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**Subject: Annual Program Statement APS-111-12-000001
Innovation for Productivity**

Ladies and Gentlemen:

The United States Government, represented by the United States Agency for International Development (USAID) Mission in Armenia, invites applications from **Armenian**¹ organizations, non-profit as well as for-profit entities, including academia, the private sector and NGOs, to form partnerships to promote new approaches and to enable and encourage innovation across all sectors of the Armenian economy in support of USAID/Armenia's economic development objectives.

Subject to the availability of funds, USAID intends to provide funding for several grants and cooperative agreements in the range of \$100,000 to \$500,000.

Applicants under consideration for an award that have never received funding from USAID will be subject to a pre-award review.

Award will be made to responsible applicant(s) whose application(s) best meets the requirements of this APS and the selection criteria contained herein. Issuance of this APS does not constitute an award commitment on the part of the Government, nor does it commit the Government to pay for costs incurred in the preparation and submission of an application.

This APS and any future amendments can be downloaded from <http://www.grants.gov/>. Select "Find Grant Opportunities," then click on "Browse by Agency," and select the "U.S. Agency for International Development" and search for the APS. Any clarification questions concerning this APS should be submitted in writing to Armen Karapetyan, Acquisition Specialist via email at akarapetyan@usaid.gov, and Armen Yeghiazarian, Acquisition Specialist ayeghiazarian@usaid.gov. If there are problems in downloading the APS from the Internet, please contact the Grants.gov help desk at 1.800.518.4726 or support@grants.gov for technical assistance.

¹ Armenian commercial companies, business associations, universities and learning institutions are for this document defined as organizations officially registered under the applicable laws of the Republic of Armenia, which are owned and operated by citizens of the Republic of Armenia. Applications from Armenian organizations which are partnered with non-Armenian organizations will be eligible for consideration under this APS.

Applications must be received by the closing date indicated at the top of this cover letter. If the available funding is committed before the closing date, USAID will amend this APS to note that applications will no longer be reviewed. Late applications will not be considered for award.

Sincerely,

John F. Lord
Agreement Officer
USAID/Caucasus

INNOVATION FOR PRODUCTIVITY

Overview

USAID/Armenia is strongly committed to building partnerships that mobilize resources, expertise, creative approaches, and technologies to stimulate and support economic innovation in Armenia. The number of awards under this Annual Program Statement (APS) is subject to the availability of funds. USAID/Armenia may make multiple awards or no awards at all under this APS, and reserves the right to close this program at any point up to the closing date of. Awards are one-time only and are generally not renewable. USAID/Armenia reserves the right, in consultation with applicants, to reduce, revise or increase budgets in accordance with the needs of the program and availability of funds. Awards made will be subject to periodic reporting and evaluation requirements and substantial involvement by USAID/Armenia as applicable.

While many types of organizations are eligible (see below for eligibility criteria for partners), it is USAID policy not to award profit under grants and cooperative agreements. Consequently, no fee or profit will be paid to the grant or cooperative agreement recipient. Foregone profits do not count toward partner contributions. However, all reasonable, allocable, and allowable expenses, both direct and indirect, which are related to the grant program and are in accordance with applicable cost standards, may be covered by the grant.

Entities meeting the eligibility requirements will go through a two-stage process to develop a full proposal. Prospective partners will submit a concept paper. For concept papers that pass the evaluation (see below for the evaluation criteria of concept papers and applications), partners will be invited to prepare a full proposal. The invitation to submit a full application does not constitute an award; USAID/Armenia may choose to not fund full applications even after they have been requested, nor does it commit to pay the costs incurred in the preparation and submission of the application. USAID/Armenia particularly encourages and seeks relationships and resources beyond traditional norms. Submissions by new partners and those that do not rely on grants as their primary source of revenue are particularly encouraged.

This program is authorized in accordance with the Foreign Assistance Act of 1961, as amended. Awards shall be made in accordance with OMB Circulars A-21 (for universities) or A-122 (for non-profit organizations), and ADS-303. For Non U.S. Governmental Organizations, the ADS -303 Standard Provisions for Non-U.S., Non-Governmental Recipients will apply.

Applicants can find copies of these documents by referring to the USAID Homepage at the following links:

<http://www.usaid.gov/policy/ads/cfr.html#22>; and
<http://www.usaid.gov/policy/ads/omb.html>;

USAID/Armenia Program Objectives and Purpose of APS

USAID programs foster sustainable development in Armenia through increased enterprise competitiveness, higher quality public and private services and a more empowered civil society. The objective of the program is to encourage and support innovation, which facilitates productivity growth in any sector of the Armenian economy.

