

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**CALL FOR PARTNERSHIP CONCEPT PAPERS IN SUPPORT OF**

**IMPROVED PRODUCTIVITY OF GEORGIA'S HAZELNUT INDUSTRY PROJECT**

**UNDER EXISTING GLOBAL DEVELOPMENT ALLIANCE ANNUAL PROGRAM STATEMENT**

**APS No.: APS-OAA-14-000001**

**PLEASE NOTE:** This is an addendum to an existing announcement. All interested organizations should carefully review both this addendum AND the full announcement, which can be found here: <http://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program>.

Important information contained in the full worldwide announcement is not repeated in this specific addendum. Any concept paper submitted against this addendum must satisfy the requirements and abide by the guidance set forth in the FY2014 & FY2015 GDA APS.

This program is authorized in accordance with Part 1 of the Foreign Assistance act of 1961, as amended.

Through this Addendum to the FY2014 & FY2015 Global Development Alliance (GDA) Annual Program Statement (APS), the United States Agency for International Development (USAID), with collaboration from the Ferrero Group (Ferrero), is issuing a special call to prospective implementing partners to submit Concept Papers focused on the development of Georgia's hazelnut industry. The overarching goals of the project are to improve agricultural productivity and increase market linkages so as to increase the competitiveness of the hazelnut sector.

This Georgia Hazelnut Industry Addendum to the GDA APS seeks to support collaboration with the private sector and other key development partners to further USAID/Caucasus' development objective of inclusive and sustainable economic growth by increasing competitiveness. It is envisioned that one GDA will be awarded under this Addendum, although USAID may select as many qualified applicants as necessary to achieve the goals of the Addendum. The GDA applicants to this Addendum are envisioned to be NGOs, foundations, universities, etc., which are working within the subject area.

All terms and conditions of the FY2014 & FY2015 GDA APS apply, found here: [http://www.usaid.gov/sites/default/files/documents/1880/2014\\_GDA\\_APS.pdf](http://www.usaid.gov/sites/default/files/documents/1880/2014_GDA_APS.pdf)

As stated in APS No. APS-OAA-14-000001, any proposed alliance must leverage and mobilize private sector assets, expertise, resources and contributions on at least a 1:1 basis. In this particular instance, Ferrero has already agreed to provide contributions that will equal or exceed the level of funding

requested from USAID. USAID may allocate between \$500,000 to \$3,000,000 over the course of five years. Applicants should develop a Concept Paper to achieve the goals listed in Section II and offer budgets that reflect the application of both USAID and Ferrero resources.

## **SECTION I – BACKGROUND AND FUNDING OPPORTUNITY DESCRIPTION**

After years of underinvestment, as well as a lack of knowledge about and failure to apply modern production practices, Georgia’s agricultural industry, including the hazelnut sector, has substantial room to improve quality and yields and thus to provide increased income to Georgian producers and processors.

Hazelnuts are one of the major agricultural products of the country, with Georgia ranking as number five in world hazelnut exports. Georgia supplies 3-4% of worldwide hazelnut demand. According to the National Statistics Office of Georgia, hazelnuts were the third largest commodity group by exports, with \$167 million in 2013. Consequently, this sector provides a significant amount of employment to the Georgian economy. Georgia exports hazelnuts to countries in Europe and Asia, e.g., Ukraine, Czech Republic, Russian Federation, Italy, France, Spain, Iraq, etc.

