

Terms of reference (ToR) for the procurement of services/consultancy

Project Title: Enabling the Implementation of Georgia's Forest Sector Reform (ECO.Georgia)

Project/Activity Number: 2020.2275.4-007.00/0304

Title of the assignment: Assessment of Timber Forest Product (TFP) value chains in Georgia

1. Brief information on the project

Climate change impacts and the demand for fuelwood from rural population put significant pressure on Georgia's forests: up to 90% of rural households (1.43 million people) rely on fuelwood for their energy needs. The problem is exacerbated by the fact that households use obsolete technologies, such as traditional stoves with a lifetime of two years and an efficiency of 35% or less. Fuelwood demand exceeds sustainable harvesting levels, considering reduced productivity of many forests in the country because of extensive forest degradation. This forest degradation leads to a loss of carbon absorption capacity which is projected to decrease by five times between 1990 and 2030.

In order to address this negative development, the project "Enabling the Implementation of Georgia's Forest Sector Reform - ECO.Georgia" supports the Government of Georgia to implement its transformational forest sector reform agenda to put the entire nation's forests under the framework for sustainable forest management (SFM). It will do so by supporting the establishment of a nation-wide SFM system (Component 1) and in parallel promoting market development for energy efficient appliances and alternative fuels (Component 2) to address the main driver of forest degradation. The project will safeguard the reform implementation by diversifying livelihood opportunities and strengthening local self-governance in forest adjoining rural communities (Component 3).

In the frame of the Component 3 with the goal: "Strengthening Livelihoods and Social Inclusion in Georgia's Forest Sector Reform", is to diversify the livelihood opportunities and strengthen local self-governance in forest management to increase incomes and reduce socio-economic disparities, the project will work on enabling local communities to benefit from diversified income opportunities by a) developing professional skills and knowledge for forest management and conservation through vocational education, short-cycle training courses and international university partnerships, as well as by b) strengthening selected value chains for timber products, non-timber forest products (NTFP) and eco-tourism.

Component 3 has four outputs:

Output 1: Municipal-level tools, practices, plans and necessary capacities for participatory sustainable forest management and conservation are developed and introduced

Output 2: Mechanisms at local level to better protect the interests of adversely affected stakeholders are developed, promoted, and tested

Output 3: Professional skills and knowledge relevant to sustainable forest management and conservation are available through vocational education and international partnerships with centers of knowledge

Output 4: Selected value chains are strengthened of non-timber forest product (NTFP), timber forest product (TFP) and eco-tourism

Implementation of the Component 3 which will run till June 2025 targets eight selected municipalities in the regions of Kakheti, Guria and Mtskheta-Mtianeti. The target municipalities are detailed below.

Target regions and municipalities of component 3

Guria

- Ozurgeti
- Lanchkhuti
- Chokhatauri

Mtskheta-Mtianeti

- Tianeti

Kakheti

- Akhmeta
- Telavi
- Kvareli
- Dedoplistskaro

2. Description of the Assignment

2.1. Context

The timber forest sector represents one of the important sources of income and fuelwood resources for rural population in Georgia. In 2014, contributions from legal cuts, transportation and processing of timber to Georgia's GDP amounted to 0.3% of GDP.¹ Inconsistencies in data collection make it difficult to obtain clear figures: only the export data is available while local trade is not captured into official statistics, so that the real share of timber products on the Georgian economy is hard to determine.

The majority of the timber industry (90%) is comprised of small enterprises.² Over the past two decades, the number of people directly employed in the forestry sector has declined from about 3,500 in 1995 to only 900 in 2017. Nonetheless, illegal use of forest resources is high in Georgia. The value of illegally logged wood was estimated to be 100 million GEL in 2014, three times more than legally logged wood (30 million GEL). This indicates that the number of people informally employed in the sector is several times higher than what official statistics indicate.

There is a lack of management experience, technical know-how, market knowledge and skills in the industry. Many managers and owners have no or limited experiences of the forest sector. They lack knowledge of proper handling, marketing in general and the knowledge of setting up sales strategies. Machinery is most often inefficient, and the industry is operating production schemes with higher levels of wood waste. There is no systemic business planning and no quality control systems in place. Moreover, a gender-imbalance is observed along the value chains. Focusing on graduates from TVET forestry courses in 2020, only 3-4% were women. All these deficiencies lead to low quality product output and force the industry to trade on low returns.

There are possibilities for Georgia to benefit from a higher value addition in the sector, i.e. if products are certified, kiln dried, sorted, of a high quality and price competitive. This is not the case today. Georgian companies are also too inexperienced with international markets, and the majority of them are too small to be able to afford and to carry out relevant market diligence. All these deficiencies lead to low quality product output and forces sector to generate lower incomes.