Under this APS, USAID is inviting applications from Armenian commercial companies, business associations, economic development oriented NGOs, and learning institutions to partner with USAID in support of innovation to boost competitiveness and diversification in the private sector. The APS allows for a range of ideas, focusing on various growth opportunities or ways to overcome barriers to innovation in the Armenian economic sphere. The proposals will demonstrate innovative ideas that have the potential to contribute to economic growth, including heightened productivity among Small and Medium-sized Enterprises.

While there is considerable flexibility in terms of which types of innovative ideas will be considered, some key cross-cutting themes are expected to be considered throughout the proposals: technology transfer, workforce development, and localized innovation initiatives in areas outside of Yerevan.

- ***Technology Transfer*** - The Innovation for Productivity Project will look for efforts to facilitate the transfer of knowledge and technology from partners with innovative technology, either corporate entities, knowledge-generating institutions (universities and research laboratories), or economic development NGOs, to Armenian enterprises. Activities are likely to involve some form of networking; they may include a transfer of knowledge through training, technical assistance, or licensing, facilitation of access to technology, or introducing new support mechanisms, in particular financing for SMEs to test and develop innovative ideas to promote productivity.
- ***Workforce Development*** - Armenia's workforce is facing challenges in meeting the needs of a 21st century economy, and a common complaint from the business community in Armenia is the lack of a sufficiently qualified labor force to meet its needs. Improving the skills and competencies of the workforce now is an essential for expanding opportunities for innovation. Activities in this area may include partnering with industry associations as well as training providers, including universities and other institutions of secondary or tertiary education.
- ***Promoting Local Innovation*** - One of the troubling aspects of Armenia's recent growth has been the widening of regional income disparities, exacerbated by the effects of the recent economic contraction. Several initiatives have sought to address these problems to accelerate development in the regions outside Yerevan

by endeavoring to define competitive advantages of select communities, and providing assistance to exploit these advantages. Activities should seek to build upon these identified competitive advantages and contribute to a more equal distribution of incomes in the Armenian private sector.

USAID will provide financial and technical support for several partnerships per year, the number of partnerships depending on the number of viable projects meeting the APS criteria and demonstrated innovation for productivity.

The program should encourage the establishment of partnerships that develop, test and facilitate new approaches to enable and encourage innovation² across all sectors of the Armenian economy in order to have an impact on productivity and economic growth. These activities will complement other activities under USAID's Economic Growth Results Framework. The APS seeks as potential partners: small and medium sized enterprises (SMEs³), business and trade organizations, learning institutions and foundations (see Partner Eligibility Criteria Section below).

The need to boost innovation has been underlined by Armenia's recent economic setbacks. After having experienced rapid GDP growth of approximately 13.5 percent per year from 2005-2008, Armenia's economy slowed and then reversed course. Growth was driven by mining, construction and services buoyed by remittances, a structure that lacked the resilience to withstand major external shocks. Armenia now needs to pursue a policy of developing a more competitive and diversified private sector, which is USAID/Armenia's Economic Growth Assistance Objective (AO). Meeting the challenge of forging a new growth model requires initiatives that bring together all parts of the Armenian economy and its partners; creative inputs from many sources are critical.

USAID/Armenia seeks to support creative approaches implemented through private-public alliances that will assist existing and newly created enterprises to adopt new production and marketing technologies, develop new products or enter new markets. Innovation, the economic application of knowledge, depends on access to that knowledge and on proper incentives. Information and rewards flow through the economic network that the enterprise is a part of. Many options exist to strengthen these networks by facilitating better flow of economic information, and to shape an acceptable risk/reward structure needed to propel innovation. Some of these options rely on information technology to provide access to knowledge and to markets, both for individual businesses

² Innovation can be defined as a process by which an idea or invention is translated into a good or service for which people will pay. To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination, and initiative in deriving greater or different value from resources, and encompasses all processes by which new ideas are generated and converted into useful products. In business, innovation results often from the application of a scientific or technical idea in decreasing the gap between the needs or expectations of the customers and the performance of a firm's products.

