



Scope of Work: Business Plan for Agronavti Mobile Application Spin-Off Company

Background: The USAID Zrda Activity in Georgia is a five-year program designed to promote inclusive and sustainable economic growth in target regions by improving MSME growth, increasing productivity of rural households, facilitating market linkages between producers and buyers and promote local economic development by establishing and strengthening networks. The program operates in the regions of Shida Kartli, Kvemo Kartli, Samtskhe-Javakheti, Mtskheta-Mtianeti Samegrelo-Zemo Svaneti and Akhmeta municipality in Kakheti.

One of the partners of the Project is the Georgian Farmers' Association (GFA), which created mobile application "Agronavti" for farmers, with the support of USAID Zrda Activity in Georgia.

The Georgian Farmers' Association (GFA) was founded in 2012. Currently, the organization unites over 4000 farmers in Georgia. GFA establishes its value to members by giving guidance on governmental programs; links to service providers and sources of funding, markets and technical support; consultation on policy issues and representation of members' interests; defense of smallholder farmers' rights; participation in policy making; and advocacy of fair access to markets and resources. GFA's call center provides farmers and stakeholders with useful information and helps to analyze current issues in agriculture.

GFA actively cooperates with governmental, donor and educational institutions and is a strong coordinator between farmers and all actors involved in agriculture. GFA has a clear ambition to bring Georgia forward and is aware of the fact that farmers need to make a shift from being a peasant to entrepreneur.

GFA's main services are: Advocacy, Capacity Building, and Networking.

To respond to its networking mandate, which also includes linking farmers to markets, GFA has a contract farming arrangement with the Adjara Group and Georgian Farmers' Distribution Company (GFDC), which envisages supply of local products produced by GFA to Adjara Group through GFDC.

To simplify the process, USAID funded Zrda Activity in Georgia supported Georgian Farmers' Association (GFA) in creation of mobile application "Agronavti" for farmers. "Agronavti"'s ultimate goal is to help farmers to market their products by placing them on the platform and linking to a buyer. "Agronavti" can be downloaded via iOS and Android. GFA's model is unique in that is positioned in the marketplace as an engine to drive increased GFA membership through new value-added service provision while also providing an income stream via commissions generated by the market match making engine. The platform later evolved and expanded to support implementation of GFA's new initiative on the creation and promotion of a local certification scheme GeoGAP that Zrda is also supporting. Traceability and checklist monitoring functionality are also added to the application to support farmers in meeting requirements of the new scheme while providing instant visibility on farm management practices to buyers engaged on the platform - primarily now hospitality industry players. GeoGAP is based on a modified and less rigorous form of GLOBALG.A.P., specifically targeting the domestic market, and in particular (at least initially) the hospitality industry.

In addition to providing matchmaking services, the mobile application offers the following information: weekly prices established for agro products and their statistical changes, researches and innovations in agriculture, more than 60 cycles of agricultural products, weather forecast, agro-calendar, simulation game for certification etc.



However, to ensure sustainability of the application and its continuous operation and development after the completion of the Zrda Activity in Georgia, it is crucial that the application is effectively monetized in order to generate sufficient revenues to cover its own costs and potentially provide profits to GFA as owner of the application.

In order to separate revenue generating activities from GFA’s core mandate as a professional association providing advocacy, networking and capacity building, GFA proposes to create a separate legal entity that will monetize Agronavti (and potentially other services in the future) and return profits to GFA that can be used for the furtherance of its overall mission.

To achieve the above Chemonics/ USAID Zrda Activity will finance two main activities to provide GFA with advice in effectively and sustainably carrying out the creation and operation of the new legal entity, including:

1. **Legal Analysis** on how to establish the new entity, including recommendations on type of entity to be formed, ownership structure, and other related topics as described below;
2. Creation of a **Business Plan** for the newly created legal entity to better understand the current and potential future prospects for sustainable and profitable operations of the business, taking into account the legal analysis conducted under Activity 1.

1. **Legal Analysis:** The legal analysis has already been completed to address the following key aspects:

- Provide legal advice on types of commercial legal entities that GFA may potentially establish for the purposes of monetizing the Agronavti platform. Pros and cons of the different legal structures should be provided. Several points should be considered while developing the advice, including:
 - Ownership structures that allow GFA to effectively control the company (voting rights) while allowing for flexibility to bring new equity investors into the company;
 - Tax ramifications of each proposed structure;
 - Documentation required for the respective structures proposed as well as timelines required for registration/establishment;
 - Methodology/advice for valuation protocol necessary to recognized and assign value to the intellectual property (IP) that is the Agronavti application within GFA and advise how such IP can be converted to share capital for GFA and transferred to the new company, and reflected in the balance sheet of the new company accordingly;
 - International expansion of the Agronavti application: recommendations should be provided for how a Georgian company should be structured for possible international expansion and/or how international licensing agreements for IP can be arranged (summary/general framework recommendation only – details not required at this point in time)
 - Other issues which legal analysis believes are relevant for GFA to be aware of as part of this process.

