



# HOW-TO GUIDES

## IN AGRICULTURAL MARKET SYSTEM DEVELOPMENT

### Facilitating Agribusiness Cluster Development

Practical guidance on how to build inclusive  
business relationships and trust between  
farmer groups, buyers and input suppliers





# HOW-TO GUIDES

IN AGRICULTURAL MARKET  
SYSTEM DEVELOPMENT

**SNV**



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**CHAIN**

How-to Guides in Agricultural Market Systems Development

# Facilitating Agribusiness Cluster Development

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# Foreword

Cambodia's agricultural sector shows continued growth both in production and export, despite the COVID 19 pandemic. Nevertheless, poverty remains largely a rural phenomenon, as about 80% of the 2.5 million poor people live in rural areas. Cambodian smallholder farmers' low productivity is the result of limited access to quality agricultural inputs, technical knowhow and innovation, as well as limited marketing opportunities and market information. Pressure on water resources and the effects of climate change are additional challenges. Limited involvement of the private sector in agricultural extension services and weak cooperation with public sector actors restrain the development of prosperous smallholders. Cambodia is not self-sufficient in vegetables and fast economic growth has resulted in a higher demand for safe and quality local fruits and vegetables. This provides a huge opportunity for smallholder farmers and processors, particularly women, to increase income and food security. Moreover, improved rural infrastructure has increased the mobility of rural poor people, providing them access to diversified markets and job opportunities.

Responding to these challenges and opportunities, the Swiss Agency for Development and Cooperation (SDC) has developed the Cambodian Horticulture Advancing Income and Nutrition (CHAIN) 2014-2022 programme in close cooperation with the Ministry of Agriculture, Forestry and Fisheries through the General Department of Agriculture (GDA) and the provincial departments of Agriculture, Forestry and Fisheries (PDAFF). CHAIN has used a market development approach aimed at strengthening the inclusion of poor people (with a strong focus on women) in the market to secure better access to agricultural goods and services and to gain higher incomes. The key element of this approach is a facilitation process for involving private and public partners as well as civil society organisations in the delivery of goods and services on the input and output side of the horticulture value chains (e.g. extension, inputs, marketing and market information) that appropriately meet the needs of poor farmers and processors. Over the past eight years, we were able to achieve impressive results. Cambodia vegetable production has increased remarkably over the last 3 years and is now covering 68% of domestic market demand (700,000 Mt in 2020) compared to 422,000 Mt in 2013. Great achievement!

This How-to Guides in Agriculture Market System Development Book is a collection of tools, principles, practices and approaches developed during CHAIN implementation. It shall provide a reference for all stakeholders in agricultural value chains from public and private sector as well as the civil society. It is also a guide book for sustainability that is at the core of chain as it aims at strengthening horticulture market systems and the capacity of the sector actors to provide services to the targeted farmers. The established networks, policies and market systems will continue to function, as sector actors and farmers will have reached a critical mass large enough to become a profitable and self-sustaining market.

I would like to thank MAFF, GDA, Provincial Authorities, PDAFFs, and SNV and all involved people for an excellent collaboration and for actively contributing to the implementation of the CHAIN Project.



**Markus Buerli**  
Director of Cooperation

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## Other guides in this series

- Introduction to Market Systems Development
  - Facilitating Agribusiness Cluster Development
  - Facilitating Business to Business (B2B) Relationships
  - Developing Crop Budgets
  - Rural Business Accelerator
  - Smart Water and Climate-Smart Solutions for Horticulture
  - Farmer Videos for Digital Extension
-

# Table of Contents

<b>1.</b>	Introduction	1
<b>2.</b>	Background	2
<b>3.</b>	Methodology Overview	5
<b>4.</b>	Cluster Development Steps	7
<b>5.</b>	Step-by-Step Guidance	9
<b>5.1</b>	Rapid mapping	9
<b>5.2</b>	Selection of clusters and market-oriented social mobilization	11
<b>5.3</b>	Multi-stakeholder platform (MSP) and collective business strategy	14
<b>5.4</b>	Backstopping and supporting	17
<b>6.</b>	Conclusion	18
	Annexes	19

# 1. Introduction

The Cambodia Horticulture Advancing Income and Nutrition (CHAIN) project has produced a series of How-to Guides (HTGs) that are meant to be practical, informative instruction manuals for those who wish to replicate and further develop the successful approaches used during the three phases of CHAIN. We hope that these HTGs will be useful to many organizations globally, especially those engaged in agricultural development projects that apply a market systems development approach (see Box 1). However, we have written the HTGs with Cambodian stakeholders in mind, mainly the Ministry of Agriculture, Forestry and Fisheries (MAFF), the General Department of Agriculture (GDA), the Provincial Departments of Agriculture, Forestry and Fisheries (PDAFFs) and local NGOs.

## Box 1 Market Systems Development (MSD)

The MSD approach covers the entire system that surrounds a market. In the case of horticulture, this holistic view of the market includes all the relevant participants ('actors' or 'players'): the farmer who grows the crops, the retailer who sells seeds and other inputs to the farmer, the trader who buys the crops once harvested, and the wet market sellers who sell the vegetables to consumers. It may also encompass services that support the core market, such as government extension agents who provide advice to farmers and the local market structures that make physical space available for buyers and sellers to meet.

MSD aims to address poverty by improving the performance of markets in an inclusive manner, especially by modifying the incentives and behavior of businesses and other market players to ensure large-scale change that is lasting and beneficial.

The present HTG focuses on CHAIN's cluster development approach. In agribusiness, a cluster refers to a group comprising three types of actors: (vegetable) farmers, private sector actors (traders/buyers, input retailers), and support actors (providers of technical services, local government extension staff such as PDAFF officers, commune councils and village chiefs, and local

NGOs). In general, a cluster is a geographic concentration of interconnected stakeholders that creates direct and indirect synergies among them, resulting in cooperation and better results.

In the context of Cambodian agriculture, clusters geographically group the key actors along a selected value chain in the same area. The cluster approach was pioneered by SNV, MAFF and IFAD in the Project for Agricultural Development and Economic Empowerment (PADEE) between 2013-2017. In the CHAIN project, clusters are an agglomeration of farmer groups and private sector businesses in high-potential areas who coordinate their production and explore collective market linkages. Farmers in the cluster work together to produce and sell their crops in a coordinated effort.

A cluster can be seen as a stakeholder association designed to achieve the following:

- Accelerate inclusive growth within specific value chains.
- Stimulate long-term participation of smallholder farmers engaged in such value chains
- Improve value chain performance in terms of competitiveness, fairness, coordination and trust
- Develop partnerships between the public, private and civil sectors.