More on innovation can be found at: <http://www.businessdictionary.com/definition/innovation.html>

³ In this document, the category of "small enterprises" also includes micro-enterprises. According to the Law of ROA on "On State Support of Small and Medium Entrepreneurship", enterprise sizes are classified as follows: (a) Commercial organizations and individual entrepreneurs with average number of employees no more than five persons are considered as *micro company*; (b) Commercial organizations and individual entrepreneurs with average number of no more than 50 employees are considered as *small company*, and (c) Commercial organizations and individual entrepreneurs with average number of no more than 100 employees are considered as *medium company*.

as well as for sectors and regions. Equipping Armenia's workers for the needs of an innovation economy in the 21st century is critical, and proposals to develop new approaches here will be sought.

Expected Project Results

Some illustrative **results** from the project will include: creation of sustainable employment opportunities, better access to market information and modern production technologies, support of innovative SMEs and start-ups in a broad range of sectors, greater cooperation between business and knowledge-generating institutions, and increase in sales and export potential for Armenian SMEs.

Partner Eligibility Criteria

USAID/Armenia casts a wide net for partners under this program. As a result, eligibility criteria are flexible to welcome new types of partners. Potential partners include Armenian registered organizations owned and operated by Armenians, such as private businesses, business and trade organizations, learning institutions, and foundations. Applicants proposing partnerships or having existing partnerships with non-Armenian organizations are encouraged to apply.

In addition, applications from the following categories of applicants are particularly encouraged:

- Innovation by women entrepreneurs.
- Innovation that has potential for economic growth impacting rural areas for job creation and youth involvement.
- Applicants are encouraged to seek additional sources of funding through Public Private Partnerships to leverage USAID's limited resources.

Applicants selected for funding that are first-time recipients of USAID funds, may have to undergo pre-award financial and management reviews.

Activity Eligibility Criteria

The primary objective of activities under this APS is to identify and test new approaches to promote innovation and competitiveness among Armenian firms, in particular SMEs. Successful applications will introduce creative approaches to enable and encourage the adoption of new technologies. To be considered for funding under this program, proposed activities must meet the following requirements:

- Applications must have clearly defined objectives that support the overall objective of this program, and offer the prospect of significant impact in terms of enterprises affected, enhanced sustainability, or the potential for replication or scaling up;
- Applications must demonstrate significant non-public resources—money, technologies, experience or expertise, and cash;
- Proposed activities must be implemented in the territory of the Republic of Armenia;

- The activities must appear feasible from a technical, economic, financial and social perspective; and
- Applications must indicate an “exit strategy” or other forms of ensuring sustainability.

Applications that demonstrate partner contributions are encouraged and will receive favorable consideration for awards. Applications will need to specify clearly what each party is contributing and indicate the level and kind of support with specific results to be achieved. All leveraged contributions should ideally come from private resources; however, in certain cases it is possible that Public International Organizations (PIO) and other public resources might make a critical contribution to financing a proposed activity.

For further specifics regarding the Collaboration Agreement, refer to the USAID Acquisition and Assistance Policy Directive (AAPD 04-16) dated December 2004 http://www.usaid.gov/business/business_opportunities/cib/pdf/aapd04_16.pdf

Application Process and Evaluation Criteria for Concept Papers and Applications

Overview

The application process involves the following two steps:

Step 1: Submit concept paper to the USAID Mission for review and approval.

Step 2: For approved concept papers, and as requested by the Mission, submit a full proposal.

Concept paper instructions

All concept papers must contain the items below, including the attachments, where requested. The narrative is limited to 2,000 words.

The concept paper shall include:

Cover page/Introduction:

- Include the Solicitation Number from this APS (submitted to USAID/Armenia);
- Name and address of the (lead) organization;
- Type of organization (such as for-profit, non-profit, university, network);
- Contact point (lead contact name; relevant telephone and e-mail information).
- Names of other organizations (federal and non-federal as well as any other USAID offices) that have received (or will receive) the application or are funding some of the proposed activity; and
- Signature of authorized representative of the applicant.

Technical information:

- Concise title, objective and description of proposed activity;

- Discussion of the objectives, the approach, expected results, and how the work will help address a significant development challenge and promote innovation in some part of the Armenian economy;
- Roles, level of effort responsibilities and contributions of the prospective partner organization(s);
- Brief indication of an “exit strategy,” that either wraps up the activity after accomplishing the results, or demonstrates sustainability without continued USAID funding; and
- Type of support and amounts the applicant requests from USAID (such as funds, facilities, equipment, materials, personnel resources, etc.).

Supporting information:

- Estimated cost of the proposed activity, including a brief cost breakdown (salaries, equipment, travel, etc.) with proposed budget and projections;
- 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 and valuation of the in-kind contributions);
- Proposed amount of leverage from prospective partners, both cash as well as in-kind;
- Intended duration of the proposed activity; and
- Brief description of applicant's, as well as prospective or existing partner’s previous work and experience.

