U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

ANNOUNCEMENT

CALL FOR PUBLIC-PRIVATE ALLIANCE APPLICATIONS RELATED TO ALTERNATIVE DEVELOPMENT UNDER EXISTING ANNUAL PROGRAM STATEMENT APS No: APS-OAA-10-000001

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

USAID/Peru is making a special call for the submission of concept papers related to the United States Government Foreign Assistance Objective *Peace & Security* and the USAID/Peru Alternative Development (AD) Office goal of "*Integrated Development in Areas Affected by Illicit coca and Narcotrafficking*." Under this goal, one of the primary objectives is to strengthen value chains for commodities supported within the program's consolidated communities.

I. Background

USAID's investments in the Alternative Development Program (ADP) have yielded significant results in Peru's San Martin region. However, more investment will be required to consolidate the gains achieved—which remain fragile.

Peru is the second largest producer of cocaine in the world after Colombia. While a number of important factors are converging in Colombia to reduce coca cultivation and cocaine exports, the trend for Peru along these two parameters—cultivation and cocaine exports—indicates that the Government of Peru (GOP) is now losing ground compared to its notable advances in the 1990s when coca production dropped from a peak of 129,100 hectares in 1992 to a low of 38,700 hectares in 1999. Current (2008) production is estimated at 56,100 hectares.

Against this backdrop, an important achievement of the joint USG-GOP collaboration, adopted under the current Garcia Administration, has been the emergence of the "San Martin model." Located in the Upper Huallaga Valley in east-central Peru, one of the country's two major coca-growing areas, San Martin was positively transformed by combining eradication with effective alternative development programs. The Narcotics Affairs Section (NAS)-supported eradication reduced the economic viability of illicit cultivation, while USAID implemented a robust, multi-sectoral package of economic, governmental, and social development programs, directly investing $31 million in San Martin communities.

The joint NAS-USAID program in San Martin has been a dramatic success. Between 2002 and 2009 more than 22,000 hectares of illicit coca have been eradicated, while 30,000 hectares of new licit crops (*i.e.*, cacao, palm oil, coffee, etc.) have been planted. Meanwhile, the percentage of the population living in poverty or extreme poverty in the region dropped from 67% in 2001 to 33% in 2008. The clear message in these dramatic statistics—that the road out of poverty for Peru's rural poor is not through growing coca but through licit development—has had a significant positive impact on the national dialogue on counternarcotics in Peru.

In fact, several AD program areas are at a point in their economic and social development in which they are ready for partnerships that would leverage new resources and engage local, regional, and national governments in the process. To fill this need, USAID/Peru is launching public-private partnership (PPP) agreements that will focus on growing the local economy to produce high quality licit products within several, key value chains, specifically, oil palm, cocoa, and coffee.

Perspectives and challenges for these key commodities in ADP areas include the following:

Oil palm: Peru has almost 45,000 hectares of oil palm and current domestic demand for edible oil greatly exceeds its national production. There is tremendous potential for expansion of oil palm into new already deforested areas. Incentives from central and regional governments, economic interests from private sector, and new market demands, such as the use of oil palm to produce biodiesel, make this crop a potentially important one for income generation. The ADP has supported the planting of more than 5,800 hectares of oil palm and is planning to plant an additional 1,400 hectares in 2010. Results to date reflect a considerable increase in incomes for local farmers. However, there are still some issues that need to be dealt with to consolidate these gains, especially issues related to productivity and social capital.

Cocoa: In Peru there are approximately 63,000 hectares of cocoa in the production stage. The country now produces 35,200 MT of cocoa beans for national consumption and export purposes. Peruvian cocoa is gaining a reputation for its high quality aromatic and organic characteristics. An ADP cooperative in Tocache, for example, recently won first prize in the "best aromatic cocoa" category at the 2009 Salon Du Chocolat in Paris. By year 2010, the ADP will have supported the planting and maintenance of 39,000 hectares of cocoa, mainly concentrated in the San Martin region. Presently, Peru supplies only one percent of all cocoa entering the international market, so the potential for growth is enormous. There is also great potential in developing businesses and products that add value to the cocoa bean. Potential players in the cocoa market must invest in increasing the amount of high-end cocoa on the market, increasing productivity, and improving plant quality and post-harvest handling. Finally, local producer associations must be strengthened if cocoa, and cocoa-based products, are to play a significant factor in the economic development of former coca-growing areas.

Coffee: Peru is the fifth coffee exporter in the world and the top exporter in organic coffee. In 2008, coffee exports reached $645 million, becoming the leading agricultural export and accounting for 25% of all agricultural exports. The ADP has supported the installation of 1,100 hectares of this crop and the maintenance of 3,800 hectares. In 2010, the ADP will continue to provide technical assistance for 3,900 hectares. Different aspects of coffee cultivation in ADP areas need to be strengthened, including quality control in production, post-harvest handling, improved management of farmer organizations, as well as the installation and rehabilitation of additional hectares.