Setting up a multi-stakeholder platform (MSP) is an important step in cluster development. The MSP brings together the three types of actors to discuss how to build inclusive business relationships and trust.

An MSP can be initiated by development projects or partners and is then led by the cluster itself through appointed representatives. Although our primary focus was the farmer, we worked hard to ensure that all cluster relationships facilitated by CHAIN were win-win relationships and that everyone involved achieved a higher income. This ensured a level of trust among all participants that could sustain the relationships beyond CHAIN's conclusion.

Those who wish to apply the approach described below should adjust and tailor the methodology to meet their specific needs based on various factors, such as geography, type of commodity, timeline, human and financial resources, partner availability and interest, specific characteristics of the market and sector maturity.

## 2. Background

Horticulture is an important part of the agricultural economy of Cambodia due to the rapidly increasing urban demand for fruits and vegetables. Until recently, more than 50% of all vegetables were imported from neighbouring countries capable of year-round production and equipped with better logistical networks, such that their products were more competitively priced. Imported vegetables, however, contain significant amounts of pesticide residues and are therefore a food safety concern. CHAIN worked on promoting safe, locally produced vegetables in four northern provinces of Cambodia (Oddar Meanchey, Preah Vihear, Stung Treng and Kratie) using clusters to reach a critical mass and facilitate market transformation.

To date, CHAIN has achieved the following overall results:

- 14 business clusters have been created and incubated.
- 10 of these clusters have contract farming relationships with four national buyers and produce according to agreed standards.
- Local supply of vegetables in the four target provinces increased from 50% to 70%.
- The project reached 10,000 households in 400 farmer groups. (Over 70% of the farmers reached were women.)
- About 6,000 farmers have transitioned from household subsistence farming to semi-commercial or commercial operations.
- 65 traders across the target provinces have increased local sourcing.
- 25 input retailers (most of them women) across the target provinces have increased their sales.





## The CHAIN experiences



### THE FARMER/PRODUCER

Pan Kim Yi, 62, is a former soldier who started in dire poverty but managed to build a farming business from scratch. He is now an enthusiastic cluster member in Preah Vihear province. He was already successful before joining CHAIN, but the project helped him expand his business with new knowledge, especially techniques like grafting, drip irrigation, trellis nets and plastic mulch sheets. After being a cluster member for one year, he earned USD 5,000 in profits and has used some of that money to help his children expand their own businesses.

He has an open personality and a great willingness to learn and share his experiences with others. He gets noticed by many young farmers in the area. In the cluster, he discusses with other members what to grow in what volumes, in which weeks, and so on.

***" I registered as a cluster member because I want to be part of a collective strategy, and learn and share with others, including young farmers. I identify problems happening on my field and find solutions. When problems are solved, I share my experience with others at the following meeting."***



### THE TRADER

Hout Panha collects vegetables every day from a 25-member vegetable cluster in Sesan district, Stung Treng province. Since traders sometimes argue over who should work with which farmer, CHAIN invited a number of them to participate in an MSP to discuss the potential to collaborate and collectively support the farmers in the cluster to improve the supply chain.

Therefore, he and his cluster members agreed that farmers in the cluster should be able to sell their produce to traders from other clusters as well, as long as they offer traders in their own cluster discounted prices for common vegetables like cucumber, tomato, eggplant, and bitter melon. The members of his cluster also agreed to set up a vegetable collection point to boost collaboration. He adds,

***" Before having a cluster, I thought and did everything alone, and I had a hard time finding a producer who could supply what I needed. Sometimes they sold to me, and sometimes not. The cluster has helped me solve these problems. I feel I can do something bigger than just being a normal trader. I want to see everyone involved in the cluster benefit from long-term business relationships."***



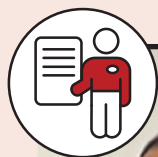
## THE INPUT SUPPLIER/SERVICE PROVIDER

Chea Kanhary owns a depot supplying vegetable inputs and materials such as fertilizer, seedling trays, drip hoses, pesticides, trellis nets, plastic mulch and insect traps. Her depot is one of the biggest in Orrusey market, Stung Treng province.

She likes the idea of belonging to a cluster, and she consistently participates in the MSP meetings because she can interact directly with farmers. 'The MSP is a place where I can promote my depot for free to those looking to buy agriculture inputs,' she explains. Before joining the cluster, she would typically sell only one product to each customer; because of low volumes, she had to charge a high price for each item.

***" I didn't want to sell at such high prices, but because each farmer bought only one item, I had to charge more. If I discounted the price, I would earn very little."***

However, she has now built good business relationships with cluster members. She often receives requests for discounts from vegetable growers, so she decided to offer discounted prices to farmers within the cluster who agree to buy in bulk. To improve trust, she provides free information and recommendations on input materials to those who buy products from her depot.



## THE PDAFF SUPPORT STAFF

Ly Det, 33, works for PDAFF in Stung Treng province. In 2017 he worked for CHAIN as a facilitator with various responsibilities and heard the word 'cluster' for the first time. It was tough for him at the beginning because he knew nothing about clusters and their benefits. During cluster development, he had the opportunity to meet many producers, traders, service providers and input suppliers. He now communicates with all these actors and facilitates relationship-building between them and farmers. With his new understanding of clusters, he encourages farmers and other actors to trust each other and work out a collective strategy to achieve common goals.

***" I appreciate working with CHAIN. I want to share newly obtained knowledge with community members, friends and colleagues," he says. 'There should be a discussion time within the family or workplace to share problems or thoughts freely, like what I saw in the MSP meetings. I hope that people involved in agriculture in other provinces can learn about clusters too and develop one so they can benefit like the farmers in my province."***

## 3. Methodology Overview

### What was the problem?

We found that farmers grew primarily the same leafy vegetables at the same time instead of diversifying into higher-value fruity vegetables and with different growing periods. This caused oversupply on the market and low prices. They mostly produced for home consumption rather than engaging in year-round, commercial production. Their yields were low because they did not use modern technologies and methods (fertilizers, plastic mulching, drip irrigation, greenhouses). Farmers did not talk to each other frequently, so they were not aware of what others were producing and what challenges they faced. Other market actors thought that no vegetables were being produced and that there was no potential market for inputs. Many informal farmer groups in the target areas were not linked with other value chain actors, so they had limited or no access to market information, technical support, or platforms to discuss solutions. The CHAIN team began to think about how to improve linkages between value chain actors, how to create focal areas so as to reach a critical mass of supply and demand, and how to create a platform where actors could discuss their problems and find solutions.

