

Georgia – Broadband for Development

ComPEL studies interventions looking to increase take-up of technology among SMEs as a pathway to growth through access to larger markets and improved productivity.

This study assesses the impact of a training program that induced SMEs to adopt broadband connections, establish presence in online retail, and potentially export their goods or services.

Context

Since 2007, there has been a large-scale expansion in Georgia's broadband infrastructure. Only 35 settlements (the lowest administrative level in Georgia) were connected in 2010, but broadband became available in more than 1600 settlements by 2016.

To complement the strong expansion of broadband infrastructure, the Georgian government, with the assistance of the World Bank Group through the GeNIE (Georgia National Innovation Ecosystem) project, is implementing a project encouraging households and MSMEs to invest in broadband internet. It includes support for rural household connections and e-commerce adoption by MSMEs. The impact evaluation focuses on the e-commerce aspect of this program. It is commonly understood that the majority of online activity is driven by firms in Tbilisi. In this case, the program aims to help firms in different Georgian Regions to start making better use of internet availability, digital tools and e-commerce services.

Ex-Post study

An ex-post study was conducted using administrative and firm level data on the staggered roll-out of broadband internet between 2010 and 2014 (Coville et al., 2019). The study assesses the impact of high-speed internet on business performance. The main findings suggest that (1) larger firms are more likely to benefit from broadband



availability; and (2) firms in the upper half of the wage distribution (more productive) are also more likely to benefit.

The study results further point to the need to develop interventions that could potentially correct for the between-firm inequality in the take-up of broadband technology, given its overall contribution to firm productivity.

Evaluation Design

Following the ex-post study results, an experiment was designed to identify interventions that could support less-endowed firms to adopt ICT and have a better chance of reaping digital dividends through e-commerce. The evaluation will assess how an e-commerce promotion package – including e-commerce training and financial support for technology purchases – change firms' participation in online markets, and their performance as measured by turnover and profit, and their ability to create jobs; and how these changes influence the demand for high-skilled versus low-skilled laborers.

The main intervention is a 3 day face-to-face training on e-commerce basics. This training covers social media and online platforms, e-commerce development plan, and e-government tenders. In addition to the training, firms

receive consultations for website development and a subsidy for broadband connection.

The experiment randomly assigns firms into two groups: (i) a pure control (access to standard internet services without any support except for a light introductory training); and (ii) a group receiving the training package. A randomly selected subset of the firms that were offered the training package will then be exposed to a “demand shock”. Treatment will be stratified by whether the firms did or did not participate in the training based on the original invitation. For firms that did not participate, they will be advised that a precondition for receiving the demand shock will be for them to complete the training program. The study will be able to assess (i) the impacts of the training package;; and (ii) the impact of receiving training and the demand shock.

Policy Relevance

National policy influence:

The work will provide evidence on (i) the impact of broadband availability on firm growth, (ii) whether providing e-commerce training and increasing firms’ online presence enables them to find new buyers and grow, and (iii) whether combining a supply-side training intervention with a demand-side shock can generate stronger impacts.

Global research influence:

The value of the evidence for the broader community exploring ICT for Development is likely to be high given that there is currently no experimental evidence on the effect of combining broadband access and targeted support to reduce search and screening costs to enable firms to access new markets; and to what extent lack of demand is what holds back new entrants in the online market Finally, the work will complement ongoing World Bank-financed analytical work that explores the link between jobs and technology.

Status

The team surveyed 2180 active and legally registered businesses from a census of firms conducted by the Georgian government. The survey covered firm

characteristics, ICT access and usage, business transactions and household characteristics. It also included a variety of questions on firms’ outcomes that are of interest of the study such as revenues, profits, number of employees and employees’ skills (occupation and human capital). The firms were invited to a 3-hour light-training and awareness session on broadband for business in 2018. All businesses surveyed were screened via phone calls for their interest in registering in the e-commerce training pilot. Interested firms were registered to have a chance to participate in the training and then were randomized into control (230 firms) and treatment group (700 firms). Firms assigned to the treatment group received a three-day training developed closely with the Georgia Innovation Technology Agency (GITA) and partners. Each training group consists of 10-12 participant firms.

The team plans to implement a midline survey in 2020 to investigate how firms are adjusting their business model during the Covid-19 pandemic crisis and whether the crisis has nudged firms to increase usage of digital technologies for business survival purposes. Based on this survey, the demand shock intervention will be defined and implemented.

Materials

[Methodology Note](#)

[Ex-post study](#)

[Baseline questionnaire](#)

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