7,500,000	Ongoing	Access to Finance	The project aim is to support innovative companies and investments in innovation for SMEs and AGRO companies. Loans are for: • enterprises focused on research and development activity; • enterprises which have been operating on the market for less than 12 years and their workforce or turnover has increased by at least 20% p.a. over a three-year period; • enterprises which have been operating on the market for less than seven years and their R&I costs represent at least 5% of their total operating costs; • small and medium enterprises initiating innovative investments (e.g. the introduction of new or

Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
						significantly improved products, goods and services; important changes in the production process; innovations in the form of production organization as well as new marketing methods and concepts).
2	Procredit Bank (Funding: EIB/ EIF/*Part of the EU4Business)	SME Guarantee Program		Ongoing	Access to Finance	Guarantee Programme is a joint EU4Business initiative of the European Investment Fund (EIF) and the EU. The aim of the Programme is to facilitate access to finance for Georgian SMEs with no more than 249 employees. The Programme includes investments in fixed assets and working capital. Companies financed under the Programme will benefit from preferential interest rates and flexible collateral requirements.
3	Procredit Bank (Funding: EBRD/Part of EU4Business)	EBRD Credit Line		Ongoing	Access to Finance	EU4Business-EBRD credit line is a joint initiative of the European Union and the European Bank for Reconstruction and Development to support Georgian SMEs with no more than 249 employees access finance. The programme includes investments in fixed assets. After the successful project verification, the company receives up to 15% of the loan value as a grant incentive, funded under the EU4Business initiative of the European Union.
4	TBC Bank (Funding: EIF / European Commission)	InnovFin	€7,500,000	Ongoing	Access to Finance	The goal of InnovFin programme is to increase access to financing for those companies who are introducing innovative projects, as well as implementing certain novelty across the Country, the region, or within their own companies. Purpose of the project is to implement the novelty, except for covering other liabilities and private consumer use. The Programme finances those borrowers, who belong to the SME or Small Mid-Cap segment per EU definition, employing no more than 499 people.
5	TBC Bank (Funding:	Investment Loan – Cash back 15%		Ongoing	Access to Finance	The business loans and grant incentives of up to 15% for financing fixed assets. The project aims at promoting EU trade standards in the following

Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
	EBRD / Part of the EU4Business)					directions: Agriculture, Food production, Laboratories, Other fields that aim at improving product and service quality.
6	TBC Bank	Loan for Start-Ups	GEL200,000	Ongoing	Access to Finance	TBC offers loan to start-ups for their development. Following businesses can receive a loan: Innovative Business, Tech Business, Service, Production, E-commerce. Loan terms – maximum amount of GEL 200,000, no collateral or contribution for loan up to GEL 15,000. Without collateral – maximum amount of GEL 50,000. For any purpose except for covering other liabilities and private consumer use – maximum of seven years. Grace period – maximum of one year, borrower contribution – 50%. Bank offers individual payment schedule.
7	TBC Bank (Funding: EBRD)	Loan for Women	€1,000,000	Ongoing	Access to Finance	TBC Bank, in cooperation with the European Bank for Reconstruction and Development (EBRD) offers the business loans, primary aim of which is to stimulate women entrepreneurs expand their businesses and finance new business ideas. According to the project women will be able to get financed with less collateral. Start-up projects will be also available. Maximum loan amount is EUR 1,000,000 equivalents in GEL, with term of 84 months and has unlimited financing fields.
8	TBC Bank	Startuperi		Ongoing	Access to finance Knowledge gathering	Startup is a TBC Bank programme designed to support startups and stimulate new business startups. The programme includes financial and non-financial support for startups: Loan for startups, Operational products, Events, Trainings, Individual consultation, Media support, Startup Events. Programme is designated for startups, or startups that are in the growth phase and are up to 2 years. Financial support can be received as loans which can be taken by startups in such business areas as: manufacturing, services, e-commerce, innovation, technology, tourism and agrarian direction. Startups

Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
						can receive a discount on operating products within 6 months of registering the company.
9	TBC Bank	B2B Platform for Business		Ongoing	Technical Maintenance	Bank introduced the platform to promote cooperation and communication between app developers and small businesses. The platform businesstool.ge will connect app developers and small businesses to help SMEs run their business more effectively and promote the creation of new apps for businesses.
10	TBC Bank	Startup course – Start Your Own		Ongoing	Knowledge Gathering	The purpose of the course is to provide young people with the basic knowledge and inspiration to always seek and bring forward interesting ideas, start their own businesses and create new opportunities. The course aims to establish startup culture among students, give them inspiration to make their ideas come true. Startup course will be led by professionals from different fields, including: Andro Dgebuadze – Asia Development Bank Consultant; Levan Kiladze – Lemondu and TKT.ge founder; Nino Egadze – TBC Bank Head of Marketing, Pavle Gabrichidze – Head of Social Media and Advertising department of Livingstone.
11	TBC Bank	IT Academy		Ongoing	Knowledge Gathering	TBC IT Academy, which is part of the company's CSR policy, offers people interested in information technology the opportunity to learn a new profession, completely free of charge. IT learning courses: • Back end development learning course based on .NET core. Learning is in 'Bootcamp' format. • UX course – in a 'Bootcamp' format.
12	TBC Bank	Secured Business loan		Ongoing	Access to Finance	Business loan with collateral implies financing SMEs, large businesses and individuals with collateral requiring loans up to GEL 350 000. The aim of this loan is to provide clients with loans that have lower interest rate than collateral-free loan. This credit product will help debtors to expand their businesses, invest in other directions/businesses.

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#	Implementer	Project Name	Budget	Duration	Category	Description
13	TBC Bank	Unsecured Business loan		Ongoing	Access to Finance	Collateral-free business loans suggests financing SMEs and individuals with loans of up to GEL 50,000 with no requirement of any collateral security. The aim of this credit product is to support development and financial stability of business, ensure the financing of its working capital and fixed assets and expansion of the company profile, help debtor to make investments in different directions/businesses, support financial prosperity of company stakeholders.
14	TBC Bank	SME Banking Club	GEL200,000	Ongoing	Access to Finance	SME Banking Club is an international networking platform of business bankers aimed to provide relevant information on what banks and financial companies are offering for entrepreneurs, micro-, small and medium enterprises (SMEs). The main aim of the Bank is to make doing business in Georgia easier and empower entrepreneurship development in the country.
15	TBC Bank	Status Donate		Ongoing	Access to Finance, charity	Platform is the first Georgian charity online platform that, on behalf of TBC Status and its users, is helping the next generation grow and succeed. Social responsibility is especially important for TBC status. Statusdonates.ge aims to support community-based projects and assist talented young people in learning and development in Georgia and abroad.
16	BOG EBRD Programme, *Part of the EU4Business	Women in Business	GEL25,000,000	Ongoing	Access to Finance	The training programme for micro and small entrepreneurs has been developed with the initiative and involvement of the National Bank of Georgia, with the support of the EFSE Development Program (EFSE DF) and the Export Development Association (EDA). Projects aim to actively engage women in business, provide them with financial and non-financial support or develop a business. To receive a loan you should be individual or legal entity, director or head of a company should be a woman over 22

Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
						years-old with an interesting business idea and desire to expand business.
17	BOG *Part of the EU4Business	Financial/non-Financial support – DCFTA		Ongoing	Access to Finance	To impose EU trade standards and master European market, or buy the latest technology, or finance various investments that promote your product or service quality improvement, and this along with the return of the loan amount to 15%, you need to fill in the business loan simplified statement. Also, loan receivers will be able to get actively involved in various events.
18	BOG	Plant the Future		Ongoing	Access to Finance	The aim of the project is to encourage the efficient use of agricultural land, the promotion of perennial crops, the increase of export potential, the promotion of high-quality plant material production and the development of the country's socio-economic situation.
19	BOG	Small Loans	GEL40,000	Ongoing	Access to Finance	Fast credit for SMEs to develop their business.
20	BOG	Business Loans	GEL40,000	Ongoing	Access to Finance	Loans for start-ups, for innovation development and for personal use.
21	BOG	Agro Loan	$200,000	Ongoing	Access to Finance	Loan needed for agricultural purposes or to start or expand the business. Also, loan can be used for renovating buildings, buying necessary machinery for business development, financing consumer goals.
22	BOG	FINTECH		Ongoing	Skills Development	BOG Fintech is a new strategic direction which was established under the Open Banking Strategy, developed by Bank of Georgia. Open Banking concept creates new opportunities for innovators to create new technology-based financial services for customers. It opens up IT infrastructure and new resources for fintechs to create innovative services in partnership with the bank.

Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
						Bank of Georgia established BOG Fintech, which is the first step towards the implementation of Open Banking concept in Georgia and consists of 3 main pillars: Supporting Business Community, API Service, Supporting Start-ups.
23	Crystal	Start up	GEL70,000 - 100,000	Ongoing	Access to Finance	Loans for start-ups: • business revenue adjusted payment schedule; • unique training course from experienced Crystal Experts.
24	Crystal	School of Young Entrepreneurs		Ongoing	Improving skills	The programme aims to promote self-employment and employment of young people in entrepreneurial skills development.
25	Crystal	Funding for Small Entrepreneurs	€4,100,000	Ongoing	Access to Finance	The purpose of the deal is to finance micro-enterprises with no more than 10 employees. Loans of up to € 25,000 allocated to enterprises will be aimed at the development of women, youth and rural entrepreneurs.
26	Crystal	Women Economic Empowerment	GEL5,000	Ongoing	Access to Finance	Loans for women.
27	Crystal	Finance for SMEs	GEL10,000,000	Ongoing	Access to Finance	The purpose of the investment is to support the implementation and institutional development of Crystal's strategic plan, which aims to transform Crystal into a financial inclusion organization and raise standards of service for micro and small entrepreneurs across the country.
28	TSU	TSU Knowledge Transfer and Innovation Centre		Ongoing	Knowledge Transfer	The main goal of the Centre is to get as many people interested in innovation and discovering the authors of innovative ideas in science and technology. Constantly stimulating innovation ideas and popularizing science, developing mechanisms and methods for exploring opportunities at TSU, developing ideas to support the implementation of ideas, is a key task of the Knowledge Transfer and Innovation Centre.

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Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
29	BTU	Global Start Up Fund	$30,000	Ongoing	Access to Finance	The goal of the Fund is to support the process of formulating Georgia's entrepreneurial ecosystem, discovering high-tech, innovative start-ups and promoting their commercialization on the international market.
30	BTU	Entrepreneurs Centre (Ongoing Research Business Incubator Business Accelerator)		Ongoing	Knowledge Gathering	Centre provides all start-ups in the country with a free opportunity to participate in the Centre's programmes. Boot Camp start-up, training, workshops, Hackathon, regional business survey, employers' finances access provision, entrepreneurship, the first Georgian textbook creation and digital enterprise support.
31	BTU	Israel TechHub		Ongoing	Knowledge Gathering	Entrepreneurs (start-ups) who strive to grow their business BTU provides different trainings such as: Digital Marketing course, Front End course.
32	BTU	Entrepreneurship Centre		Ongoing	Access to Finance Knowledge Gathering	The purpose of the course is to give the student the general knowledge of entrepreneurship, familiarize him with the possibilities for starting a new business, generating ideas, and the stages before his/her final implementation, so that the student can start a new business and entrepreneurial activity from the very first day. The Entrepreneurship course is based on an agreement between BTU and Henley Business School.
33	BTU	Massachusetts Institute of Technology – MIT Global Startup LAB		Ongoing	Boot camp	MIT's Global Startup Lab, the first in the region, has opened at BTU. The project of strategic importance for the entrepreneurial ecosystem of the country will last four weeks and 28 students will be selected. Courses will focus on ideation, market research, pitching, and appropriate technology platforms, culminating with a pitch and prototype/MVP competition (Demo Day).
34	BTU	Tbilisi Creative Centre		Ongoing	Access to Finance Knowledge Improvement	Centre of creative opportunities for creative industries working individuals, create Startup to seek international partners, improve their Business English skills, take part in local and foreign experts at

Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
						the workshops, as well as to participate in international competition and to make start-up commercialisation WORLD to market. The 'Idea Hub' includes: • The Spring Start-Up Boot Camp; • The Business Idea Clinic; • Best Start-up competition and IDEAFEST; • English Learning Program.
35	BTU	Bank of Georgia's FINTECH		Ongoing	Skills Development	The partnership between the Bank and the University of Business and Technology in Fintech aims to develop new, innovative products and solutions, launch a mentorship programme for students, train them and engage them in various programmes.
36	BTU	Coding School for Women		Ongoing	Knowledge Gathering	The project aims at: strengthening the role of women in technology; improving statistics in the country; increasing the involvement of women living in all regions in the field of information/communication technologies; deepening their knowledge and promoting further employment.
37	Caucasus University	Developing and transferring an innovative Energy FInancing miX in order to activate private sector finance for increased investments in sustainable energy projects (E-FIX)		2018-2021		The overall objective of the E-FIX project is to prepare the European market – with a focus on countries of various EU enlargement rounds, as well as markets of countries, which have recently reached the EU association status – for the intensified usage of innovative financing mechanisms in the energy sector in order to facilitate the increase of investments in energy projects and services. The E-FIX project aims at triggering private finance for sustainable energy projects using innovative financing mechanisms, to be specific: credit lines for energy performance contracting (EPC), crowdfunding models and leasing models for energy efficiency and renewable energy projects.