### What did we expect to achieve?

We thought of a way that would (1) allow local stakeholders, including farmers, traders, input suppliers, private sector companies, financial institutions, government agencies and NGOs, to meet each other; (2) provide a platform where farmers can share their problems, discuss solutions, exchange ideas, resolve differences with other market actors and improve market linkages; and (3) foster trust among those involved and encourage people in the same geographical area to work together to achieve common commercial goals. We named the methodology 'cluster development approach' based on the earlier PADEE experiences.

### What were the solutions/methods?

To achieve the project's goal using the B2B approach, we developed a seven-step method that involves gathering and analysing market information, holding planning meetings with farmer groups, familiarizing farmers with the operations of wet markets and other distribution and retail outlets, and helping them to make business plans with other market actors. These steps are described in detail in Section 4.





## RESULTS

### **The cluster development approach – combined with other CHAIN interventions – produced strong results in the target provinces:**

- 14 clusters from 60 villages established; 7 clusters are transitioning to an agricultural cooperative model.
- Three clusters constructed vegetable cleaning and collection centres through support from other projects (ASPIRE and AIMS). 3,400 commercial farmers (50% of them female) saw their production increase by 50% on average. Net annual income increased by USD 600 on average.
- 20 vegetable traders and 25 input retailers worked with CHAIN-supported clusters and expanded their business relationships.
- Six national-level private sector companies worked formally and informally with CHAIN-supported farmers and expanded their business efforts in the target provinces. Some input companies increased sales tenfold in the target provinces.
- 41 staff from local institutions (such as PDAFFs, PDoWAs and NGOs) received a combination of technical and business training. Their prior knowledge of organising effective MSPs or mobilizing clusters for coordination and collective action was poor and are now capable of doing this autonomously.
- A quarter of the input retailers who participated in CHAIN activities reported a significant increase in sales, especially because they are now able to provide technical and market production advice to the farmers who buy their inputs through their clusters.
- Several local partners reported that their views had changed over the life of CHAIN, and that they saw the benefit of encouraging farmers to think like businesspeople.
- Project visitors and evaluators noted dramatic changes over the years of CHAIN: where there was little focus on vegetables before, there are now dynamic horticulture businesses operating in well-coordinated clusters.

# 4. Cluster Development Steps

The table below outlines the steps in CHAIN's cluster development approach, including their purpose and outputs.

Methodological Step	Purpose/Objective	Output
<b>1</b> <b>Rapid mapping</b>	<ul style="list-style-type: none"> <li>• Identify areas with the best production, market, and impact potential where agribusiness clusters can be established</li> <li>• Identify critical constraints and opportunities in the pre-assessed areas</li> <li>• Rank the areas</li> </ul>	<ul style="list-style-type: none"> <li>• List of priority areas</li> <li>• Rapid mapping report containing detailed information on primary actors, driving forces, and constraints and opportunities</li> <li>• List of potential clusters</li> </ul>
<b>2</b> <b>Selection of clusters and market-oriented social mobilization</b>	<ul style="list-style-type: none"> <li>• Decide how many clusters should be set up in the selected areas</li> <li>• Mobilize local actors with each other</li> </ul>	<ul style="list-style-type: none"> <li>• Farmer groups have a clear understanding of the advantages and disadvantages of forming a cluster</li> <li>• Number of selected clusters</li> <li>• Agreement from actors on establishment of each cluster</li> </ul>
<b>3</b> <b>Multi-stakeholder platform (MSP) meeting and collective business strategy</b>	<ul style="list-style-type: none"> <li>• Organize an initial MSP meeting to validate identified constraints and opportunities and develop a vision for collective action</li> <li>• Develop a collective action plan that will coordinate local production, product marketing, and technical and financial support</li> </ul>	<ul style="list-style-type: none"> <li>• A clear understanding, on the part of all stakeholders, of the local economic and business situation</li> <li>• Agreement on the proposed cluster, its purpose and location</li> <li>• Business strategy, including a list of collective actions to implement, and market and support linkages</li> </ul>
<b>4</b> <b>Backstopping and local capacity building</b>	<ul style="list-style-type: none"> <li>• Follow up on decisions, motivate local actors to commit to agreed actions, and advise all stakeholders of their roles and responsibilities while implementing the-adopted business strategy</li> <li>• Empower local actors to act and commit to the business strategy and renew their roles and responsibilities; improve their performance and collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Cluster working document</li> </ul>

# 5. Step-by-Step Guidance

## 5.1. Rapid mapping

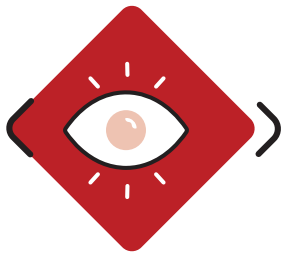
To establish clusters, potential areas need to be identified. Which areas are suitable for production and have access to markets? Where are producers located? Your team can collect this information directly from key informants, such as local government representatives (i.e. PDAFF), the Provincial Department of Commerce, financial institutions, local NGOs and/or representatives of local stakeholders (such as seed companies or input suppliers). Key informants are individuals, businesses and institutions permanently operating in the target area who are willing to share their knowledge.

Rapid mapping is a process to collect information on the key constraints and opportunities related to production, marketing, business development and possible support in the potential cluster area, as well as to identify key local actors and stakeholders who could be engaged in development of the agribusiness cluster. The data collection can be done through observation, group discussions with farmer groups, interviews with farmers, and validation of some information with stakeholders in the area. Once the prioritized areas are identified, you will need to have an overview of the number of actors involved, the demand and supply of the commodity (in CHAIN's case vegetables), pricing, and constraints and opportunities for the sub-sector.

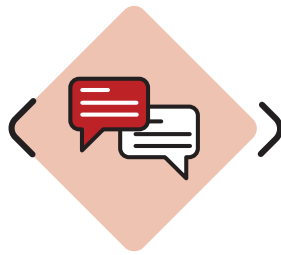
### Below are steps for the assessment:

1. With your team, discuss and develop the criteria for cluster selection. CHAIN focused on three main criteria for assessment: production potential, market potential, and impact potential. (See **Annex 1** for sample pre-assessment criteria.)
2. Organize a meeting with key informants and local authorities and ask them to evaluate the cluster development potential of at least five (district/commune) areas in the target zone. Let them score those areas based on questions in the criteria list. Each criterion in each area can be rated from 0 to 3, where 0 = no potential, 1 = low potential, 2 = medium potential, and 3 = high potential.
3. Sum up the scores and select up to five areas with the highest scores. Designate them as priority areas (areas 1, 2, 3, 4, and 5) for cluster development.
4. Study the priority areas through direct observation, discussions, interviews, and a final validation, as shown in the flow chart below.