II. Solicitation

USAID/Peru seeks to develop innovative alliances that strengthen value chains of ADP-supported commodities. Alliances will complement the existing efforts of the ADP by leveraging resources, new strategies, ideas, technologies and commitment from the private sector, other donors, and GOP institutions for long-term sustainable development of ADP communities and regions.

Alliances will be focused on promoting agribusiness-related activities to consolidate the cocoa, coffee, and oil palm chains, and others where they are regionally appropriate. The intent is to increase competitive advantage through improved quality, better business practices, and social and environmental certifications. The activity is expected to focus primarily in the San Martin region. However, PPPs in other ADP areas (i.e. Ucayali and Huánuco) will also be considered, to the extent that security conditions and market conditions make such undertakings feasible.

The activity will be implemented considering the components described below. Applicants will pay particular attention to the use and application of gender analysis for the implementation of all program components. Alliances are also expected to consider other cross-cutting issues important to USAID, including support to youth, indigenous groups, and people with disabilities, as appropriate.

Component No. 1: Associativity increased and strengthened

The ADP has been promoting the installation and maintenance of cocoa, coffee, and oil palm, among other crops, to generate income for former coca growers. The program provides technical assistance to more than 27,000 farmers who, by 2010, will have approximately 48,000 hectares of licit crops. While the overall momentum of the program is having positive impact on farmers and their families, the impact is less than it might be if the farmers were better organized. Only a small percentage of them (30%) belong to any kind of association, making it difficult to produce consistent quality, variety, and supply. Additionally, the informality of these markets affects the producer organizations that do exist, making them compete with unknown buyers willing to purchase product without minimum quality standards. Moreover, the coordination among the different actors in the productive chains is incipient and weak, in particular, when dealing with the demands of external markets. This limits the potential for growth and diminishes the competitiveness of Peru as a player in the international market.

The ADP has invested program funds in strengthening farmer associations and cooperatives with good results in providing technical assistance to increase membership and improve administration and management practices. There is, however, much more to be done. For this reason, USAID/Peru proposes to increase and strengthen the "associativity" of farmers (i.e., linking farmers to cooperatives and formal associations through membership). The following is a list of illustrative activities that may be implemented under this component:

- Increase the membership and improve the management practices of producer organizations (e.g., cooperatives, committees, and associations) to increase the likelihood of their sustainability and ensure consistent quality and supply of commodities;
- Integrate national groups into international commodity organizations (e.g., Coffee International Organization, International Cocoa Initiative, etc.);
- Identify and help to resolve policy bottlenecks impeding expansion of associations;
- Develop Peruvian cocoa and coffee as international market brands;
- Create regional fairs and "Chocolate and Coffee Salons" to attract and connect international buyers directly to source; and
- Design and implementation of purchase order financing and targeted credit instruments for increased sales and consolidation.

Component No. 2: Value chains improved

More than 25,000 hectares of cocoa and coffee installed by the ADP are coming into production. Producer associations operate in a business environment where almost 95% of their commercial production is sold to external markets due to the high quality of the raw materials. Presently, there is an extraordinary opportunity to reap benefits from targeted investments in research and technology and to build capacities within the economy in order to deepen market penetration, where it exists, and to expand to new ones, where opportunities present themselves. The following are illustrative activities that may be implemented under this component:

- Provision of on-farm technical assistance, including on-farm identification and classification of varieties and improved post-harvest handling for higher quality products;
- Investing in local business and institutions that contribute to productivity and quality of products in ADP value chains;
- Provision of sustainable technical assistance for current ADP clients;
- Research and technology for emerging markets or ADP value chains (e.g. papaya);
- Application of eco-based services and development of goods; and
- Application of science and technology to improve quality of genetic of stock and on-farm productivity.

Component No. 3: Greening Agri-business products and value chains

The Amazon forest is one of the richest ecosystems in the world and the proposed activities seek to promote good environmental practices to recuperate or mitigate damages from coca cultivation. With this in mind, the ADP has been supporting the installation and maintenance of coffee, cocoa, and oil palm trees in previously degraded forestry areas in order to recuperate the land for productive purposes that are also environmentally sound. The initial stages of the program were concentrated in providing technical assistance to farmers who, in many cases, had no previous experience with these types of crops. Currently, the assistance is focused on increasing productivity and improving quality, but there is a need to incorporate environmental certification and standards into productive activities.

The thousands of coffee and cocoa plants that the program installed offer an extraordinary opportunity to implement a large-scale environmental certification program that will help to ensure excellent environmental management and long-term supply chain viability.

Illustrative activities that may be proposed:

- Certification of tree crops (e.g., cocoa, coffee, oil palm) according to market-recognized standards (e.g., fair trade, organic, child-free labor, and biodiversity enhancing);
- Implementation of a green-analysis to evaluate environmental impact of program (carbon sequestration, reforestation, soil depletion, etc.) and possibilities for retrofitting current ADP activities for green enhancements; and
- Identification and implementation of environmentally-based business opportunities.