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#	Implementer	Project Name	Budget	Duration	Category	Description
38	Caucasus University	Estonian Development Cooperation		Ongoing	Legal Development	Project aims to use the experience of Tallinn University of Technology (TUT) in the field of law and technology to develop new study field in three leading Georgian law schools. Specific objectives of the project are the following: • to improve Law programme's curricula; • to train law faculty lecturers; • to introduce a new area of research; • to introduce innovative ICT e-learning tools; • to train the Georgian Competition Authority experts in the field of Digital Single Market (DSM).
39	EB/GENIE (Implemented by: Shota Rustaveli Science Foundation of Georgia in cooperation with GITA and SakPatenti)	Applied Research	$3,000,000	Ongoing	Research Development	Applied research grants are offered to researchers working on innovative research projects. The main objective of grants is innovative ideas and encouragement of researchers to bring better connections to international opportunities. Grant aims to promote innovation researches and digital activities. Amount of the grant is GEL 650,000 per researcher.
40	Shota Rustaveli Science Foundation of Georgia	Applied Research	GEL140,000 - 420,000	Ongoing	Research Development	Applied Research grant scheme aims to discover applied research potential in Georgia and provide funding for innovative research projects. Special emphasis is put on innovative project proposals that potentially results in high quality products demanded on local and international markets and that provide solutions within technology development processes. Application, sustainability and commercialization potential of research outcomes should be highlighted. Creating a prototype, developing a new or improved software, producing material, medical products, equipment etc., can be viewed as expected outcomes of the applied research grants. Applied Research grant also sets objective to encourage competitive research environment, to bring research

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Banks						
#	Implementer	Project Name	Budget	Duration	Category	Description
						outcomes closer to the international standards, to facilitate research internationalization and integration in higher education sector. It also aims to motivate young researchers and increase their engagement in applied research. Target group: Higher education institutions of Georgia, research-focused institutions, independent scientific centres and researchers. Research should be for 2-4 years long. Program received financial support from GENIE project - in total GEL 250,000.

Annex 4. Recommendations of ESBG on the regulatory sandboxes implementation

Selection criteria. As a prerequisite, regulatory sandboxes should be open to every kind of FinTech firms, including not only newly founded financial institutions, but also incumbent institutions and technology providers, given the importance of cooperation among established firms and financial start-ups.

However, access to sandboxes provides participating firms with a potential advantage compared to those that develop the same innovation outside the sandbox. These advantages can be of both an operational nature (e.g. less time required from innovation to market, lower costs, accelerated authorisation processes, etc.), as well as of regulatory nature (e.g., a more proportionate treatment by supervisors, deposit insurance, consumer protection measures). The sandbox approach therefore carries a potential risk to undermine the level playing field.

In the light of the above, the selection criteria for sandboxes are a topic that needs to undergo a thorough discussion involving firms and authorities at EU level.

ESBG's suggestions for the sandbox selection process:

- Supervisors should be entitled to identify and select innovative projects. Selection process should have as an object the type of innovation to be tested, and not the type of innovator; for instance, a call for tender on a specific innovation could be organised to allow several actors to take part on a voluntary basis.
- As the regulator could use the result of a sandbox test as inspiration for new regulatory rules, it would be important to have many actors involved in a test order to grant market representativeness and not to ground regulatory reforms on outcomes given by only one type of actor.
- Sandboxes should involve European regulators, as there is a risk that regulatory reforms based mainly on inputs coming from markets outside the EU (as in the case of the so-called 'global sandbox') will not take into account the specific issues of the Single Market. The 'global sandbox' proposal came during early 2018 from the UK Financial Conduct Authority – FCA – and the Global Financial Innovators Network – known as 'GFIN'. A network of currently 29 organisations supporting financial innovation was built on it.
- An innovator using the sandbox space test should bear in full the financial risk of the test, in order to ensure consumer protection.

Framework for participants. Once the selection process is completed, a protocol has to be signed by the firm. The protocol will be flexible in determining an ad hoc instrument, the scope of the project, the planning, guarantees, responsibilities and other specific conditions of each test or set of tests.

Transparency and confidentiality of the results. Innovation is a major tool of competition and innovations are usually kept confidential before market launches. Nevertheless, as there are several advantages to be part of a test within a sandbox and to ensure a level playing field with those outside the sandbox, transparency on the results of the test should be ensured."

Annex 5. Overview of the legislative framework on crowdfunding in the EU member states[11]

Crowdfunding platforms can have several functional licenses for their operations and have been found to be subject to a variety of legislative frameworks. The key directives that currently govern the operations of most of these platforms are:

- Markets in Financial Instruments Directive;
- Prospectus Directive;
- Investor-compensation scheme;
- Alternative Investment Funds Manager Directive;
- Distance Marketing of Financial Services Directive;
- 4th Anti-Money Laundering Directive;
- Capital Requirements (MiFID/Capital Requirements Directive/Capital Requirements Regulation);
- Payment Services Directive;
- Electronic Money Directive;
- ELTIF;
- EuVECA/EuSEF;
- Data Protection Directive;
- Unfair Commercial Practices Directive;
- Unfair Contract Terms Directive;
- Mortgage Credit Directive;
- Consumer Credit Directive.

Crowdfunding comprises a range of different operational structures and business models that are evolving. The activities of crowdfunding platforms can thus be subject to different pieces of EU legislation or only subject to national legislation. Member States and NCAs have been working out how to treat crowdfunding, with some dealing with issues case-by-case, some seeking to clarify how crowdfunding fits into existing rules and the others introducing specific requirements.

Although some regimes address both investment-based and lending-based crowdfunding, some Member States have adopted a regime for investment-based crowdfunding and a separate regime for lending-based crowdfunding. The overview is organised in four sections:

- authorisation;
- organisational requirements;
- conduct of business rules and;
- transparency.

There are bespoke regulatory frameworks in eleven EU Member States for equity-based crowdfunding and in four Member States lending-based crowdfunding.

Authorisation

Conditions and procedures for authorisation, in particular for those who direct and/or own the business, mitigate operational risk, counterparty risk, money laundering and the risk of fraud. Moreover, initial capital endowment reinforces the mitigation of operational risk, counterparty risk, and risk of fraud. These measures aim to mitigate the risks for platforms as well as those facing investors and fund seekers.

Investment-based crowdfunding

There are four broad models of authorisation of investment-based crowdfunding platforms in EU Member States:

- authorisation under the national laws implementing the Markets in Financial Instruments Directive (MiFID);
- domestic bespoke regime under MiFID Article 3 exemption;

11 https://ec.europa.eu/transparency/regdoc/rep/10102/2018/EN/SWD-2018-56-F1-EN-MAIN-PART-1.PDF

- authorisation for services and activities in relation to non-MiFID financial instruments;
- authorisation outside the MiFID framework.

Some of these authorisation models are not mutually exclusive and in practice they are combined in certain Member States. For example, in one Member State platforms can be authorised either under model 1 or model 2, at the firm's discretion. In another Member State, platforms can be authorised both under model 1 and model 3. Some Member States impose specific capital requirements for investment-based crowdfunding activities in their bespoke regimes. Typically, the levels of the capital requirements are calibrated to the services provided by the platforms and the activities they carry on. In some cases, there are no capital requirements or capital requirements starting at relatively low levels and they may also be replaced by qualified indemnity insurance. In one Member State, the capital requirements increase proportionally with the financing sum.

Lending-based crowdfunding

Proper credit risk management and money handling are specific to lending-based crowdfunding. Both credit risk management and money handling are vital for the viability of the platform in a longer run and for the protection of lenders and borrowers.

They range from licensing requirements specific to crowdfunding activity under bespoke regimes to general trade licenses needed on national level in order to operate on the market and to provide consumer credit or credit brokerage services. There are also instances when platforms operate under a payment institution license under the Payment Services Directive.