<sup>1</sup> Production potential focuses on the location's suitability for producing vegetables, including the availability of water and agricultural inputs, the number of semi-commercial and commercial farmers present, and their ability to adapt to new technologies. Market potential represents the capacity to reach critical production volumes and the market share that can be achieved by attracting buyers to work in that area. Impact potential focuses on outreach, household income potential and sustainability of the inclusive business model for the cluster and the likelihood farmers will further specialize in commercial vegetable production.



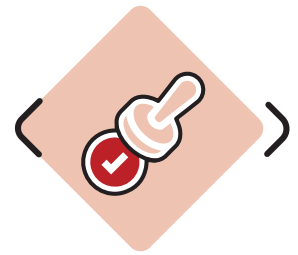
Observe



Discuss



Interview



Validate

**Observe:** Plan field visits to each priority area with the project team. During each visit, take note of the infrastructure (such as roads and water bodies) and identify the characteristics of local farming, such as the types of vegetables that farmers are growing and the distance to the nearest marketplace.

**Discuss:** Project staff meet with individual value chain actors (including vegetable farmers, traders, and input suppliers) and ask them to share their past and present experiences of production and market access, business relationships, existing networks, and their ideas for possible improvements.

**Interview:** Conduct interviews with value chain actors individually or in groups to obtain information, estimate productivity and profitability, identify business practices and access to services. At this point, you can use semi-structured interviews and prepare a series of guiding questions for different actors. (See examples of guiding questions in **Annex 2.**)

**Validate:** Validate the main findings and insights with key informants and local authorities. Also validate the criteria that will be used to select priority areas in which an agribusiness cluster can be developed and supported by the initiative.



After conducting the above tasks, you can produce a rapid mapping report using the data and information you have collected (see Annex 3 for a sample report). The report should focus on three topics:

**1. Main actors (producers/farmers, traders, input suppliers):** Describe the status of every actor who may join the cluster. The key points for farmers are farming land size, water sources, seasonality of production, types of crops and existing business relationships with input suppliers and traders. The key points for input suppliers are the spectrum of inputs sold, the shop location, and supply terms to customers. The key points for traders are the amount of produce sourced, the types of crops they are interested in, the means of transportation, and the collection area. Identify existing and potential market segments and estimate product volumes, flows, and simplified gross margin (SGM) for each actor.

**2. Driving forces and leverage points:** Describe the driving forces in the value chain and the priority attention points.

- Driving forces are the factors that determine the dynamics of the sub-sector, such as market demand, technological changes, availability of inputs, barriers to market entry, and profitability levels.
- Leverage points are bottlenecks that must be prioritized by the interveners. They are often related to production and the synergy between actors.

**3. Constraints, opportunities, and potential interventions:** Describe production constraints and market linkages in the cluster location, and opportunities for value chain development. Suggest interventions that will improve the situation in the cluster.

## TIPS

1. If you have not yet grouped farmers in each village, you should do so. Select one farmer representative per village.
2. Meeting key informants face to face serves as motivation for local stakeholders to contribute to cluster initiatives.
3. Make sure you have a list of contact persons with names and phone numbers in hand during the field visits.
4. During field visits, having a printed map of the area (not just the Google map on your phone) is helpful to record information and identify each location.



<sup>2</sup>For calculating simplified gross margins, we refer to the How-To-Guide of Crop Budgets



## 5.2 Selection of clusters and market-oriented social mobilization

The number of clusters that can be set up in each geographical area is not limited; it depends on the scope of the intervention and the market potential of the value chain. The farmers on the ground should decide for themselves whether to form a cluster, whether to join or not. Some farmers might not be interested in a cluster since they can arrange an effective market linkage and technical support on their own. Others might want to first see if the cluster functions before they join. So farmers should understand what a cluster is and what its advantages and disadvantages are. Once they are committed to form a cluster, they can decide which location would be best for the cluster.



### Below are steps that can be followed:

1. Invite all stakeholders to a meeting where they will make the final selection of cluster areas. Stakeholders can be broadly categorised into three groups:
  - **Local value chain actors** are directly involved in the production, processing, and marketing of a specific product, from input provision to final consumption. They include farmers, input companies and local dealers, traders, buyers, wholesalers, retailers, and local consumers.
  - **Local supporters** provide financial, technical or information services to the primary actors. They include extension service providers (public, civic or private), providers of skills development or vocational training, financial institutions, business developers, and providers of certification and market intelligence services (public or private).
  - **Enablers** are institutions and organizations that empower primary actors and supporters to play their roles. They include (a) development partners, NGOs and research institutes that supply the means, knowledge or opportunities to primary actors and supporters; (b) government agencies and institutions that give legal authority, capacity or sanction to primary actors and supporters to operate; and (c) professional associations, networks, round tables, working groups, unions, etc.
2. At the beginning of the meeting, a facilitator (typically, a staff who has a deep understanding of the area and expertise in cluster development) describes the nature of an agribusiness cluster and its objectives. With the help of the participants, he/she draws up a list of the advantages and disadvantages of setting up a cluster.

Common advantages and disadvantages of a cluster	
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Better access to markets through the creation of minimum volumes and technical information</li> <li>Better access to inputs and micro-financing support</li> <li>Improved bargaining power</li> <li>Higher prices for produce sold, lower costs of inputs</li> <li>Opportunities to discuss problems with one's peers, with other value chain actors and supporting organisations and find solutions</li> </ul>	<ul style="list-style-type: none"> <li>Lower flexibility to change technology</li> <li>If a person leaves the cluster because of a disagreement over production, product pricing, or collective arrangements with traders and input suppliers, his/her departure can disrupt the cluster and negatively affect other members</li> <li>Members need to invest time to coordinate their collaboration</li> <li>Cluster won't work if the commercial/business objective is distorted for social or political means, a win-win outcome for all participants is required – otherwise it's a waste of everyone's time and resources.</li> </ul>

- Participants can ask questions relating to cluster development and engage in an open discussion about the pros and cons of forming a cluster. Then they can vote on whether to set up a cluster or not. If the outcome of the vote is positive, they decide, individually, whether they wish to join the cluster. Those who wish to join can sign up immediately with the facilitator. Participants who are not interested in being part of a cluster may leave the meeting at this stage.
- The facilitator presents the information collected during the rapid mapping in each of the previously identified priority areas
- Finally, the priority areas can be scored according to well-defined criteria, as shown in the example below. (For a more detailed description of the selection criteria, please refer to **Annex 4**.) If the group of remaining attendees is small enough, the scoring can be done with everyone's participation. If the group is too large to allow this, the facilitator may conclude the meeting and ask a few designated scorers (ideally, between one and three individuals representing each stakeholder category) to stay behind for the scoring.