All concept papers and applications must be in English, using Times New Roman font, regular, size 12, with each page numbered consecutively and submitted electronically via e-mail to Armen Karapetyan, Acquisition Specialist, Contracting Office, USAID/Armenia at akarapetyan@usaid.gov. The total size of each e-mail attachment should not exceed 5 MBs. The application must have a table of contents. Large graphics files are discouraged. Attached file format must be Microsoft Word, Excel or PDF.

Resources: USAID has posted in-depth information to assist in the due diligence process, as well as mechanisms for and approaches to alliance formation as “Tools for Alliance Builders” (<http://www.usaid.gov/gda/tab.html>). Information about USAID/Armenia’s strategy and programs is available online at: <http://armenia.usaid.gov>

Evaluation criteria for the concept papers

USAID’s review of a concept paper will first determine whether the proposed activity meets basic criteria below:

- Presents jointly defined problems and solutions among all partners including USAID;

- Exhibits a creative approach to promoting innovation in particular value chains or regions, or throughout the economy, with particular consideration of their impact on women and other disadvantaged entrepreneurs;
- Offers an adequate mix of shared resources, risks and responsibilities;
- Shows how the activity may be scaled up or replicated;

- Outlines a significant and sustainable impact on innovation in the Armenian economy.

In addition, USAID will also apply other criteria, in descending order of priority: (1) Alignment with USAID/Armenia’s development objectives; (2) technical, economic, financial, and social feasibility: well-defined and achievable objectives, and prospects for sustainability, including the extent of involvement of local partners; (3) value of leveraged resources or cost-share if any; (4) partner characteristics, involvement of non-traditional partners, reputation for ethical behavior in the international context, extent of proven track records in their respective area of expertise and collaboration; (5) demonstration effect/scalability; and (6) implementation readiness of the proposed activity.

USAID/Armenia will review the concept papers within 30 calendar days after receipt. Three options are possible: (1) the concept papers are fully acceptable, and USAID will invite applicants to submit full applications; (2) the concept papers do not fall within the strategic priorities, or expected results are not linked to the approach, and no further action is required; or (3) USAID/Armenia believes that there are valid points in the proposed activity, but significant changes would be required. In the latter case, applicants will be invited to resubmit a revised concept paper for further evaluation.

Full application instructions

Do not submit a Full Application unless requested to do so by USAID.

Full applications will only be accepted from organizations after successful completion of the concept paper process and after receipt of an invitation from USAID. The full application should contain the following information and sections, subject to limits on length, except for the budget information:

- Budget Information (Standard Form SF-424 and supporting narrative; see <http://www07.grants.gov/techlib/SF424-V2.0.pdf>): No page limit
- Cover page (including details from concept paper)
- Executive Summary: up to 2 pages
- Body of application: up to 25 pages;
- All attachments: up to 15 pages

The body of the application should include the following information:

- Table of contents, listing all sections and attachments
- Executive summary
- Program description
- Goal and objectives

- Background/problem statement
- Explanation of partners and their expected roles, including partner and other resources brought to bear (leverage)
- Proposed interventions/technical approach
- Expected impacts
- Duration of activity
- Detailed exit strategy, primarily a clear sustainability plan to show how activities or impacts will continue in the long term once the activity ends
- Evaluation plan
- Proposed role for USAID (e.g., facilities, equipment, material, or personnel resources)
- Detailed budget and financial plan with major line items, identification of funding source (partners) for each, and a narrative description of what the resources will be used for.
- Statement outlining gender and disability integration issues and how the applicant proposes to address the issues.
- Relevant organizational experiences of recipient and key partner organizations.
- Implementation Schedule
- Key staff

In addition, the application should include as attachments:

- A letter of intent from each resource partner if applicable;
- and
- Curricula vitae of key staff. The annexes may also include relevant information about proposed partners.

This can include documentation of intent to participate by other partners. The annexes are limited to 15 pages; CVs do not count toward the page limit.

All applications must be in English and submitted electronically via email as instructed by the USAID Agreement Officer.

Note: An invitation to submit a full application does not constitute an award; USAID may choose to not fund applications even after full proposals have been requested.

The evaluation of the full applications will use the same criteria as listed for the concept paper evaluations.