III. Application Instructions, Review Process and Evaluation Criteria

Overview of the Application Process

The applicant shall be responsible for identifying potential partners and establishing alliances. Potential applicants are strongly encouraged to think innovatively and creatively about ways to leverage significant resources, be they in-cash or in-kind, and to specifically detail in each application how such commitments would be used to increase the project's impact. Public-private alliances are expected to bring together a coalition of organizations and individuals who will jointly define a problem, situation, and solution, thereby capitalizing on the combined knowledge, skills and expertise of all partners. Successful applications will bring at least a 1:1 resource leveraging (at least 25% in cash). However, applications with greater resource leverage ratios (generally 2:1 or more) will be more competitive.

For the purpose of the APS submission, USAID/Peru will accept alliance concept papers, not to exceed five pages in total. All concept papers must be in English and submitted electronically via email to Carla Cisneros, AD Alliance Coordinator (limaadgda@usaid.gov).

Preference will be given to alliances that include private sector partners with long term commitment to the region and a recognized business interest in the proposed concept. In the concept paper, reviewers will consider the extent to which the application addresses these objectives. If USAID requests a full application, potential alliance partners will be given additional, specific evaluation criteria that speak to the subject matter of the concept at that time.

USAID intends to make three to five award(s) for up to $21 million in total for alliances lasting up to 4 year(s), subject to final USAID approval and availability of funds. 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.

USAID/Peru will be responsible for the application review process and management of the awards. Alliance applications for consideration should be submitted before September 30, 2010 in order to be considered under the APS for FY 2010; however, concept papers and/or applications received during FY 2010, but unable to be negotiated and awarded prior to September 30, 2010 may be considered for award in FY 2011 if funds will be available.

For information regarding guidelines and procedures to submit a concept paper, please refer to the 2010 Annual Program Statement posted by USAID's Office of Development Partners, Global Development Alliance. The APS can be found at the following website: www.usaid.gov/gda.

Before submitting a concept paper, we encourage applicants to speak with key staff involved in the USAID/Peru program. Staff can discuss with you the extent to which your ideas are appropriate and aligned with USAID's goals. The contact persons is Carla Cisneros (limaadgda@usaid.gov), AD Alliance Coordinator, and she will connect you to others, as appropriate, for your questions.

Concept Paper Instructions

All Concept Papers must contain the items below, including the attachments, where requested, and should not to exceed 5 pages in total.

The concept paper shall include:

Cover Page/Introduction:

1. Include the Solicitation Number from this solicitation on the front page of your concept paper.
2. Name and address of organization;
3. Type of organization (e.g., for-profit, non-profit, university, etc.);

4. Contact point (lead contact name; relevant telephone, and e-mail information). Regional or multi-country applications should provide the name of at least one local partner for each country targeted in the program;
5. Names of other organizations (federal and non-federal as well as any other USAID offices) to whom you are/have submitted the application and/or are funding the proposed activity; and
6. Signature of authorized representative of the applicant.

Technical Information:
1. Concise title and objective of proposed activity;
2. Discussion of the objectives, the method of approach, the amount of effort to be employed, the anticipated results, and how the work will help accomplish USAID's, as well as the field Mission specific strategic results within the targeted timeframe;
3. Brief discussion of how the key activity will be sustainable without continued USAID funding after the PPP program ends; and
4. Type of support the applicant requests from USAID (e.g., funds, facilities, equipment, materials, personnel resources, etc.).

Supporting Information:
1. Proposed estimated cost;
2. Brief cost breakdown (e.g., salaries, travel, etc.);
3. Proposed amount of the applicant's financial as well as in-kind participation (clearly identify which resources are cash and which are in-kind and provide information on the nature of the in-kind contributions);
4. Proposed amount of leverage from prospective partners, both cash and in-kind;
5. Proposed duration of the PPP activity; and
6. Brief description of applicant's, as well as prospective or existing partner's (or partners'), previous work and experience.

Evaluation Criteria for Concept Paper

Alliances will be evaluated based on the general criteria set forth in the APS. In addition, the following criteria will be used:

- Feasibility (technical, economic, financial, and social)
  - Does the program have well-defined and achievable objectives?
  - Does the program have the potential to yield significant development results?
- Sustainability
  - Is it likely that program achievements will be sustained after the end of the program?
- Value of leveraged resources and/or cost-share
  - Greater than 1:1 leveraging or cost-share (of cash or quantifiable, project-specific in-kind resources)

    - Demonstrated resource partner commitment: Is there evidence of commitment by the lead partner? Of commitment by other partners? Is there a demonstrated commitment to meet leveraged resource responsibilities?
- Partner Characteristics
    - Do the potential alliance partners meet ethical standards?
    - Do they have experience working in partnership with others?
- Monitoring and evaluation plan
    - Managing by results: Will program performance be measured by outcomes and deliverables?
- Innovation
- Scalability
- Cost effectiveness and cost realism
- Readiness for implementation
- Past performance
- Coordination with other USAID activities and those of other donors