Criterion	Area 1	Area 2	Area 3	Area 4	Area 5
Potential to attract private sector actors	3	2	5	1	4
Scope of short-term interventions to achieve quick wins	2	5	5	2	3
Willingness of private sector actors to steer, invest and develop initiatives	2	1	5	2	3
Potential interventions in the value chain are creative and profitable	1	1	4	3	4
Critical mass of actors to establish an MSP	4	3	4	2	4
<b>Total score</b>	12	12	23	10	46

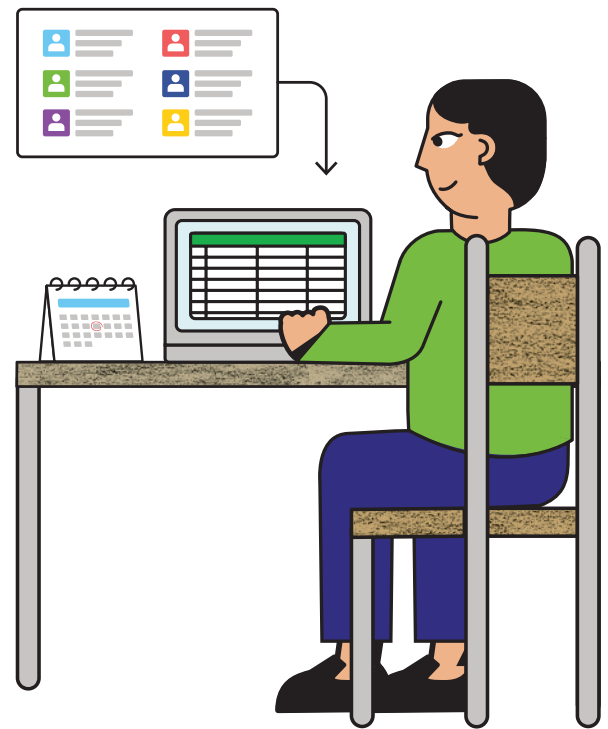
Note: Scores are from 1 (low) to 5 (high). Priority areas are identified by commune and district.

- The final decision on where to set up one or more clusters is made jointly with the facilitator and the project team based on the outcome of the scoring exercise. The result of the area selection must be shared and be agreed upon by the farmers and other local actors.

# TIPS

**1.** Record name, contact number, title, workplace, and address of all participants in an Excel sheet. This information will be used to invite stakeholders to the first MSP meeting. Contacts can be shared through social media and create a telegram/WhatsApp group.

**2.** We assume that the project staff and the facilitator have adequate experience in facilitation and negotiation. If not, we recommend that they attend a training course first.



## 5.3 Multi-stakeholder platform (MSP) and collective business strategy

An MSP requires an experienced person to plan, guide and manage the MSP process well. The results of the discussions held in the MSP are formulated as a collective business strategy that details how stakeholders will cooperate to improve their operations and business relationships and optimize the long-term value of these relationships. Cluster members are invited to engage in inclusive business-to-business (B2B) relationships. They can gather in MSP meetings to share and discuss their problems and find solutions to achieve their goals.

We recommend the following steps for the initial MSP meeting:

### Preparation

1. Before the first MSP meeting, you should consult key stakeholders and prepare them to share information, experiences, and opinions. The project team should meet separately with representatives of farmer groups, buyers, input suppliers, Agri-finance institutions, and supporters to discuss the MSP process, objectives and expected results.
2. Encourage these representatives to gather data and information relating to the local value chain, to be presented and discussed in the MSP meeting.
  - Representatives of **farmer groups** can collect and present information on the types of vegetables available in each season, production factors (yield, quality), market factors (price, confidence), capital investment (loan/co-investment) and opportunities (what could be done to improve the vegetable value chain).
  - A representative of **input suppliers** can present information on the agricultural supplies that they sell and provide a list of relevant contacts and services.
  - A representative of **MFIs and banks** can discuss financial challenges and brief participants on the credit services that are available to them.
  - A representative from a **buying company** can make a short presentation on crop demand, the market situation and critical challenges.
3. Prepare an agenda and send invitation letters to invitees listing the objectives of the meeting.
4. Organize logistics, facilities and supplies in advance.

### Facilitation

5. During the first MSP meeting, focus on (a) the agribusiness cluster approach and its principles, (b) the local business situation, (c) local business development constraints and opportunities, and (d) potential solutions and a vision for the business cluster.
6. Start the meeting with opening remarks by an honourable guest, such as a high-ranking representative of local government; or a prominent community member, such as the commune chief.
7. Following the agenda (see **Annex 5** for a sample), the facilitator makes a brief presentation reiterating what a cluster is and why it is important to establish one.
8. Group the participants by stakeholder type, such as farmer group, input supplier group, micro-finance/bank staff group, buying companies, and NGOs. Many of the participants will be farmers, so you may have to create several groups just for farmers.
9. Let the representatives of each group share and exchange information with the group based on the research and preparation they have conducted previously (see point #2 above).

- 10.** The participants ask questions and exchange ideas in an open discussion session. By this stage, they should be able to identify the problems around the value chain and the cluster's specific business situation.
- 11.** Next, all stakeholders develop a collective action plan (a business strategy) to solve problems and improve the sustainability of the agribusiness. To start, each stakeholder must develop a value proposition and share it with the cluster.
- Production actors (farmers and input suppliers) formulate a value proposition pitched to marketing actors to convince them to buy their products at the right price or use their services.
  - Marketing actors (buyers, collectors, wholesalers, retailers) formulate a value proposition pitched to production actors to convince them to supply quality products/services.
- 12.** Design a business strategy for the cluster using the logic below:
- The production strategy should describe the priority actions of the production actors, and how they will cooperate and synchronize their operations.

**Questions to be considered:**

- How will input providers supply the right equipment, technology, raw material, seeds and other agro-inputs, at the right time and the right price, as requested by the targeted producers?
- How will producers coordinate their production as per good practices and the agreed sourcing calendar? How will they support and supervise each other in order to guarantee quality and standards compliance?
- How will village collectors/producer groups aggregate production, check quality, store and package final products as agreed with buyers?
- The marketing strategy should describe how the different marketing actors, such as traders and buying agents, wholesalers and retailers, will coordinate in order to reach the consumer with the right product, the right quality and the right price.

**Questions to be considered:**

- When will traders or agents come to buy the agreed products? How will they pay?
- How much will wholesalers buy, when, and under which conditions?
- How will retailers be supplied? Under which conditions?
- How will the products/services be marketed to targeted end consumers?
- Finally, the supporters (public, civic and/or private) will clarify the specific support they can provide to the different actors.

<sup>3</sup> A value proposition is a short statement explaining why the targeted customer should choose the producer's or service provider's product/service.