The legal analysis memorandum shall be provided to the selected service provider to inform the development of the comprehensive business plan for the proposed new commercial legal entity.

END BACKGROUND



Scope of Work for this Assignment: Agronavti Business Plan

Based on the legal analysis provided by our legal advisor, Zrda is now tendering a Request for Proposals (RFP) for the development of a comprehensive business plan for the Agronavti. Business plan findings may result in the need for further legal analysis, which shall be provided by Zrda’s legal advisory firm on an as needed basis during development of the business plan.

Zrda intends to issue a single, fixed price, deliverables-based contract to the successful applicant for this assignment.

Objective of the Assignment: The objective of this assignment is to develop a comprehensive business plan for the proposed stand-alone company that will own and operate the Agronavti mobile match-making and agro-information platform on a profitable basis indefinitely. Since the Agronavti platform is currently housed within GFA, a non-commercial legal entity, the ability of GFA to raise new capital (equity and/or debt financing) is inherently limited. A spin-off commercial entity shall remove this constraint to the future growth of the platform both domestically and internationally. However, the current model under which Agronavti operates assumes an inherent operational subsidy through GFA’s donor-financed activities, which is not sustainable over the medium to long-term.

Specific Tasks: As such, the business plan developed by the selected service provider shall:

- Provide a comprehensive analysis of the current service provision capacity of Agronavti under GFA;
- Conceptualize and build a revenue model (product/service runway) based on current service provision capacity as well as expected future functionality of new services/modules that are in development or planned for near-term development;
- Provide an accurate, up-to-date market assessment of the competitive landscape for similar product/service companies in Georgia and the immediate international region (South Caucasus, Ukraine, Moldova);
- Propose options for organizational/staffing structure of the new company as well as board composition based on the legal analysis provided by Zrda;
- Prepare full financial forecast covering a period of five years, including capability in the financial model to run sensitivity analyses to test different assumptions; Financial forecast should include both income and expenses, with an emphasis on minimization of fixed costs in early years of operations; Break-even analysis should be provided within the model;
- Prepare a baseline marketing strategy for the new company that targets near term scaling domestically and international expansion scenarios within the 5-year time horizon of the business plan; International expansion scenarios should include (1) licensing of Agronavti intellectual property (IP) to third parties in other countries to operate, and (2) expansion of the new company directly into new markets.
- Analyze and prepare recommendations for potential new grant, equity and/or debt facilities that may be accessible to the new company for use in initial scaling of operations during the first 3 years of operation.



- Prepare risk assessment/analysis and respective recommendations;

Deliverables: The following deliverables are expected under this assignment

1. Final implementation plan for the assignment
2. Preliminary report/final outline of the business plan based on initial meetings with relevant stakeholders
3. Final business plan

Timeframe/Level of Effort: This assignment shall be completed within a maximum of 120 calendar days from contract signature.

Instructions for Applicants:

- Applicants shall propose their methodology for approaching the assignment and must include a proposed outline for the business plan as well as methodologies for each proposed section and sub-section of the plan;
- Applicants **MUST** demonstrate requisite experience of successful completion of similar work in their proposals. Applicants may include institutional experience and/or the experience of proposed experts at their own discretion. Applications will be evaluated against the totality of relevant experience provided by applicants. **Three (3) past performance references from former clients must be provided in applications and references will be verified as part of the evaluation process.** Past performance references must be described in sufficient detail such that the evaluation committee can understand precisely what services were provided to the client, the success (or failure) of the services in meeting the needs of the respective clients and must be recent (within the past 3 years). References which only provide contact information for the clients shall be deemed as incomplete and scored zero during the evaluation process.
- Applicants shall provide a detailed breakdown of costs for each element of the proposed approach, including proposed level of effort for labor involved in delivering the assignment. A detailed budget narrative **MUST** accompany the budget and all costs shall be justified accordingly. Administrative / Overhead / Indirect costs as a percentage of the total budget will not be considered. Salary rates proposed by applicants shall be loaded to incorporate such costs, if any are required for the assignment.

Evaluation Criteria: Applications will be evaluated according to three criteria, in descending order of importance as follows:

1. **Technical Approach (50%):** The technical approach shall include the proposed methodology for completion of the assignment at a high level of quality. It shall also include evaluation of the proposed qualifications of the experts/consultants who are proposed to conduct the assignment.
2. **Past Performance and References (30%):** Applicants must demonstrate that they are experienced in providing similar such services at a high level of quality and must bring a minimum of 3 years' experience in the field to the assignment. Applicants may propose a combination of institutional and expert experience to best demonstrate their capabilities at their own discretion. Three (3) detailed past performance references including client contact information are required as described above.
3. **Price/Cost (20%):** Proposed pricing of services is important for evaluation as it helps determine expected value though it is not as important as the other 2 criteria Applicants must



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propose costs that are reasonable and well justified for the technical approach presented. Cost proposal will be evaluated for reasonableness and applications that include costs deemed excessive and/or unreasonable by the evaluation committee shall receive lower scores. Budget narratives must be provided. Proposals that do not provide a budget narrative or provide insufficient narrative justification for proposed costs shall receive lower scores.