A New Forest Code was approved by the Georgian government in 2020. It is based on sustainable forest management (SFM) principles and puts wood-related commercial activities in state forests under the exclusive responsibility of public forest management bodies. Additionally, the New Forest Code introduces the principle of participatory forest management and the possibility for municipalities to manage forests of local importance

¹ National Principles, Criteria and Indicators for Sustainable Forest Management Georgia (Draft Document 8. November 2017).

² Garforth et al. 2016.

themselves. The new code also stresses the importance of public participation in decision-making processes related to forest management and public participation in the management itself. In addition, there are substantial support measures to strengthen forest-related value chains and related income-generating opportunities, such as strengthening of sawmills, secondary wood processors and forestry service providers. These measures will assist local SMEs involved in primary processing and wooden handicraft production through product development, including in cooperation with the non-timber product and tourism sectors.

Component 3 of the ECO.Georgia project will provide business support to suppliers of wood and wooden products to generate enough investment capital to improve access to finances, to increase know-how and access to relevant technology. Awareness activities will also be conducted about the legal requirements under the new timber production mechanism and the opportunities they provide to local entrepreneurs and SMEs.

In the context, Output 4 primarily supports the private sector, i.e., local entrepreneurs and households, especially women-lead ones, and SMEs in the target areas. The activities under Output 4 will focus on several aspects: firstly, on the development of improved business models for forest-related value chains and access to formal financial services. Further, the establishment of new local SMEs with solid business plans linked to these value chains will be promoted. Third, technical capacity building of local stakeholders will enable them to use forest resources sustainably, to match market demand and generate additional added value through improved quality, sorting, and marketing.

At the national level, government institutions will be assisted in the development of appropriate approaches to ensure that local communities and businesses benefit from the income generated.

2.2. Objective(s) of the assignment and tasks

The objective of the assignment is to assess primary (sawmills) and secondary processing (wood and wooden item handicrafts) handling, operation, and marketing practices of Timber Forest Product (TFP) value chains in target municipalities.

The consultant shall identify challenges, bottlenecks, information, and knowledge needs for new or existing TFP value chains (VCs).

This assessment has the objective to narrow the focus of project support on potential concrete VC activities and to develop recommendations how to enhance income, product quality, work safety, marketing, sustainable resource management and traceability mechanisms in a gender balanced way.

The emphasis should be also made on creating additional value to timber or processed by-product materials. Such as, fuelwood, sawdust, wood wool, wood waste, residues etc. This may relate to strengthening synergies with wooden handicrafts companies and other businesses producing wooden items linked with the tourism sector.

In close collaboration and coordination with the ECO.Georgia project team, the consultant shall fulfil the following tasks:

A. Inception

- Conduct desk review of existing studies to propose TFP value chain layout and outlook per municipality.

- Design and propose an assessment plan for all target municipalities, including timeline for desk and field interviews.
- Design and propose interview questionnaires to key stakeholders, as well as value chain actors.

B. Assessment

- Conduct interviews with key stakeholders (see the list below). Looking into primary and secondary processing value chains, specifically addressing experiences with export, local sales and marketing, certification, collaboration with local/international institutions and state or private support/subsidy schemes.
- Conduct field interviews with value chain actors (primary and secondary processors; distributors; wholesale & retailers; exporters etc.). Identify existing processing, handling, operation, business knowledge and marketing practices/skills, challenges, and bottlenecks.
- Assess the existing equipment and machinery along with respective knowledge, and investment needs that is appropriate and scalable to each municipality. I.e., sawing, drying, storing/sorting technologies and equipment as well as financial literacy, computer skills and work safety standards.
- Assess the role of different genders along the value chains and identify potentials for empowering women and socially vulnerable groups.
- Identify technical skills and business capacity needs to strengthen handicraft companies and businesses producing other wooden items. I.e., wooden souvenirs, decorations or household items which have a tourism sales potential to local and international visitors.
- Assess the potential of value addition to timber products or by-products (i.e. sawdust, wood wool, other residues) linked to handicraft and tourism sector value chains.

C. Reporting

- Prepare a report reflecting the assessment findings, knowledge needs and support measures including recommendations to the Ministry of Environmental Protection and Agriculture (MEPA) and the ECO.Georgia project.
- Prepare one PPT presentation to present findings and recommendations to MEPA and partner organizations through a GIZ organized workshop.