All Member States with bespoke regimes, with one exception, impose or plan to apply capital requirements. Some bespoke regimes also require platforms to have arrangements in place to ensure that loans continue to be administered if a platform goes out of business and impose on platforms the organisational duty to draft, publish online and enforce policies and procedures in order to ensure business continuity. The standards of professional qualification and conduct rules vary by Member States.

Organisational requirements

Organisational requirements on client asset rules and record-keeping requirements aim to mitigate money laundering, operational risk, counterparty risk and risk of fraud. Organisational requirements on conflicts of interest help to alleviate legal risk. These measures aim to mitigate risks for platforms as well as those facing investors and fund seekers. Investment-based crowdfunding Rules on platform's organisational arrangements are a common feature of several domestic bespoke regimes. For example, platforms managers may be required to show good repute, professionalism and competence. They need to be able to ensure that investors understand the features and risks of the investments. Some domestic bespoke regimes also directly address the issue of conflicts of interest. These range from requirements that platforms identify and manage sources of potential conflicts of interest and disclose conflict of interest management policy to users, to limitations or outright prohibitions on the extent to which platforms can act as fund seekers or investors. Some Member States extend the conflict of interest rules to platforms' directors or employees. For platforms not covered by MiFID and the PSD, Member States generally impose rules compliance with legislation on anti-money laundering and terrorist financing in their domestic bespoke regimes. Lending-based crowdfunding approaches to regulating the lending activity vary depending on the business models and by Member State. Rules of different nature apply if lenders and/or borrowers fall into specific categories defined by national laws. These rules distinguish between retail and institutional or professional investors, advised clients, sophisticated retail or high net worth clients, non-accredited and accredited investors. For example, with the likely aim to ensure responsible lending, platforms are obliged to give risk warnings to consumers, rather than being explicitly required to assess their creditworthiness.

Conduct of business rules

Conduct of business obligations on appropriateness test, suitability test and reporting to clients can mitigate lack of transparency/misleading information. Reporting to clients mitigates not only the risk that costs, risks and returns are unclear, but also mitigates risk of fraud, operational risk, and legal risk. For platforms, reporting to clients mitigate the reputational risk coming from legal risk.

Investor/Lender

Some domestic bespoke regimes have rules to ensure that investment offerings through crowdfunding platforms reach investors for whom they are suitable or appropriate. In one Member State, platforms must ensure that investments are in line with the investor's experience, financial situation and risk appetite. In another Member State, platforms must ensure that investors have examined investor education information provided by the regulator; responded positively to a questionnaire on investment features and risks; and are able to economically sustain the complete loss of the investment.

Limiting investment amounts is one feature of the general approach to protect investors that is common to several domestic bespoke regimes. These limitations take different forms and range from fixed maximum ceilings to variable shares of personal income, wealth or financial assets. These ceilings can be calculated per each offering or on the basis of total investment in a given timeframe (for example, one year). Typically, the ceilings vary on the basis of the categorisation of investors (e.g. retail, sophisticated and professional investors; accredited and non-accredited investors; natural and legal persons). In one Member State there are no upper limits on the investment in securities through regulated crowdfunding platforms, while in another Member State investors can only invest through crowdfunding platforms if they meet certain criteria. Typically, these limitations (on aggregated limits) are implemented through self-declaration by the investors themselves. Platforms Some domestic bespoke regimes have requirements related to a platform's role regarding the offering and the need to conduct some due diligence on the offerings in terms of mandatory review, disclosure and reporting. Platforms may also be required to disclose the pre-determined criteria used in selecting the projects. Both EU rules and bespoke regimes set out investor protection measures such as: ‘know your customer rules’; disclosure by fund seekers (in cases of exemption from the Prospectus Directive); risk warnings by platforms; due diligence requirements; limits on maximum investable amounts. National legislation implementing the Unfair Commercial Practices Directive provides general obligations for the conduct of business and requires traders to act in accordance with the requirements of professional diligence in relations with consumers.

Fund seeker/Borrower

Bespoke regimes on crowdfunding in some Member States were developed as exceptions to the domestic prospectus regime, notably in cases where Member States extend the obligation to publish a prospectus to financial instruments that are not in the scope of the PD (e.g. profit-participating loans or subordinated loans). For those Member States that have specific exemptions from the obligation to publish a prospectus for offers through crowdfunding platforms, the thresholds under which the exemptions become applicable varies from €300,000 to €5 million. In addition, some Member States have different thresholds depending on the categories of investors targeted by the offers.

Transparency

Requirements on transparency, if well-designed, mitigate risk on lack of transparency/misleading information. Information requirements mitigate not only the risk the costs of which are unclear but also improve the understanding of the risk/return profile. Information requirements also reduce the legal risk. Platforms need to be able to ensure that investors understand the features and risks of the investments (e.g. sources of funds, scope of the funding and its purpose). Domestic bespoke regimes generally set out specific disclosure requirements, such as mandatory documents containing some key information about the fund seeker, the investment or the project for which funding is sought (including potential risks). There may be a requirement to submit the information document to the supervisor, although the document itself is not necessarily approved by the supervisor. Depending on the Member State the information document may or may not be required to follow a template.

Several domestic bespoke regimes have specific requirements on the information that platforms have to provide in a standardised form, notably in regard to the risks of crowdfunding offerings (e.g. risk of illiquidity, of losing all the money invested etc.), but also on the platform itself. There are also requirements for information to be clear, sufficient, appropriate, accessible, objective and not misleading. However, at the EU level the Unfair Commercial Practices Directive already prohibits practices where the traders provide untruthful or deceiving information or omits material information that the consumer needs to make an informed decision and these provisions should have been transposed in national legislation. These information requirements may be complemented by other investor education requirements (for example, the investor must answer positively to a questionnaire demonstrating that she or he understands the features and risks of the investment) or statements signed by investors acknowledging their understanding of the risks. It is worth noting that the Commission has recently published a Communication113 where crowdfunding activities are considered as significantly exposed to money laundering (ML) and terrorist financing (TF). While some Member States have decided to address these financial products in their national, overall the anti-money laundering and terrorist financing (AML/CFT) EU legal framework remains inadequate. In its report, the Commission has underlined the variety of risk exposure to money laundering and terrorist financing risks depending on whether crowdfunding is directly linked to financial institutions or left to private initiatives on the Internet.

Annex 6. Business angels networks, funds and online platforms[12]

World Business Angels Association was founded by 12 leaders of federations of business angel networks around the world. The idea is to create the first international community of business angel networks and leaders for the promotion of innovation and entrepreneurship through the financing of high growth start-up companies with the support of Business Angels worldwide.