Agriculture in Georgia is dominated by small farms of less than two hectares. It is estimated that there are up to 50,000 hazelnut producers in Georgia, with 97% producing less than three tons per year. In order for the landholders with smaller land sizes to easily get information on needed improvements - from production practices to processing that meet international market standards, e.g. moisture levels - the growers established the Georgian Hazelnut Growers Association (GHGA). The objective of the GHGA is to provide improved technology and management practices to its members, striving, through participative methods, to attain the all-around improvement of producers and technicians. The Association is in the beginning of its structural development process and requires experts to assist them in developing the final shape of the GHGA and to train community coordinators and agronomists. GHGA is currently receiving limited specialized guidance on the development of an organizational structure from the Argentina Association of Regional Consortia for Agricultural Experimentation (AACREA). Twelve (12) fully operating Farmer Groups were created using the methodology used by AACREA in order to facilitate technology transfer to producers. (For more information about AACREA, please see their website (Spanish-language) at <http://www.aacrea.org.ar/> with an English-language section at [http://www.aacrea.org.ar/index.php/crea-en-idiomas.](http://www.aacrea.org.ar/index.php/crea-en-idiomas))

From 2011 through 2014, the process of educating the farmers and facilitating knowledge transfer was initiated by the USAID activity, Economic Prosperity Initiative (EPI), with support of Ferrero/AgriGeorgia. Under this activity, more than 3,000 farmers received technical and theoretical trainings and acquired best practices of modern hazelnut cultivation, which enabled them to increase their profitability and income.

The Hazelnut Processors and Exporters Association (HEPA) was established with the support of the EPI project on December 31, 2013. The Association currently includes 33 companies in the hazelnut processing sector. The mission of HEPA is to promote the hazelnut sector at both the local and the international levels; to assist Association members in identifying and solving tax, financial and legal issues; offer special trainings to increase the quality of nuts; and to improve competitiveness by supporting members in marketing and sales issues. Additionally, HEPA informs and educates exporters regarding market information and works closely with governmental agencies, donors, and financial institutions to ensure effective operation and implementation of its responsibilities.

Additional assistance to both associations (GHGA and HEPA) is required in order to help them expand their membership, increase and improve their services, and assist their members to improve hazelnut production and processing.

## **SECTION II – SOLICITATION**

Through this Addendum, USAID/Caucasus in Georgia seeks to find an implementing partner to further develop the competitiveness of Georgia's hazelnut industry. The overarching goals of the project are to improve agricultural productivity and increase market linkages. In order to achieve these goals, USAID and Ferrero want to benefit as many producers and processors as possible and therefore identified the need to strengthen the two associations described above, the Georgian Hazelnut Growers Association (GHGA) and the Hazelnut Processors and Exporters Association (HEPA). Below is the background information and related needs of these two associations.

**GHGA:** The GHGA has the potential to grow into a large organization which would be able to effectively distribute necessary information and services to its members so that they may increase their knowledge and skills, as discussed below. There are approximately 50,000 hazelnut farmers in Georgia. Currently, the GHGA is in the very early stages of development. The organizational structure for GHGA is based upon the Argentina Association of Regional Consortia for Agricultural Experimentation (AACREA) model, which has three tiers:

- The base tier is comprised of small groups, each containing 10 to 15 members. The groups will work together to improve quality and spread best practices. Data should be continually collected from the local groups as they make improvements and adjustments.
- The second tier is regional and still needs to be developed. It is anticipated that each region will represent about 1,000 tons of hazelnut production, which would equate to roughly 50 groups per geographic region. Similar to the local level, the regional level will also gather and share data, support village level development, and provide oversight and conflict resolution.
- The top tier will be comprised of a board and executive committee elected from the regions. The top tier will focus on market development, policy issues, and dispute resolution.

HEPA: It is equally important that HEPA develops into a self-sustaining organization to create industry-wide standards. The Mission of HEPA is to promote the hazelnut sector at both the national and international level; to assist Association members in identifying and solving tax, financial and legal issues; to provide training on hazelnut processing quality improvement; and promote market development.

The sub-components needed to strengthen both the GHGA and HEPA include:

- training,
- the establishment of a traceability system, and
- the creation of a market education system.

Each association needs to have a tailored plan for assistance; however, the following paragraphs provide indicative areas that need to be addressed.