Preliminary report outline

- Executive summary
- Introduction and methodology
- Assessment of primary and secondary TFP processing value chains by municipalities
- Roles of different genders and socially vulnerable groups

- Support measures for value chain actors for income diversification and quality enhancement including processing handling and marketing practices
- Recommendations to promote and support benefit-sharing approaches, and sustainable synergies among TFP, handicraft companies and tourism sector
- Conclusion
- Annexes
 - List of stakeholders met, inclusive of gender and contact info
 - Field interview questionnaires
 - Field interview results (raw data)

Key stakeholders to be considered for interviews

Public sector

- Ministry of Environmental Protection and Agriculture of Georgia
 - Biodiversity and Forest Department (BFD)
 - National Forest Agency (NFA)
 - Environmental Information and Education center (EIEC)
 - Agriculture and Rural Development Agency (RDA)
- Ministry of Economy and Sustainable Development (MOESD)
 - Enterprise Georgia
- Local Governments
 - Municipal/regional representatives of Guria
 - Municipal/regional representatives of Tianeti
 - Municipal/regional representatives of Kakheti

NGOs and projects

- GIZ, EU4ITD - Catalysing Economic and Social Life in PIRDP Region
- GIZ PSD-TVET
- Caucasus Nature Fund
- SDC, Rural Small and Medium Enterprises Development in Georgia
- CNFA, USAID Agriculture Program
- Sustain Caucasus
- United Nations Development Programme, UNDP
- Caucasus Green Environmental Network, CENN

TFP private companies

To be provided under GIZ ECO.Georgia conducted stakeholder mapping

Key reports/documents to be considered for desk review

- UNIQUE Study - Research and preparation of the project “Strengthening Livelihoods and Social Inclusion in Georgia’s Forest Sector Reform” under ECO. Georgia
- Feasibility study - Enabling Implementation of Forest Sector Re-form in Georgia to Reduce GHG Emissions from Forest Degradation
- Georgian Forest Code, 2020
- Forest use regulations, Resolution №221, May 18, 2021 Tbilisi
- Stakeholder Mapping document under Eco. Georgia

- Socio-Cultural Checklist under Eco. Georgia
- Wood market study, Michael Garforth, Sten Nilsson & Paata Torchinava, 2016. Integrated Biodiversity Management, South Caucasus
- “Georgian Forest Product” Needs Assessment, CENN

2.3. Outputs/deliverables

Expected outputs are:

Output 1: Desk review on existing TFP value chains by municipalities

Output 2: Assessment plan and timeline for municipalities

Output 3: Interview questionnaires to stakeholders and value chain actors

Output 4: Interviews with stakeholders and value chain actors

Output 5: 1st Assessment draft

Output 6: Presentation of findings and recommendations to MEPA, ECO.Georgia and partner organizations within a GIZ organized workshop

Output 7: Final Report

2.4. Schedule and timeframe /estimated

	Deadline	Number of experts	Number of days per expert
Output 1	End of September, 2022	1	3
Output 2	End of September, 2022	1	3
Output 3	End of October, 2022	1	3
Output 4	End of November, 2022	1	15
Output 5	End of December, 2022	1	5
Output 6	End of January, 2023	1	3
Output 7	End of February, 2023	1	4
			Total 36 WD*

* the estimated total number of days includes the travel days. It is estimated that the contractor will need to spend up-to 10 working days with up-to 8 overnights outside of Tbilisi in municipalities to meet involved stakeholders proposed in the section 2.2.

3. Experts or organization profile

- **Education/field of operation:** Economics, business development and/or relevant fields
- **Background experience:** At least 5 years of experience in respective technical areas cited in the scope of work, with a minimum of five years of experience in Georgia.
- Demonstrated experience of designing and/or managing similar tasks/assessments in Georgia.
- **Experience in the region/knowledge of the country:** Georgia, minimum 5 years.
- **Working languages:** Georgian and English

4. Timing and duration

From September 21, 2022, to February 28, 2023

5. Place of assignment

Georgia (Tbilisi and target municipalities)

6. Reporting

- Reports are to be prepared according to the template agreed with GIZ beforehand.
- All documents shall be delivered electronically (text files, PPT).
- Assessment report should be written in English. Presentation files (PPTs) both in English and Georgian Languages.
- The consultant shall report to and coordinate closely with Marit Berchner (Team Leader, GIZ/ECO.Georgia) and Giorgi Teliashvili (National Advisor on forest related value chains, GIZ/ECO.Georgia)

7. Other provisions

Participation expenses in workshops, meetings, study tours requested by GIZ and not already included in the ToR will be covered by GIZ.

Any other expenses related to assessment travel, accommodation, food provision etc. linked to the tasks laid out in the ToR should be covered by consultant.

Payments will be affected after provision of timesheet for accomplished outputs respective to number of working days indicated in TOR.

8. Requirements on the format of the tender

The technical proposal of the bidder shall explain in detail (in form of a concept and a work-plan as per output) how the contractor will ensure timely provision of deliverables, which are listed in this ToR.

Bidder should provide CV which includes references of executed projects and shall be submitted together with the technical proposal. In case if the bidder is a company bidder shall include CV(s) of proposed expert(s).

Financial proposal shall be based on the number of days presented in the 2.4 or in accordance with the bidder's own calculation of days