- AEBAN (SPAIN) represents 26 Spanish business angels networks with over 1,000 members.
- BAND (Business Angel Netzwerk Deutschland) – German Angel Network and Community.
- BANN (Business Angels Network Netherland) represents 13 Angels networks with over 2,500 members.
- BAE (Business Angels Europe) represents the European Business Angels' Federations and Trade associations in Europe. BAE brings together the most active and developed countries operating in the angel market in Europe.
- EBAN is a non-profit association representing the interests of business angels, business angels networks (BANs) and federation of networks, seed funds and other entities involved in bridging the equity gap in Europe. EBAN was established with the collaboration of the European Commission in 1999 by a group of pioneer BANs in Europe and EURADA (European Association of Development Agencies).
- ESBAN (Espana Business Angels Network) coordinates and promotes the different Business Angels networks in Spain. For these networks ESBAN has a number of roles ranging from highlighting the contribution that business angels make to the entrepreneurial culture, supporting its members and lobbying government to encourage the exchange of best practices, experiences, and ideas among members. ESBAN counts with the support of the Spanish Government through the DGPYME (General Secretariat of SMEs) which is a member of ESBAN foundation Board.
- IBAN (Italian Business Angel Network) is the Italian National Association focused on the development and the growth of the Business Angels phenomena in Italy. IBAN's members are BAN's, investors clubs, business angels and professionals in matching investors (formal and informal) with entrepreneurs.
- LINC Scotland is the national association for business angels in Scotland, with a membership which includes individual investors, angel groups & syndicates.
- TBAA Business Angels Association Turkey enables Turkish entrepreneurs to become familiar with a culture of partnership.

FUNDS

- European Angels Fund (EAF) is an initiative advised by the EIF which provides equity to Business Angels and other non-institutional investors for the financing of innovative companies in the form of co-investments. The initiative is already operational in Germany through a virtual structure and a fund vehicle is planned to be established to implement the initiative in other European countries and/or regions. The EAF works hand in hand with Business Angels and helps them to increase their investment capacity by co-investing into innovative companies in the seed, early or growth stage. The activity of the European Angels Fund is adapted to the Business Angels' investment style by granting the highest degree of freedom in terms of decision-making and management of investments.
- European Angels Fund (EAF) Germany.
- European Angels Fund (EAF) Spain.
- European Angels Fund (EAF) Austria.

ONLINE PLATFORMS

- AngelList – a platform for start-ups – angels, angel investors, start-ups, VCs, venture capital.
- Angels Den: Crowdfunding and Angel Funding Events – The World's First Integrated Angel and Crowdfunding Platform.
- Gust – Startup Funding & Angel Investing – the global platform for start-up funding and investing. Gust is the largest network of entrepreneurs, start-ups, angel investors, VCs, and early-stage investors.

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EU4Digital

Annex 7. An overview of tax reliefs for business angels and venture capital across the world

Country	Name of scheme	Tax deduction	Tax exemption	Tax credit	Tax deferral	Loss relief
Australia	Early Stage Venture Capital Limited Partnership programme	X	✓	✓	X	X
	Venture Capital Limited Partnership programme	X	✓	X	X	X
	Tax incentive for Early Stage Investors	X	✓	✓	X	X
Belgium	Tax shelter for investments in start-ups	X	X	✓	X	X
	Tax treatment of crowdfunding loans	X	✓	X	X	X
	Win-Win Lending Scheme	X	X	✓	X	X
	Loan “Coup de pouce” (Wallonia)	X	X	✓	X	X
Canada	Provincial Labour-Sponsored Venture Capital Corporation Tax Credit	X	X	✓	X	X
	Federal Labour-Sponsored Venture Capital Corporation Tax Credit	X	X	✓	X	X
	Provincial Investment Tax Credits	X	X	✓	X	X
France	Additional allowance on sale of shares in young SMEs	X	X	✓	X	X
	‘Madelin’ tax reductions	X	X	✓	X	X
	Wealth tax reliefs	X	X	✓	X	X
	Venture Capital Firms (Sociétés de Capital Risque or SCR)	X	✓	X	✓	X
	Venture Capital Funds (including FCPR, FCPI and FIP)	X	✓	✓	X	X
	PEA-PME	X	✓	X	X	X
Germany	“INVEST - Venture Capital Grant"	X	X	✓	X	X
Ireland	Employment & Investment Incentive	X	X	✓	X	X
Israel	Plan for Encouragement of Institutional Investment in Hi-Tech	X	✓	X	X	X
	The Angels Law	✓	X	X	X	X
Italy	Tax incentives for investing in Venture Capital Funds (VCF)	X	✓	X	X	X
	Tax incentives for investing in innovative start-ups and innovative SMEs	X	✓	✓	X	X
	PIR (Piani Individuali di Risparmio)	X	✓	X	X	X
Japan	Tax Incentives to Promote Venture Investment	X	X	X	X	✓
	Angel Tax System	X	X	✓	X	✓
Malta	Seed Investment Scheme	X	X	✓	X	X

Country	Name of scheme	Tax deduction	Tax exemption	Tax credit	Tax deferral	Loss relief
Poland	Tax exemption on the disposal of stocks and shares	X	✓	X	X	X
Portugal	‘Programa Semente’ (tax relief for investing in start-ups)	X	✓	✓	X	X
	Tax Relief for Business Angels	X	X	✓	X	X
Slovenia	Corporate income tax regime	X	✓	X	X	X
South Korea	Tax exemptions for venture capital companies	X	✓	X	X	X
	Tax deductions and exemption from capital gains tax for individual investors in venture capital funds	X	X	✓	X	X
Spain	Deduction for investments in newly or recently created companies	X	X	✓	X	X
	Regional incentives for business angels	X	X	✓	X	X
Sweden	New Investment Incentive	X	X	✓	X	X
Turkey	Business Angel Scheme	X	X	✓	✓	X
	Venture Capital Investment Trust Tax Exemption	X	✓	X	X	X
	Private Equity Investment Fund	X	✓	✓	X	X
United Kingdom	Enterprise Investment scheme	X	✓	✓	✓	✓
	Seed Enterprise Investment Scheme	X	✓	✓	✓	✓
	Venture Capital Trust	X	✓	✓	X	X
	Social Investment Tax Relief	X	✓	✓	✓	X
	Private Placement Withholding Tax Exemption	X	✓	X	X	X
	Business Property Relief	X	✓	X	X	X
USA	Qualified small business stock (QSBS)	X	X	✓	X	X
	Investment tax credits	X	X	✓	X	X

Source: https://ec.europa.eu/taxation_customs/sites/taxation/files/final_report_2017_taxud_venture-capital_business-angels.pdf, pp. 198-102

Annex 8. Summaries of the regulation on venture investments

The directive on undertakings for collective investment in transferable securities (UCITS)

Directive 2009/65/EC (rules relating to undertakings for collective investment in transferable securities (UCITS)) is the main European framework that allows collective investment schemes to operate freely throughout the EU on the basis of a single authorisation from one-member state.

Undertakings for collective investment in transferable securities (UCITS) are investment vehicles that pool investors' capital and invest that capital collectively through a portfolio of financial instruments such as stocks, bonds and other securities.

This directive lays down rules on:

- investor information via a standardised summary information document to make it easier for the consumer to understand the product;
- European passport for UCITS management companies, which will allow a management company located in one EU country to manage funds in other EU countries;
- marketing of UCITS in other countries, e.g. by simplifying administrative procedures;
- mergers of UCITS in other countries;
- stronger supervision of UCITS and of the companies that manage them, e.g. through enhanced cooperation between national financial services supervisors.

Directive 2009/65/EC is the fourth version of UCITS legislation, replacing UCITS Directive 85/611/EEC.

Directive 2009/65/EC was amended by Directive 2014/91/EU (UCITS V) which introduced new rules on UCITS depositaries (the asset-keeping entity), e.g. the entities eligible to assume this role, their tasks, delegation arrangements and the liability of depositaries.