*Training:*

GHGA will need staff experts to be able to disseminate information and teach best practices to their members. Indicative types of training are:

- Hazelnut orchard management
- Maintenance of equipment
- Post-harvest hazelnut testing and laboratory analysis
- General trainings in hazelnut cultivation best practices for farmers
- Training of agro-consultants and regional logistics coordinators
- Good Agricultural Practices and Good Management Practices.

The GHGA and HEPA both need to receive management training. It may be necessary to conduct train-the-trainers programs so that services are provided to members. At a minimum, a system needs to be developed to ensure that members of both associations may receive regular training to improve either their production or processing practices. Indicative areas to be addressed are:

- Administration, finance, and HR staff training
- Research and Development direction
- Strategic planning
- Social Corporate Responsibility
- Public Relations

*Incentives for proper post-harvest procedures of agricultural goods:*

Currently, hazelnut farmers are paid by the weight of the hazelnuts. This creates an incentive to provide moist hazelnuts, where the added moisture increases the weight and thus the price received by the farmer. However, dry hazelnuts are of better quality and preferred by the end buyers.

Therefore, there is a need to develop alternative compensation approaches and other incentives that will help growers and processors to produce the type of hazelnuts preferred by the end buyers.

Applicants should propose ways in which GHGA and HEPA can help ensure the production of the higher quality hazelnuts and the meeting of food safety standards throughout the hazelnut value chain. For example, improvements in post-harvest handling and storage technologies could improve the quality of the product and translate into higher income for the farmers and processors.

An example of providing market incentives for higher quality products can be found in the auction system used for selling coffee. Please see the Coffee Quality Institute (<http://www.coffeeinstitute.org/>) and the Specialty Coffee Association of America (<http://www.scaa.org/>) for industry self-governance on quality and food safety standards in the analogous coffee industry.

*Traceability system to allow for product differentiation:*

There is a need for improved data collection and management. Prospective applicants should discuss methods of data collection or the possibility of a specialized database to be established under GHGA that would allow the Association to unify all data related to hazelnut farming in the region. The data would allow GHGA to create a map of the members' farms that contains the following information: amount of plants on the plot, their age, agricultural-technology used during the year; fertilization and use of chemicals, results of soil analyses made on the plot; and volume of yield per year and its quality. The data could be used to provide technical reports with analyses of past information and possible recommendations for the future treatment of the farms.

*Marketing and education for GHGA and HEPA:*

GHGA and HEPA will need the capacity to showcase and market their high quality Georgian hazelnuts to outside buyers, both domestically and internationally. This increased awareness of Georgian hazelnuts will develop buyer-producer linkages in order to ensure that producers and processors are fully aware of the value of their products. For example, GHGA and HEPA could consider hosting hazelnut tasting competitions to promote awareness of their products with an added benefit of providing an incentive for other growers and producers to increase the quality of the hazelnuts and ensure effective food safety practices. This also will allow producers and processors to better understand how the hazelnut market functions, e.g., how prices are determined, why prices change according to quality and season, how the rest of the supply chain works, why buyers' preferences for the type of hazelnut vary, etc. Producers and processors will be able to receive market feedback about the quality and types of hazelnuts demanded.

### **SECTION III. EVALUATION CRITERIA**

Proposed alliances will be evaluated based on the criteria set forth in the GDA APS in Section VI Concept Paper Evaluation Criteria and Considerations. Proposals should demonstrate strong understanding of Georgia's hazelnut industry and relevant experience.

Please note that one of the criteria is leveraging private sector resources at a level that equals and preferably exceeds the level of funding requested from USAID. While Ferrero has already indicated a commitment to provide such private sector leverage, applicants are free to engage other private sector partners and resources to advance the impact of the proposed alliance.

In addition to the criteria set forth in Section VI of the GDA APS, concept papers will be evaluated on how well the proposed alliance demonstrates a strong understanding of the Georgian agricultural sector, involves organizations with relevant experience working in the sector, identifies promising ways to strengthen the GHGA and HEPA, and provides indicative approaches to improving the quality of production and food safety practices throughout the value chain.

