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**RFP for Business Partnerships in supporting poor people to participate in the Cotton Value chain**

Road to Jobs (R2J) project is a three-year initiative funded by SIDA and implemented in the Northern most provinces of Balkh and Samangan to facilitate the creation of jobs among the poor. The aim of the project is to unleash the economic potential of the expanding rural road network in Afghanistan, and that more and better jobs contribute to improved livelihoods and poverty reduction.

The project covers eight rural districts and two provincial capitals of the two northern provinces of Samangan and Balkh, with a focus on a) rural areas where the road construction have opened up year-round access to product and job markets, and b) addressing opportunities and challenges of theurban economy that absorb the products and labour coming from the rural economy.

The project has three outcomes; i) Collaboration and co-ordination among local stakeholders for local economic development is improved; ii) The position of poor and disadvantaged groups within selected sub-sectors is improved; iii) Access to and utilization of financial services by the farmers and disadvantaged groups is improved

The project is working to enhance competitive agro value chains, including cotton and urban labour markets through multi-faceted interventions that respond to the underlying constraints inhibiting pro-poor sector growth. Giving special attention to rural households (women, men and their families) and other vulnerable and marginalized groups (returnees, internally displaced persons (IDPs) and refugees and their income earners either in rural communities or in urban and other major centers of employment. The project is building on knowledge and experience from 2.5years of implementation and lessons drawn from the successful pilots in grapes, livestock, almonds, poultry, dairy and cotton to promote market-driven, locally owned strategies that build on the incentives and capacities of various public and private actors to change. These have had the desired effect of increasing prospects for sustained creation of more and better jobs.

The MSA revealed that the cotton sector in Balkh and Samangan provinces provides opportunities for poor men, women and migrant workers to improve their livelihoods and enhances the creation of more and better quality jobs. The cotton sector has been a key driver of economic engagement for many rural households and is one of the most important industrial and commercial crops grown after fresh and dried fruits*[[1]](#footnote-1)*. Cotton is mainly grown in the North, West and some parts in the Eastern provinces. These provinces include Balkh, Samangan, Kunduz, Farah, Kapisa, Helmand, Herat, Gor, Badghis, Takhar, Jawzjan and Baghlan with Balkh province being the largest producer of cotton contributing 54%[[2]](#footnote-2) of cotton produced in Afghanistan followed by Helmand (11%), Takhar and Kunduz at 8% each being other large cotton producing provinces. Cotton has also emerged as good replacement for poppy production as it is still lucrative despite low productivity and depressed prices. Major products from cotton are lint, cotton oil, cotton seed cake for animal feed and soap that is made from waste after refining the oil. Lint processing in Afghanistan is low and lint is mostly exported to Pakistan, where it is converted into textile products while all the other cotton by-products are sold on the local domestic market.

1. *Facilitate private sector led extension in cotton*

A Market systems analysis that was conducted by R2J revealed that cotton yields are low with an average of 1.4Mt/Ha in Balkh and Samangan provinces. The decline has been partially attributed to limited access and usage of improved inputs and limited farmer knowledge on good agricultural practices such as methods of identification and management of pest and disease control, proper use of fertilizers and agro-chemicals and cotton grading system and adherence to other standards to improve cotton quality. The Government Department of Agriculture Irrigation and Livestock (DAIL) has extension officers assigned to each districts. However, provision and access to extension and advisory services remains constrained because most lack the basic resources to discharge their duties well and reach farmers. There is scope for market actors to improve the cotton sector: a) input suppliers providing advice on different types of agro-inputs and their proper use to improve productivity while ensuring safe use, handling and application and reducing postharvest losses; b) ginneries providing advice on GAP including cotton picking, grading and packaging for good quality and c) seed multiplication companies on the importance of using improved cotton seed. These extension services would be part of their embedded services to improve sales and customer relations. ***R2J is seeking strategic partnerships with private sector actors in input and output markets, mobile network provision, radio and television with wide coverage and innovative entrepreneurs in innovative ICT solutions in information dissemination***

1. *Increased availability and access to improved cotton seed varieties*

The use of improved seeds for cotton growing has reduced drastically. This is as a result unavailability of and access to new high yielding, climate adaptive varieties. Cotton farmers have had to rely on ginneries to provide seed that they produce from the process ginning process of cotton. These seeds are often of mixed varieties that have been recycled for decades. The cotton seed variety improvement programs has been inactive while seed multipliers have shown some degree of interest to invest in seed multiplication of new adaptable high yielding cotton varieties. ***R2J has been working on research of foundation and breeder seed and is seeking for partners and other market actors that are interested to co-invest with in the bulking of breeder seed and subsequent production of certified cotton seed and in improving the cotton seed supply system. Seed multipliers and agro-dealers should aim to develop commercial cotton seed multiplication and distribution system***