It was also supplemented by Regulation (EU) 2016/438 which addresses non-market risks related to the depositaries' activities. It covers aspects of depositaries' duties such as:

- safekeeping of UCITS assets;
- oversight duties (e.g. checking that UCITS investments are consistent with their investment strategies as described in their rules and offering documents or ensuring that UCITS do not breach their investment restrictions);
- the liability for the assets.

Regulation (EU) 2016/438 also lays down specific due diligence requirements for insolvency protection of UCITS assets, as well as detailed independence requirements for managers and custodians of UCITS.

Directive 2009/65/EC is complemented with the requirements for UCITS assuming exposure to securitisation (Regulation (EU) 2017/2402).

MAIN DOCUMENT

Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, pp. 32-96).

Successive amendments to Directive 2009/65/EC have been incorporated in the original text. This consolidated version is of documentary value only.

RELATED DOCUMENTS

Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, pp. 35-80).

Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries C/2015/9160 (OJ L 78, 24.03.2016, pp. 11-30).

Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (OJ L 257, 28.08.2014, pp. 186-213).

Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (OJ L 176, 10.07.2010, pp. 1-15).

Commission Regulation (EU) No 584/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities (OJ L 176, 10.07.2010, pp. 16-27).

Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (OJ L 176, 10.07.2010, pp. 42-61).

Commission Directive 2010/42/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure (OJ L 176, 10.07.2010, pp. 28-41).

The alternative investment fund managers (AIFM) directive

Directive 2011/61/EU covers managers of alternative investment schemes designed for professional investors. It establishes a legal framework for the authorisation, supervision and oversight of managers of a range of alternative investment funds (AIFM), including hedge funds and private equity. Alternative investment funds are funds that are not regulated at EU level by the UCITS directive.

Key points of the Directive:

- **Exclusions from scope**. The directive lists a number of entities to which it does not apply, including:
    - holding companies (as defined in the directive);
    - management of pension funds;
    - employee participation or savings schemes;
    - supranational institutions;
    - national central banks;
    - insurance contracts.
- **Passport**. AIFMs can 'passport' their services in different EU countries on the basis of a single authorisation. Once an AIFM is authorised in one EU country and complies with the rules of the directive, the AIFM is entitled to manage or market funds to professional investors throughout the EU.
- **Authorisations**. To operate in the EU, fund managers are required to obtain authorisation from the competent authority of their home EU country. To obtain authorisation, AIFMs have to hold a minimum level of capital in the form of liquid or short-term assets.
- **Depositary**. AIFMs are required to ensure that the funds they manage appoint an independent depositary, for example a bank or investment firm, that is responsible for overseeing the fund's activities and ensuring that the fund's assets are appropriately protected.
- **Risk management and prudential oversight**. AIFMs are required to assure the competent authority of the robustness of their internal arrangements with respect to risk management. This includes a requirement to disclose, on a regular basis, the main markets and instruments in which they trade, their principal exposures and their concentrations of risk.
- **Treatment of investors**. In order to encourage diligence amongst their investors, AIFMs are required to provide a clear description of their investment policy, including descriptions of the types of assets and the use of leverage. An annual report for each financial year has to be made available to investors on request.
- **Leveraged funds**. The directive introduces specific requirements with regard to leverage, i.e. the use of debt to finance investment. Competent authorities have the right to set limits to leverage in order to ensure the stability of the financial system.
- **Private equity funds**. Where an AIF acquires control of a non-listed company or an issuer, the AIFM is subject to the anti-asset stripping provisions. For a period of two years, the AIFM must act against any distribution, capital reduction, share redemption or acquisition of own shares by the company.
- **Funds and managers located in non-EU countries**. Subject to conditions set out in the directive, the 'passport' may be extended to non-EU AIFMs and to the marketing of non-EU funds, managed by either EU or non-EU AIFMs.

- **Opt-outs for smaller funds**. EU countries may choose not to apply the directive to smaller AIFMs, i.e. funds with managed assets below €100 million if they use leverage and with assets below €500 million if they do not. Smaller funds are however subject to minimum registration and reporting requirements.

A number of delegated and implementing measures, adopted subsequently by the European Commission, offer technical guidance on the application of the directive.

ACT

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 01.07.2011, pp. 1-73).

The successive amendments and corrections to Directive 2011/61/EU have been incorporated into the original document. This consolidated version is of documentary value only.

RELATED ACTS

Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83, 22.03.2013, pp. 1-95).

Report from the Commission to the European Parliament and the Council on the exercise of delegation of powers to the Commission to adopt delegated acts pursuant to Article 56 of Directive 2011/61/EU of 8 June 2011 (COM(2015) 383 final, 03.08.2015).

The European venture capital funds (EuVECA) regulation

Regulation (EU) No 345/2013 on European venture capital funds covers a subcategory of alternative investment schemes that focus on start-ups and early stage companies.

Collective investment undertakings are investment vehicles that pool investors' capital and invest that capital collectively through a portfolio of financial instruments such as stocks, bonds and other securities.

It introduces a **European Venture Capital Funds label**, also known as **EuVECA**, and measures to allow managers to set up and market their funds across the EU using a single set of rules. It will also enable venture capital funds to be better positioned to attract more capital commitments and expand. The regulation aims to boost venture capital funds so that they become larger, to adopt a more diversified investment strategy, so that they can specialise in sectors such as IT, biotechnology and healthcare.

To register for the **EuVECA label** and market their funds across the EU, managers of venture capital funds must set up a fund that:

- invests 70% of the capital it receives from investors in supporting eligible companies, such as young and innovative SMEs;
- provides equity or quasi-equity finance (i.e. fresh capital) to these companies;
- does not use leverage (i.e. the fund is not indebted, because it does not invest more capital than is committed by investors).

The regulation sets out uniform **quality criteria** for managers of qualifying venture capital funds that wish to use the EuVECA label. These requirements cover everything from the way they organise and conduct themselves to the manner in which they inform investors about their activities and investment policies.

These managers must also **register** in the country where the fund is established and provide annual reports. The country where these funds are located is obliged to ensure all the regulation's rules are respected.

As investing in venture capital funds can be **risky**, the regulation defines **who can invest in EuVECA**: professional investors and certain other categories such as high net worth individuals.

Regulation (EU) 2017/1991 amends Regulation (EU) No 345/2013 on European venture capital funds and its sister-regulation (Regulation (EU) No 346/2013) on European social entrepreneurship funds (EuSEF), extending the use of the designations 'EuVECA' and 'EuSEF' to managers of collective investment undertakings authorised under Article 6 of Directive 2011/61/EU. It also expands the range of eligible companies, and decreases the costs associated with marketing the funds across the EU.

MAIN DOCUMENT

Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.04.2013, pp. 1-17).

Successive amendments to Regulation (EU) No 345/2013 have been incorporated in the original text. This consolidated version is of documentary value only.

RELATED DOCUMENTS

Regulation (EU) 2017/1991 of the European Parliament and of the Council of 25 October 2017 amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds (OJ L 293, 10.11.2017, pp. 1-18).

Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.04.2013, pp. 18-38).

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 01.07.2011, pp. 1-73).