Budget negotiations

The Applicant's budget will be reviewed for cost effectiveness and cost realism, including the extent to which the proposed approach attempts to reach the largest number of beneficiaries at lowest cost; and matches the objective and proposed benchmarks and nature of the activity.

Successful applicants will be required to submit SF 424, signed certifications, Branding and Marking Plans.

Following an application review by the technical committee, applicants will be advised if budget related discussions are to be initiated, additional information is required, or if a decision has been reached not to fund the application.

Type of Award (s) / Substantial Involvement

Following favorable negotiations with USAID/Armenia, USAID may award a grant, cooperative agreement or a collaboration agreement to the institution proposing the partnership or to a third entity that was proposed to implement a jointly funded partnership.

Depending on the evaluations and award determinations from Final Applications, USAID may decide to be “substantially involved” in the implementation of the program, and therefore award a cooperative agreement(s), a specific type of grant. Cooperative agreements are identical to grants except that USAID may be substantially involved in one or more of the following areas:

1. USAID approval of the recipient’s implementation plans (limited to not more frequently than annually);
2. USAID approval of specified key personnel (limited to 5 positions or 5% of the recipient’s total team size, whichever is greater);
3. USAID and recipient collaboration or joint participation, which includes one or more of the following:
 - a. Collaborative involvement of selection of advisory committee members (USAID may also choose to become a member), if applicable;
 - b. USAID concurrence on the selection of sub-award recipients and/or the substantive technical/programmatic provisions of sub-awards;
 - c. USAID approval of a program monitoring and evaluation (M&E) plan (to the extent that such information is not included in the application);
 - d. USAID monitoring to permit direction and redirection because of interrelationships with other projects; and
 - e. USAID authority to immediately halt a construction activity, if applicable.

For more details refer to USAID ADS 303.3.11 at <http://www.usaid.gov/policy/ads/300/303.pdf>.

Reporting

The requirements for reporting on the program activities will be determined in a collaborative manner among the partners, and will be included in the Memorandum of Understanding. The partners will also agree on an annual performance monitoring plan, using established baseline data and specific, measurable targets and indicators; the MOU should include that requirement.

Marking and Branding

Effective January 2, 2006, all USAID-sponsored assistance awards are required to adhere to branding policies and revised marking requirements for grants and cooperative agreements in accordance with ADS 320. This includes visibly displaying the USAID Standard Graphic Identity that clearly communicates assistance is, “From the American people” on all programs, projects, activities, publications, public communications, and commodities provided or supported through USAID assistance awards. ADS 320 requires that, after the evaluation of the applications, the USAID Agreement Officer will request the Apparently Successful Applicant to submit a Branding Strategy and Marking Plan that describes how the program, project, or activity is named and positioned, how it is promoted and communicated to beneficiaries and cooperating country citizens, and identifies all donors and explains how they will be acknowledged. The Branding Strategy will be negotiated and finalized as part of assistance award. ADS 320 may be found at the following website: <http://www.usaid.gov/policy/ads/300/320.pdf>

Specific communications and promotion measures shall be described in the “Branding Strategy” and “Branding Implementation Plan” and specific marking will be described in the “Marking Plan” for this award (s).

Initial Environmental Examination (IEE)

An Initial Environmental Examination (IEE) describing the successful activity's purpose, location, duration and intensity, and considers alternatives and assesses impacts, including cumulative impacts, in light of existing and known proposed activities will be prepared as a part of review and approval process in accordance with USAID Environmental Procedures. The Environmental Compliance requirements will be developed and incorporated in to the award based on the IEE.

PROHIBITION AGAINST DISCRIMINATION (Oct 2011)

No U.S. citizen or legal resident shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination on the basis of race, color, national origin, age, disability, or sex under any program or activity funded by this award when work under the grant is performed in the U.S. or when employees are recruited from the U.S.

Additionally, USAID is committed to achieving and maintaining a diverse and representative workforce and a workplace free of discrimination. Based on law, Executive Order, and Agency policy, USAID prohibits discrimination, including harassment, in its own workplace on the basis of race, color, religion, sex (including pregnancy and gender identity), national origin, disability, age, veteran’s status, sexual orientation, genetic information, marital status, parental status, political affiliation, and any other conduct that does not adversely affect the performance of the employee. Recipients must comply with the requirements of the first paragraph of this provision and in addition, the Agency strongly encourages its recipients and their subrecipients and vendors (at all tiers), performing both in the U.S. and overseas, to

develop and enforce comprehensive nondiscrimination policies for their workplaces that include protection for all their employees on these expanded bases.