## Reporting & follow-up

- 13.** It is essential that all information from the discussion be documented in a report summarizing the main insights of the meeting. The report itself becomes the cluster's collective business strategy. Once ready, it can be distributed to attendees and other relevant stakeholders. The report could have the following outline:

1	Introduction	1.1 Cluster approach 1.2 Cluster presentation 1.3 Business dialogue facilitation: methodology
2	Actual situation and problem statement	2.1 Local production 2.2 Local marketing 2.3 Local support for value chain development 2.4 Problem statement
3	Business opportunity and solution statement	3.1 Production value proposition 3.2 Marketing value proposition 3.3 Solution statement
4	Conclusion and initial cluster planning	4.1 Vision 4.2 Short-term strategic priorities

- 14.** A few weeks after the initial MSP meeting, follow up with individual stakeholders to ensure that all actions are implemented, and that participants have a clear understanding of their roles and responsibilities.

## TIPS

**1.** When you invite high-ranking officers or representatives to the initial MSP meeting, ensure the stage is appropriately decorated with a backdrop design showing the title and date of the event, and the logos of relevant stakeholders.

**2.** Plan for a half-day MSP meeting, as most stakeholders may be too busy to attend a full-day event.

**3.** During the MSP meeting, constantly remind participants of what has been discussed and keep them focused. Before moving on, always ask whether clarification is needed.

**4.** If the majority of participants are men, make time for the women to share their thought as well. All decisions should be made with the agreement of all attendees, including women.

**5.** Ensure the MSP is organised at a time and location where women are comfortable participating. Check this by asking suggestions from women.

## 5.4. Backstopping and supporting

Cluster development and management requires frequent, regular meetings of the MSP. The steps outlined in section 5.3 are intended as guidelines for the initial meeting especially. Subsequent meetings can follow a simplified agenda depending on what needs to be discussed and should be issue based. It should be remembered that the MSP is a forum for cluster members to discuss and solve problems together. An MSP meeting can be conducted at any time to encourage dialogue, cooperation, mutual learning and networking among cluster members. It can be large or small, formal or informal, based on the scope of the problem and the progress of the cluster.

Once there is need to problem-solve at the request of actors or stakeholders, the facilitator can organize an MSP meeting by inviting all those involved, including production, marketing and supporting actors. The cluster should also be monitored regularly by backstopping and support by the project or a third party who facilitated the cluster development, as agreed in the collective action plan. The backstopping activity is critical to mitigate risks related to production (e.g. climate, pests, diseases, etc.) and marketing and ensures that collective actions are implemented as planned and respected by all stakeholders.

Documenting progress, problems and success is essential for learning, adapting, and improving. It is also important to strengthen the capacities of all stakeholders as required while supporting the established agri-business cluster. A series of local capacity development activities and instructions could be designed and implemented.

### Recommended actions are as follows:

1. Conduct backstopping activities, including regular visits to the farm fields and the place of business of value chain actors and other local stakeholders, as per the action plan adopted during the MSP session. If they face problems, facilitate a discussion and find immediate solutions.
2. Follow up on decisions, motivating local actors to commit to agreed actions and reminding all stakeholders of their roles and responsibilities when implementing the adopted business strategy.
3. Develop a working document for the cluster that compiles all relevant information generated during implementation. It should contain the cluster presentation, including the rationale for establishing the cluster; the collective business strategy; a list of cluster members and their contacts; and weekly or monthly updates based on each field/stakeholder visit. (See an example of the working document in **Annex 6**.) Share the document with all those involved and keep it updated so that everyone can find solutions once problems occur.

## TIPS

Documents should be shared online so that everyone can receive timely updates. In CHAIN, we collected stakeholders' telephone numbers and asked them to download the Telegram app on their smart phones so that the updated documents could be shared via the app.

## 6. Conclusion

While the principles and methods outlined here are applicable to many different development initiatives, we hope especially that they will stimulate NGOs and local government agencies in Cambodia and elsewhere to undertake projects in agricultural development and adopt the cluster approach and the MSD model, which has delivered valuable results for CHAIN.

The cluster development approach is a promising exercise in trust-building and can help define a collective strategy to achieve common value chain goals. Farmers, traders, service providers and financial institutions can be stimulated to form a cluster and share the benefits of inclusive business relationships. The approach has attracted attention from the government, development funds such as IFAD, and other NGOs. It can be applied to different commodities and other geographies. Although clusters are a powerful tool for market linkages and B2B relationships, it might not be suited for everyone. As some individual farmers don't want to engage in coordinated collective marketing as they use their own marketing channels. Still, they often find the information exchange during MSPs very useful.

For more information on CHAIN's multiple phases, including manuals (in Khmer) on specific technologies and horticultural techniques, please visit our web site at <https://elibrary.maff.gov.kh..>

The annexes in the following pages provide samples of various materials that were adapted from the PADEE project's cluster approach activities. Soft copies of these documents can be downloaded from [<https://elibrary.maff.gov.kh>].





# ANNEXES



# ANNEX 1

## Pre-identification of potential vegetable clusters

### Sample pre-assessment criteria:

#### 1. Production potential

Existing volumes and seasonality: Are there a critical mass of producers engaged in the sector? Do they have the potential to produce sufficient volumes?

#### 2. Market potential

- Existing level of consumption: Is there a positive consumption pattern among consumers?
- Existing access to market and infrastructure: Is the area within reach of the target markets?

#### 3. Impact potential

Existing and potential income generation: How much are the current income and income generation potential of the future market's demand?

### Pre-identification of potential vegetable cluster

The table below was used by CHAIN's provincial project staff, including the provincial marketing facilitator (PMF) and the business-to-business facilitator (B2BF), to identify potential agribusiness clusters in a specific geographical area during the cluster rapid mapping.

Province: .....

District: .....

Please indicate your evaluation using L (low), M (medium) or H (high)

Group code	Group name	Commune name	Village name	1- Number of producers active in the area	2- Local consumption level	3- Ease of access to markets	4- Existing potential income generation

# ANNEX 2

## Examples of guiding questions

### GUIDING QUESTIONS FOR WHOLESALERS, TRADERS AND PROCESSORS

1	What are the main products you are interested in?
2	Specify the quality you are interested in.
3	What is the amount/volume of each specific product that you aim to sell?
4	When/how often do you need these products?
5	Can you tell us about the seasonality of demand-supply conditions? (periods of lower/higher demand, periods of lower/higher supply)
6	Can you tell us about price fluctuations? (periods with lower/higher prices)
7	What geographical area of production do you think is suitable for sourcing and transportation?
8	Are you already working with groups of farmers? If not, would you be interested in working more closely with farmers? If yes, please explain (where, how, how much, how often, whether you're satisfied).
9	What arrangements do you have with your current suppliers?
10	What problems do you face with your current suppliers?
11	What requirements do you have for new suppliers?
12	Are you part of a network of wholesalers? If so, why is the network important to you?
13	Are you already linked to credit/loan institutions and other financial services?
14	Based on your experience and market demand, is there any specific market segment that you see as having potential for expansion?
15	Where and to whom do you sell (market name and type, number of buyers, quantities, etc.)?
16	For each buyer type, how is the price of your goods determined?
17	What are your sales volumes per buyer type? (per year / month / season)
18	Compared to last year, have sales volumes increased? Please give a separate answer for each buyer type.
19	How do you expect the market to develop in the next three years? What would make you invest in the value chain?
20	If demand is strong, what is preventing buyers from buying more or giving a better price?
21	What do you do to promote your products?
22	Do you have problems selling your products? If so, which ones? What do you suggest to minimize these problems?
23	What do you see as opportunities to create more value in the value chain in terms of potential market segments, quality, or other considerations?
24	What are the key opportunities and constraints in wholesale?
25	What solutions can you propose to address constraints and enable access to opportunities?