The European social entrepreneurship funds (EuSEF) regulation

Regulation (EU) No 346/2013 on European social entrepreneurship funds covers alternative investment schemes that focus on social enterprises. Social enterprises are companies that are set up with the explicit aim to have a positive social impact and address social objectives, rather than only maximise profit. While these enterprises often receive public support, private investment via funds still remains vital to their growth.

Regulation introduces the **European social entrepreneurship fund (EuSEF)** label which is designed to identify funds focusing on European social businesses, making it easier for them to attract investment. The label:

- makes it easier for investors to identify and choose EuSEFs;
- helps social businesses through easier access to finance;
- enables investment fund managers to raise finance with less cost and complexity.

Funds that market themselves using this label have to direct at least 70% of their investments to social businesses. In addition, they have to provide key information to investors in a standardised way. This information covers areas such as:

- the fund's social objectives;
- the social businesses it invests in;
- how it assesses whether these businesses achieve their social goals.

Once a fund has provided the required information and meets some important conditions on its organisation and operation, it can gather investments from across the EU without incurring major costs.

- In addition to the 70% rule, a fund manager must demonstrate good conduct of the business and effective systems and controls and avoid any conflict of interest. The funds are supervised by the national authorities in the country where they are based, and the label can be withdrawn if they do not fulfil any of the essential conditions.
- In 2014, the European Commission adopted an implementing regulation (Regulation (EU) No 593/2014) which deals with the notification of events related to the passport of the managers of qualifying social entrepreneurship funds and with aspects concerning the removal of a manager of a EuSEF from the register.

MAIN DOCUMENT

Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.04.2013, pp. 18-38).

RELATED DOCUMENTS

Commission Implementing Regulation (EU) No 593/2014 of 3 June 2014 laying down implementing technical standards with regard to the format of the notification according to Article 16(1) of Regulation (EU) No 345/2013 of the European Parliament and of the Council on European venture capital funds (OJ L 165, 04.06.2014, pp. 41-43).

Proposal for a Regulation of the European Parliament and the Council amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds (COM(2016) 461 final, 14.07.2016).

The European long-term investment funds (ELTIF) regulation

European long-term investment funds – Regulation (EU) 2015/760 covers funds that focus on investing in various types of alternative asset classes such as infrastructure, small and medium sized enterprises and real assets. It sets out EU-wide rules for the authorisation, investment policies and operating conditions of European Long-Term Investment Funds (ELTIFs).

European Long-Term Investment Funds (ELTIFs) are aimed at investment fund managers who want to provide long term investment to institutional and private investors across Europe. They target specific types of projects which require long-term funding to develop successfully but struggle to get financing.

Types of investment

ELTIFs are targeted at particular types of alternative investment including:

- unlisted companies;
- debt instruments for which a buyer cannot be easily identified;
- real assets* that require significant initial investment;
- small and medium sized enterprises (SMEs) with capitalisations of up to €500 million that have been admitted to trade on a regulated market.

Authorisation

An application to become an ELTIF must include:

- the fund rules or instruments of incorporation;
- information on the identity of the proposed manager of the ELTIF and their current and previous fund management experience and history;
- information on the identity of the depositary;
- a description of the information to be given to investors, including the arrangements for dealing with complaints submitted by retail investors.

To apply and to get authorisation, fund managers themselves must be authorised under Directive 2011/61/EU. The European Securities and Markets Authority keeps a central public register of each authorised ELTIF along with its respective manager and competent authority.

Liability

Managers are responsible for ensuring compliance with the Regulation and for any infringement. They are also responsible for any losses or damages which result from non-compliance.

Investment policy

ELTIFs are subject to specific investment rules, amongst others they:

- must invest at least 70% of their capital in clearly defined categories of eligible assets;
- are only allowed to trade up to 30% of their capital in assets other than long-term investments.

Different types of assets are eligible for investment including:

- real assets with a value of more than €10 million that generate an economic and social benefit commercial property or housing that contribute to smart, sustainable and inclusive growth or to EU energy, regional and cohesion policies.

Protection of investors

The Regulation sets out rules to strengthen the protection of investors:

- The manager of the ELTIF or any distributor, should ensure that a retail investor (with a portfolio not exceeding €500,000) does not invest in total more than 10% of the investor's portfolio in ELTIFs.
- An ELTIF should be able to offer investors, under certain conditions, the opportunity to redeem their units or shares before the end of the life of the fund. Those rights and their main features should be clearly predefined and disclosed in the rules or instruments of incorporation of the ELTIF.
- Where an ELTIF offered or placed to retail investors is due to last more than 10 years, the manager or distributor should indicate clearly in writing that the product may not be suitable if the investor cannot support a long-term investment or if they need their investment to be easily redeemable.

ACT

Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

RELATED ACTS

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 01.07.2011, pp. 1-73).

Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs)

Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) covers the following types of investment funds:

- insurance-based investments;
- retail structured products;
- private pensions.

The regulation obliges those who produce or sell investment products to provide retail investors with 'key information documents' (KIDs) a maximum of three pages about the products before any agreement is made. The aim is to help investors to understand and compare the key features and risks of these products, allowing the investor to take an informed investment decision.

KIDs should include the following information:

- the name of the product and the identity of the producer;
- the types of investors to whom it is intended to market the financial product;
- the risk and reward profile of the financial product, which includes a summary risk indicator, the possible maximum loss of invested capital and appropriate performance scenarios of the product;
- the costs associated with the investment in the financial product to be borne by the investor;
- information about how and to whom an investor can make a complaint where there is a problem with the product or the person producing, advising on or selling the product;
- 'Comprehension alert' for investment products that are difficult to understand. When an investment product is very difficult to understand, the provider has to ensure the KID contains the following warning: 'You are about to purchase a product that is not simple and may be difficult to understand'.

Investment products covered

The rules apply to packaged retail and insurance-based investment products (also known as 'PRIIPs'). They include investment funds, insurance-based investment products, retail-structured securities and structured-term deposits (structured products are investments with a pre-set formula for calculating returns and a pre-set formula for calculating risk).

Delegated Regulation (EU) 2017/653 supplements Regulation (EU) No 1286/2014. Its Annex 1 establishes a common template for the KID describing the purpose of the investment product to help investors understand the nature, risks, costs, potential gains and losses of the product and help them compare it with other products.

For example, the KID must provide the following:

- standardised information on the type of the PRIIP, its investment objectives, how these will be achieved and the key features of aspects of the product such as the insurance cover;
- information on the risks of a PRIIP in an aggregated form (as far as possible) and present it numerically as a single summary risk indicator with sufficient narrative explanations;
- information on potential consequences of a PRIIP manufacturer not being able to pay out. The degree of protection of the retail investor in such cases under schemes (investment, insurance or deposit-guarantee) must be clearly set out;
- clear information on recommended holding periods and required-minimum holding periods, and the possibility of partial or complete early exit in the event that the investor needs to disinvest.

MAIN DOCUMENT

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 09.12.2014, pp. 1-23).

Successive amendments to Regulation (EU) No 1286/2014 have been incorporated into the original document. This consolidated version is of documentary value only.

RELATED DOCUMENTS

Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents (OJ L 100, 12.4.2017, pp. 1-52).