Proposed alliances should be consistent with USAID legal and policy restrictions including those set forth in USAID's Automated Directives System (ADS) and in the Foreign Assistance Act of 1961.

After review by USAID/Caucasus in Georgia and Ferrero, applicants will receive notice on whether USAID wishes to continue with further alliance development discussions and, subsequent to such discussions, whether to proceed with a full application. Successful applicants will receive more specific instructions and evaluation criteria. If selected for a full application, the areas to be addressed could include:

- Use of international expertise for technical training in hazelnut farming, processing, and storage
- Creation of traceability systems from farm to market
- Establishment of environmental risk mitigation measures
- Establishment of hazelnut quality evaluation facilities
- Support to development financial services in the sector
- Verification of product quality prior to distribution to buyers
- Negotiation and customer relationship management
- Ability to develop GHGA and HEPA capacity to perform market research
- Ability to achieve objectives and feasibility of plan
- Knowledge of and expertise in agricultural development in Georgia

### **SECTION IV. APPLICATION INSTRUCTIONS AND REVIEW PROCESS**

USAID/Caucasus in Georgia Mission and USAID IDEA/GP will be responsible for the review process and management of any awards issued under this addendum. Applicants are required to follow the Concept

Paper instructions set forth in the GDA APS and submit Concept Papers using the Concept Paper Template. Prospective applicants should direct all questions regarding the substance of this addendum to Carol Wilson at [cawilson@usaid.gov](mailto:cawilson@usaid.gov) with a copy to [rcocaucasus@usaid.gov](mailto:rcocaucasus@usaid.gov). Questions regarding the requirements of the 2014 GDA APS can be directed to Ken Lee at [gda@usaid.gov](mailto:gda@usaid.gov). With regard to Ferrero's role, applicants are asked NOT to contact Ferrero, but instead use the content of this addendum as an indicator of Ferrero's interests.

The completed Concept Paper Template (including the Concept Paper and required Supporting Information) should be sent to USAID/Caucasus in Georgia through Carol Wilson at [cawilson@usaid.gov](mailto:cawilson@usaid.gov) with a copy to Giorgi Baghishvili at [gbaghishvili@usaid.gov](mailto:gbaghishvili@usaid.gov) and Ken Lee at [gda@usaid.gov](mailto:gda@usaid.gov). Concept papers must be submitted by 5 PM Tbilisi time on May 18, 2015 in order to be considered. USAID will review the Concept Papers in collaboration with representatives of Ferrero. Successful applicants will be invited to participate in further alliance development discussions and may be asked to submit a full application.

Note: If an applicant will engage additional private sector partners, the applicant should connect USAID with those partners PRIOR to submitting a concept paper.

Pursuant to Section V of the GDA APS, concept papers submitted under this APS must clearly demonstrate the ways in which the private sector engagement – and the private sector assets, expertise, contributions and resources that are leveraged and mobilized as a result of such engagement – will advance the interests of the private sector partners AND increase the reach, efficiency, effectiveness and sustainable impact of the proposed interventions and USAID's investment.

In order to submit a Concept Paper under this APS, **an applicant must use the Concept Paper Template at <http://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program-0> and follow the directions and requirements set forth in that template.** Applicants should only submit the information and materials specified in that template. Concept Papers submitted in any other format will not be accepted or reviewed. In addition, and as noted in the Concept Paper Template, ***all concept papers MUST be in English and submitted electronically via email.***

Please note that if an applicant submits materials not specifically requested in the template, or submits any material that exceeds the page limits specified in the template, USAID reserves the right, at its option, to reject the entire submission or to disregard any information beyond the specified page limits.

For more information regarding guidelines and procedures to submit a concept paper, please refer to the GDA APS itself at [http://www.usaid.gov/sites/default/files/documents/1880/2014\\_GDA\\_APS.pdf](http://www.usaid.gov/sites/default/files/documents/1880/2014_GDA_APS.pdf) and to the GDA APS webpage at <http://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program>.