**GUIDING QUESTIONS FOR PRODUCERS (farmer group business and production plan)**

1	Which products do you have for sale? In what quantities?
2	Which interventions would make you increase your commercial production?
3	What are your immediate requirements to improve production?
4	Are you cooperating with other farmers in the area? If yes, for what purpose?
5	Are you cooperating with specific input suppliers, collectors, traders or buyers? If so, can you share their names?
6	Do you receive any incentives from other actors?
7	Do you do anything to your product before selling it?
8	Can you tell us about the seasonality of demand-supply conditions? (periods of lower/higher demand, periods of lower/higher supply)
9	Do you see any potential for expansion in a specific market segment?
10	What would make you invest in this value chain?
11	Do you have any plans to upgrade your business? If so, how?
12	Can you tell us about price fluctuations? (periods with lower/higher prices)
13	What are common constraints you see in production and marketing? What solutions can you propose to address these constraints?

**GUIDING QUESTIONS FOR INPUT SUPPLIERS**

1	What are the main inputs you sell? In what quantities?
2	What is the amount/volume per specific product you are selling?
3	Are you already providing inputs to farmers?
4	If yes, please explain (where, how, how much, how often, whether you are satisfied).
5	If yes, what kind of arrangements do you have with these farmers?
	Do you have a network of input providers in the area?
	Are you selling on credit?
6	Are you already linked to certain traders or wholesalers to provide inputs to farmers? If so, who?
7	What would make you invest in the value chain?
8	What do you see as opportunities to create more value in the value chain?
9	What are the key opportunities and constraints in the input supply?
10	What solutions can you propose to address constraints and enable access to opportunities?

**GUIDING QUESTIONS FOR SERVICE PROVIDERS**

1	What are the main services you provide?
2	How often are do you provide each service?
3	Are you already providing services to farmers?
4	If yes, please explain (where, how, how much, how often, whether you are satisfied).
	If yes, what kind of arrangements do you have with these farmers?
5	Do you have a network of service providers in the area?
	Are you selling on credit?
6	Are you already linked to certain traders or wholesalers in providing services to farmers? If so, who?
7	What would make you invest in the value chain?
8	What do you see as opportunities to create more value in the value chain?
9	What are the key opportunities and constraints in service provision?
10	What solutions can you propose to address constraints and enable access to opportunities?

# ANNEX 3

## Example of a cluster rapid mapping report

**Location:** Sesan district, Steung Treng province  
**Date:** 11–13 September 2018  
**Meeting point:** Badeum village

### Producers

Geography is favourable as around 60 farmers from Katout, Samkhuoy, Hang Savath, Badeum, and Kaphon villages engage in vegetable production mostly under CHAIN support. The river is the main water source for their agriculture. During a meeting with 33 farmers on agribusiness cluster establishment, they were happy to join in such a big group of key actors to push their businesses. Each village has one farmers' group representative. Most farmers grow cucumber, long bean, tomato, Chinese mustard, eggplant, pumpkin, luffa gourd, wax gourd, bitter melon, chilies and lettuce. Their land size for production is from 200 m<sup>2</sup> to 1,000 m<sup>2</sup> on average. Most farmers grow conventional vegetables, but they are motivated to catch up with the new techniques if they receive support, while some farmers here have already invested in drip irrigation and adopted the new technique of grafting tomato with eggplant. After production, every early morning, they bring their produce by themselves to sell to different wholesalers and vendors at Orrusey and Samaky markets. Farmers here can get higher prices between March and June due to high demand. Input supplies are not a challenge for them because they have access to high-quality products from Ou Pongmuan market.

### Traders

Mr. Panha is a wholesaler and vendor in Orrusey market. His business hours are from 2 am till noon. He's also a producer who receives CHAIN support, having recently acquired a 268 m<sup>2</sup> plastic house. He became involved in CHAIN about two years ago and knows many farmers from different areas, including Khe, Phnom Krohorm, O'Chap and Kaphon (Se San). A variety of vegetables and fruit are supplied by those farmers, including cucumber, luffa gourd, papaya, long bean, curly mustard, green mustard and lime. Mr. Panha travels regularly at around 4 or 5 pm to collect vegetables from farmers' gates, but farmers from some areas, like Kaphon, bring produce directly to his stall. He collects approximately 500 kg of vegetables and delivers to four main vendors in Samaky market, about 200 kg to Ratanakiri, and his wife sells at the stall in Orrusey market as well. The price for local vegetables is 500 riel per kilo higher than imported ones from Suong or Phnom Penh. He says he has good business relationships with around 15 farmers, and he would like to enlist more. He needs more local produce if farmers can improve year-round production, because there is high demand locally and in surrounding areas, including Ratanakiri and Kratie.

Mrs. Sopheary has been a trader for three or four years in Orrusey market. She collects vegetables mainly from two villages, O'ry and Samkhuoy, more often in the hot season as most farmers do not grow in the wet season. The vegetables she collects include green mustard, choy sum, curly mustard, long bean, lettuce, cucumber and spring onion. She needs around 150 kg per day, but farmers can supply only 100 kg and even less during the wet season. Thus, at the moment she brings in some vegetables from Suong or Phnom Penh, such as eggplant, onion, chilies, Chinese cabbage, spring onion and Chinese radish. She is both a retailer (from 2 am to 11 am) and a trader selling to about 10 other retailers in Orrusey market.

## Input suppliers

One of the biggest suppliers in Ou Pongmuan market, Mr. Khin Seang has been cooperating with CHAIN since 2016. Farmers from different villages come to his store to buy a variety of inputs for vegetable production, such as seeds, nets, drip irrigation equipment, pesticides and fertilizer. Most inputs, especially seeds, are supplied by East West, Malisan, and Agriance. He says that nowadays, the number of farmers who come to his store has decreased, as low yields have discouraged many farmers from using advanced technologies. Most farmers still grow what they have always grown using conventional technology.