Measures to facilitate cross-border distribution of funds

Common objectives of Directive 2009/65/EC of the European Parliament and of the Council and Directive 2011/61/EU of the European Parliament and of the Council include ensuring a level playing field among collective investment undertakings and removing restrictions to the free movement of units and shares of collective investment undertakings in the Union, at the same time ensuring more uniform protection for investors. This Directive is complemented by Regulation (EU) 2019/1156 of the European Parliament and of the Council[5]. That Regulation lays down additional rules and procedures concerning undertakings for collective investment in transferable securities (UCITS) and alternative investment fund managers (AIFMs). That Regulation and this Directive should collectively further coordinate the conditions for fund managers operating in the internal market and facilitate cross-border distribution of the funds they manage.

Regulation that complements and amends existing EU legislation on collective investment funds

Regulation (EU) 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014.

In order to enhance the regulatory framework applicable to collective investment undertakings and to better protect investors, marketing communications addressed to investors in AIFs and UCITS should be identifiable as such, and should describe the risks and rewards of purchasing units or shares of an AIF or UCITS in an equally prominent manner. In addition, all information included in marketing communications addressed to investors should be presented in a manner that is fair, clear and not misleading. To safeguard investor protection and secure a level playing field between AIFs and UCITS, the standards for marketing communications should apply to marketing communications of AIFs and UCITS.

Annex 9. Venture capital funds in EU[13]

EIB

Enternext

Eban

AngelList

Earlybird

Moor

Partech Ventures

High Tech Gründerfonds

Kiboventures

Connect Ventures

Portugal Ventures

Mojo Capital

BBVA

Microsoft Ventures

Orange Fab

Cisco Entrepreneur in residen

Open Future

Startup Bootcamp

13 http://startupeuropepartnership.eu/investor/

Seedcamp

360 Capital

UStart

H-Farm

Nesta Impact Investment

Innogest

Frontline Ventures

Frumtak Ventures

Attica Ventures

Primus Capital

3TS Capital Partners

Mind the Seed Fund

United Ventures

Invitalia

dpixel

Business Angels Europe

Borsa Italiana

BSE

ZernikeMeta Ventures

Ingenium Fund Slovenia

Ingenium Fund Poland

Capricorn Venture Partner

RSG Capital

Credo Ventures

iEurope Capital

P101

Endeavor

Paris Region Lab

France Digital

Idealabs

Included

NUMA

Digital knights

Crosspring

iCatapult

Bisite Accelerator

Factory

Chamberì Valley

LVenture Group

Starters HUB

D-D-Raft

Partech Shaker

Pi Campus

Hub21

Nyuko

Luxinnovation

Technoport

Cathay Innovation Fund

Omnes Capital

Icex

Business Angels Slovenia

Nauta Capital

Principia

WeWork

Impact Accelerator

AXON

Startup Manufactory

Rockstart

Acceleration Business City

01 Ventures

Beta-ì

Italian Angels fot Growth

High Tech Campus

EVCA

Digital Factory

EIT Digital

European Startup Network

Open Austria

LMarks

French Tech Hub

German Acceleration

Kingdom of Netherlands

Silicon Vikings

Spain Tech Centre

Innovation Centre Denmark

We4Startups

West To West

Czech Invest

Silicon Valley Comes To UK

Luxembourg for Business

Deutsche Startups

Emilia Romagna Startups

Italia Startup

Startup Delta

Startup Iceland

EIT ICT Labs

Startups.be

Startup Ireland

Startup Poland

Fiware Accelerator

Digital Assets Deployment	Startcelerate	AHK
Spain Startup	Berlin Innovation ConSensus	University of Cambridge
IE Business School	HIIG	Web Investors Forum
Accelerator assembly	Nestholma	Found.Ation
Digital Startup Academy	Co.Station	Woodside Capital

Annex 10. EIF-managed Fund-of Funds and Guarantee Debt funds

Geographical scope	EIF-managed Joint Initiative / Fund-of Funds	Sector / Target Group	Business
Austria, Czech Republic, Slovakia, Hungary & Slovenia	• Central Europe Fund of Funds (CEFoF).	Growth phase SMEs and small mid-caps through a portfolio of investments into Venture Capital, Private Equity and Mezzanine funds	Equity
Cyprus	• Cyprus Entrepreneurship Fund (CYPEF).	SMEs	Loans
Latvia, Lithuania & Estonia	• Baltic Innovation Fund.	Co-investments alongside business angels, family offices and institutional investors into early to growth phase SMEs	Equity
France (Languedoc-Roussillon)	• JEREMIE Languedoc-Roussillon.	SMEs, micro-enterprises & individuals based in Languedoc-Roussillon	Loans
France (Provence-Alpes-Côte d'Azur)	• JEREMIE Provence-Alpes-Côte d'Azur.	SMEs, micro-enterprises & individuals based in Provence-Alpes-Côte d'Azur	Loans
Germany Germany Germany / Bavaria region	• ERP-EIF Dachfonds; • European Angels Fund; • LfA-EIF Facility.	High-tech early and growth-stage enterprises High-tech early and growth-stage enterprises Start-ups and high-tech early stage enterprises High-tech early and growth-stage enterprises	Equity Equity Equity
Spain	• NEOTEC; • European Angels Fund – Isabela La Catolica.	Start-ups and high-tech early stage enterprises High-tech early and growth-stage enterprises	Equity Equity
Italy	• JEREMIE Campania.	SMEs, micro-enterprises and individuals based in Campania, including those focusing on social inclusion and improvement	Loans
Italy	• JEREMIE Sicily.	SMEs, micro-enterprises & individuals based in Sicily, including, those focusing on social inclusion and improvement	Loans and microloans
Italy	• JEREMIE Calabria.	SMEs, micro-enterprises & individuals based in Calabria	Loans
Poland	• Polish Growth Fund of Funds (PGFF).	Growth-focused enterprises in Poland, Central and Eastern Europe through portfolio of investments into Venture Capital, Private Equity and Mezzanine funds	Equity
Portugal	• Portugal Venture Capital initiative (PVCi).	Early and development stage enterprises	Equity
Spain	• JEREMIE Extremadura.	SMEs, micro-enterprises and individuals based in Extremadura	Loans
Turkey	• Istanbul Venture Capital Initiative (iVCi); • G 43; • Technology Transfer Accelerator Turkey; • Greater Anatolia Guarantee Facility (GAGF).	Early and growth-stage enterprises SMEs in disadvantaged regions of Turkey Start-ups, spin-offs and SMEs based in Turkey SMEs in Turkey's least developed provinces	Equity Equity Equity Guarantees
UK	• UK FTF L.P.	Early and growth-stage technology enterprises in the ICT, life sciences and advanced manufacturing sectors	Equity

Geographical scope	EIF-managed Joint Initiative / Fund-of Funds	Sector / Target Group	Business
Western Balkan countries: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia	• Western Balkans Enterprise Development & Innovation Facility (WB EDIF).	SMEs in the Western Balkans, helping to develop the local economy as well as the regional Venture Capital markets and at the same time promoting policy reforms to support access to finance through financial engineering instruments	Equity Guarantees

Source: https://www.eif.org/what_we_do/resources/funds_of_funds/index.htm