1. *Improved participation of women in craft based enterprises*

Craft-based enterprises have a long history and tradition in Afghanistan and constitute considerable employment opportunities. It is particularly suited for women and the enterprises also exist in rural areas where economic development is generally lacking and increased employment opportunities are particularly crucial. The project has been supporting women in carpet and kilim weaving, hand crafts such as jewellery, apparel and clothes designs. Carpet weaving is the most important craft that has its traditional basis in rural areas, where the craft has been mainly home based and were the skills and knowledge of craft were handed down from generation to generation. However, carpet weaving is now large scale, has been modernized and moved to urban areas thereby shifting employment opportunities from women to men. In a pilot intervention implemented by R2J, it emerged that urban women can still play an important in the carpet and kilim weaving if they are supported with relevant training, work tools and suitable work environment. ***R2J is seeking to partner with private sector players who are willing to co-invest in women development and job creation for women. The project is also exploring partnerships with companies in the carpet and kilim, textile designing, wool washing, apparel industry for participation.***

1. *Improved Cotton oil and oil by-products quality due to standards and certification*

Cotton oil processing companies with good oil refineries have recently continued to be set up as a result of increasing local demand for cotton products. Lack of enough good quality seeds for all year round processing into cotton oil and feed and lack of effective products quality assurance and standard schemes has limited the cotton seed oil and its by-products to the local markets. The production of good quality and quantity of cotton oil is dependent on the quality of cotton seeds pressed and the oil refining process. Anecdotal information gathered during the MSA revealed that most local consumers did not use locally produced cotton seed oil as it was perceived to have unacceptable levels of residual caustic soda from the refining process. As a result of lack of quality and certification services and standards, the quality of refined oil is still questionable for it to gain entry into export markets or local bulk buyers. Quality standards and certification are business tools used strategically to regulate and guarantee the quality of a product, reduce costs by minimizing waste and errors, and increasing productivity. They help companies to access new markets. Adherence to such standards including international ones such as the HACCP would be useful in putting some of these concerns to rest and also improve the access of the locally produced oil to export markets. ***R2J is seeking strategic partnerships with private sector players and specific commodity enterprises willing to work with oil processing companies and interest on improving the quality and standards of locally produced cotton oil and its by-products.***

1. *Improved access to finance*

Access to finance is one of the key challenges that farmers, processors and traders face. Farmers lack access to finance credit to purchase improved inputs as well as finance labor operations in cotton production. Cotton production being labor intensive requires adequate finance to manage. Processors of cotton also lack access to finance to purchase enough raw materials for all year round processing. The lack of investment capital by various actors has therefore hindered investments in the cotton value chain. Many financial institutions are available and are offering formal financial products and services. There has been limited uptake of the credit due to the a) high interest rates (15-24%) which are not sharia compliant; b) limited collateral or guarantors and c) limited availability of such services in rural service centers, In addition, most farmers lack financial literacy and are unbanked. However, most farmers have been accessing direct inputs credit from ginneries, oil processors, and traders in the form of seeds, fertilizers, agro-chemicals and sometimes cash advances in a form of contract farming arrangements. Produce purchase prices in such contractual arrangements have been found to be lower than market prices while inputs prices are charged above market rates. This has led to side selling by the farmers at times severing the relations between the players.

Based on the above, R2J is inviting private sector players with Innovative Business Models to submit proper business proposals to address any of the above stated access to finance issues including development of user specific financial products suitable for different user groups.

***R2J is providing opportunities for the companies to co-invest in innovative solutions that will sustainably contribute in creating jobs for the poor and marginalized people including returnees, internally displaced persons (IDPs) and refugees and for companies to open up and test new innovative opportunities and diversify their supply chains to include smallholder farmers for cost effective and profitable production.***

**Basic Selection Criteria**

Successful proposed interventions should meet at least the following basic criteria:

1. The proposed interventions must clearly show the potential to generate more jobs and income for poor vulnerable groups including poor households, IDPs, returnees, women and jobless youth in targeted rural and urban centers.
2. The proposing organization, enterprise or association must be willing to take some acceptable investment risks through co-investment and trials of the proposed new intervention.
3. The proposed intervention must be environmentally sustainable and economically feasible for implementation within one year although priority will also be considered for interventions showing evidence of long term benefits.

Interested organizations, individual enterprises and associations, are invited to send their proposals or (EOI) to [manoto@ilo.org](mailto:manoto@ilo.org) – CTA (Ag.) Road to Jobs Project; Mazar-e-Sharif. Deadline for submission of proposals is **31 October, 2019**

**NOTE:** proposals will be reviewed as they are received on a rolling basis.

1. Mahboob, Rahman; Survey Report on Cotton Value Chain in North and North Eastern Afghanistan. [↑](#footnote-ref-1)
2. MSA on cotton [↑](#footnote-ref-2)