## Driving forces and leverage points

Existing skilled farmers have been supported by CHAIN project staff and PDAFF staff. Water availability and soil fertility are favourable for most of the year except July, August and September, when water levels increase and cause a drop in production, though this also drives up prices. Farmers are interested in adopting new production technologies. Traders are willing to offer higher prices than for imported produce if farmers can increase supply because their produce is in high demand locally and in neighbouring provinces like Ratanakiri and Kratie. Good market channels are also a driving force for traders, wholesalers, vendors/retailers and consumers. Farmers can easily access reliable agri-suppliers and market channels that are a critical entry point to set up a cluster.

## Constraints and opportunities of potential interventions

The key challenge for production is the limited knowledge about fertilizers and pesticides usage especially on cucumber and tomato. Market demand is high, but this area has a shortage of traders who can collect produce from farmers and supply to the main markets. This is an opportunity for CHAIN and its partners to identify a few traders to play this role. As market demand is high, farmers are willing to improve production, so new techniques and materials can be introduced. Later, production plans could be supported by bringing producers and buyers to build closer business relationships to increase production volumes and quality, and to avoid surpluses and fluctuating prices. The commitment of key actors along the value chain needs to be strengthened to ensure better cooperation.



# ANNEX 4

## Cluster selection criteria

Area 1 (district & commune)	Score (1–5)
<p><b>1. Potential to attract private sector actors, like processors and traders, to establish business value chains.</b> This criterion indicates the presence or potential presence of private sector actors, preferably closer to the end market, to invest in the value chain.</p>	
<p><b>2. Scope for short-term interventions, preferably private sector-driven, to achieve quick wins.</b> This criterion captures interventions identified by value chain actors/stakeholders that can be implemented immediately and have the potential to improve business performance or the performance of the value chain in the short term.</p>	
<p><b>3. Willingness of private sector actors to steer, invest and develop initiatives.</b> This criterion indicates the (potential) presence of a private sector leader, preferably close to the end market, who has a clear vision of how to upgrade/improve the overall value chain or the sub-sector. This upgrading vision should benefit all value chain actors, so the private sector leader should be willing to invest in a way that looks beyond the performance of his/her own enterprise.</p>	
<p><b>4. Potential interventions in the value chain are creative.</b> This criterion captures potential interventions that address constraints or explore opportunities, such that the dynamics of the value chain can be modified by new or different ways of doing things from the perspective of a particular group, organization, business or context.</p>	
<p><b>5. Critical mass of actors to establish effective multi-stakeholder platforms, with different categories represented and potential for ownership.</b> This criterion indicates the presence of stakeholders at all functional levels in the value chain, including service/input providers and enabling private and public institutions, who as a group can steer value chain development.</p>	
<b>TOTAL SCORE:</b>	

# ANNEX 5

## Sample multi-stakeholder platform (MSP) meeting agenda

Time	Activity	Responsible
07:30–08:00 am	Registration	Value chain team
08:00–08:15 am	Opening remarks and presentation on the local business situation	Commune chief
08:15–08:30 am	Welcome speech	Director of PDAFF
08:30–08:40 am	Introduction to agribusiness clusters	Facilitator
Part 1: Market potential and problems faced by cluster members		
08:40–09:10 am	Presentations by traders: <ul style="list-style-type: none"> <li>• Trader 1</li> <li>• Trader 2</li> </ul>	Actors in the business cluster
09:10–09:40 am	Presentations by producers/farmers: <ul style="list-style-type: none"> <li>• Group 1</li> <li>• Group 2</li> <li>• Others (if available)</li> </ul>	Representatives of each farmer group
09:40–09:55 am	Refreshments	
09:55–10:25 am	Presentations by input suppliers: <ul style="list-style-type: none"> <li>• Depot 1</li> <li>• Depot 2</li> <li>• Company representatives (if available)</li> </ul>	Actors in the business cluster
Part 2: Potential to develop the vegetable business and common vision for the cluster		
10:25–10:55 am	Discuss opportunities and solutions to common problems	Plenary discussion
Part 3: Supporting actors		
10:55–11:20 am	Presentation by financial sector representative: <ul style="list-style-type: none"> <li>• MFIs/banks</li> </ul>	Representative of MFIs and/or banks
11:20–11:50 am	Presentations by development partners: <ul style="list-style-type: none"> <li>• Partners (if available)</li> <li>• Private sector actors (if available)</li> <li>• Public sector actors (if available)</li> </ul>	Representatives of supporting actors
Part 4: Agreement and next steps for selected vegetable business cluster		
11:50–12:25 am	<ul style="list-style-type: none"> <li>• Develop value proposition and formulate business strategy</li> <li>• Make a list of problems</li> <li>• Make a list of solutions/what should be done in the future</li> <li>• Identify responsible actors</li> </ul>	Plenary discussion
12:25–12:30 pm	Wrap-up	CHAIN representative
12:30 pm	Lunch	All

# ANNEX 6

## Outline of a sample working document for cluster development

Section	Content
Cluster preparation	<p>A short presentation of the agribusiness cluster in terms of:</p> <ul style="list-style-type: none"> <li>• Geographical location (province, district, commune, village). Using a map is recommended.</li> <li>• Number and names of producers and their groups (collection points), number and names of input providers and buyers, traders, and wholesalers active in the area.</li> <li>• Supporters such as MFIs, extension services, NGOs, public institutions, etc., providing support to the producers and cluster stakeholders.</li> <li>• Types and specifications of products (volume, actual and potential) and target markets (where, volume and prices). Photos are recommended.</li> </ul>
Rationale for establishment of the cluster	<p>A summary of the rapid mapping report, reminding all participants why the cluster has been established:</p> <ul style="list-style-type: none"> <li>• Summary of constraints and opportunities</li> <li>• Common vision agreed during the validation workshop</li> </ul>
Collective business strategy	<p>A summary of the agreed collective business strategy:</p> <ul style="list-style-type: none"> <li>• Production – Which products (which quality criteria), how much, where, when, with which inputs and equipment, under whose coordination?</li> <li>• Marketing – Who will buy, how much, at which price, where, when and under which conditions? What is the final destination of the products (local, provincial, national or international markets, rural or urban)?</li> <li>• Support – Who will provide what support to whom, such as training, exposure or learning visits, face-to-face meetings and dialogue, MSP meetings, follow-up on actions and performance.</li> </ul>
Updates	Notes taken by the facilitator and/or project staff during follow-up field visits. Minutes from any subsequent MSP meetings.
Annex	A list of all stakeholders' contact information.



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