Guidelines for 
4P Brokering and Business
Case Development

SNV Netherlands Development Organisation 
Co-authored by TheRockgroup 
In cooperation IFAD
2017
# Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgements</td>
<td>iv</td>
</tr>
<tr>
<td>Glossary of Terms</td>
<td>v</td>
</tr>
<tr>
<td>Introduction</td>
<td>7</td>
</tr>
<tr>
<td>Where does the 4P thinking come from?</td>
<td>8</td>
</tr>
<tr>
<td>What are 4P business cases?</td>
<td>9</td>
</tr>
<tr>
<td>The role of a broker</td>
<td>10</td>
</tr>
<tr>
<td>The need for an independent and neutral broker</td>
<td>10</td>
</tr>
<tr>
<td>Outline of the 4P guidelines</td>
<td>11</td>
</tr>
<tr>
<td>How to use the guidelines</td>
<td>12</td>
</tr>
<tr>
<td>A timeline for 4P brokering and business case development</td>
<td>13</td>
</tr>
<tr>
<td>Chapter 1 - The role of the broker</td>
<td>15</td>
</tr>
<tr>
<td>Introduction</td>
<td>15</td>
</tr>
<tr>
<td>Characteristics of a good broker</td>
<td>15</td>
</tr>
<tr>
<td>Initiating the brokering process in steps</td>
<td>20</td>
</tr>
<tr>
<td>The role of the broker in the 4P process</td>
<td>20</td>
</tr>
<tr>
<td>Tools for 4P brokering</td>
<td>22</td>
</tr>
<tr>
<td>Challenges and risks</td>
<td>23</td>
</tr>
<tr>
<td>Tips and tricks</td>
<td>23</td>
</tr>
<tr>
<td>Chapter 2 – Identification and matchmaking</td>
<td>24</td>
</tr>
<tr>
<td>Purpose of this step</td>
<td>24</td>
</tr>
<tr>
<td>Role of the broker in this step</td>
<td>24</td>
</tr>
<tr>
<td>Key deliverables</td>
<td>25</td>
</tr>
<tr>
<td>Identification and matchmaking in steps</td>
<td>25</td>
</tr>
<tr>
<td>Tools for identification and matchmaking</td>
<td>32</td>
</tr>
<tr>
<td>Challenges and risks</td>
<td>33</td>
</tr>
<tr>
<td>Tips and tricks</td>
<td>33</td>
</tr>
<tr>
<td>Chapter 3 – Developing the 4P Business Plan</td>
<td>34</td>
</tr>
<tr>
<td>Purpose of this Step</td>
<td>34</td>
</tr>
<tr>
<td>Role of the broker in this step</td>
<td>34</td>
</tr>
<tr>
<td>Key deliverables</td>
<td>34</td>
</tr>
<tr>
<td>The development of a 4P Business Plan in steps</td>
<td>35</td>
</tr>
<tr>
<td>Tools for developing the business plan</td>
<td>41</td>
</tr>
<tr>
<td>Challenges and Risks</td>
<td>42</td>
</tr>
<tr>
<td>Tips and Tricks</td>
<td>43</td>
</tr>
<tr>
<td>Chapter 4 – Implementation of the business case and strengthening the partnership</td>
<td>44</td>
</tr>
<tr>
<td>Purpose of this step</td>
<td>44</td>
</tr>
<tr>
<td>Role of the broker in this step</td>
<td>44</td>
</tr>
</tbody>
</table>
Acknowledgements

We would like to thank IFAD, especially Marco Camagni and Christa Ketting, for the excellent collaboration and their continuous feedback, as well as the Country Programme Managers and Field Programme staff in the selected partner projects in the countries for the collaboration, patience with us and feedback. We also like to thank local partners and service providers, who made maximized learning from this project possible.
Glossary of Terms

In the 4P brokering and business case development guidelines we are using a number of terms which are introduced and explained herewith.

**4P** – Public Private Producer Partnership, or a mutually beneficial partnership between the public, private and producer partners who jointly aim for economic, social and environmental impact.

**4P Business Case** – A 4P business case is based on a value proposition of usually the private partner and is based on a revenue model. It gives the justification for a 4P arrangement to be formed. It describes the rationale for the suggested solutions to improve future outcomes. It provides a detailed analysis for the investments, costs and benefits, risks, alternative options and choices made.

**4P Business Model** - The way the 4P partners interact to create (added) value. It has an underlying strategy that forms the basis why and how the partners are doing business together.

**4P Business Model Canvas** – A tool used to describe the joint business model of the 4P partners.

**Idea Note** – A first description of a 4P Business Case submitted by a business owner in which a possible partnership is described and argumentation is given why public sector support is needed. This idea note can be used for a first screening in the process of 4P selection and decision making.

**Concept Note** – A more detailed description of a 4P business case, possible partners and basic description of investment needs, future profit and loss, risks and alternatives. This concept note follows the idea note and precedes a business plan. The concept note concludes the identification and matchmaking process.

**Declaration of Intent** – A statement signed by each of the partners in which they declare that they are committed to a possible 4P partnership and that they commit to dedicate in cash and/or in kind resources to the partnership. In some cases also called a commitment letter.

**4P Business Plan** – A comprehensive business plan that brings together the business plans of the partners and serves as a roadmap to the success of the partnership. It contains the detailed plans and budgets for each of the partners. A 4P plan includes an investment plan, a capacity building plan and an activity plan with a detailed timing and responsibilities.

**Investment Plan** – A part of the 4P business plan describing the public and private investments in the partnership.

**Capacity Building Plan** – A part of the 4P business plan entails an assessment of the current partners’ capacities to implement the 4P business plan successfully and accordingly describing the (public) funding allocated to invest in capacity building activities. Usually, this has an emphasis on building entrepreneurial capacities.

**Activity Plan** – A detailed activity work plan to implement the 4P business plan. The plan describes timing, responsibilities and links between the different activities. It also describes how the 4P activity plan is aligned with the different annual or seasonal plans of the individual partners, which is especially important for the public sector contribution.

**Partnership Agreement** – A signed agreement between the 4P partners for which the 4P business plans forms the basis but which also includes the necessary approvals of the individual partners. The partnership agreement also includes how the partnership will be governed, monitored and reviewed.

**Sourcing Agreement** – A seasonal or annual agreement between producers and private 4P partners detailing the quantity and quality of produce supplied by the producers to the private partners as well as all the terms of trade, payment conditions, additional services etc. This agreement is very similar to agreements used in contract farming.

---

1 See for instance the IFAD How to do note where a number of different business models are described.
**4P Broker** – An independent intermediary with an understanding of agro-enterprising and smallholder production who leads and guides the identification, matchmaking, analysis and business planning process and helps building the partnership.

**Business and Partnership Score Card** – A tool used to gather essential business performance data of the different partners, which is used to plan, monitor, review and evaluate the partnership progress. The scorecard is used to describe and document the partnership ambitions of each of the partners and forms the basis to review whether these ambitions are met. Depending on this review, decisions are taken to continue or adjust (or even abort) the partnership.

**Investment Memorandum** – An investment request, with all supporting analysis, track records, business plans etc., from one of the 4P partners to a commercial investor (bank, fund etc.) for funding of the partner. It contains a description of the 4P partnership and the 4P business model.
Introduction

This guidelines document has been developed for project staff and independent brokers who wish to use the 4P brokering method to build and facilitate Public-Private-Producer-Partnerships (4Ps) in rural agricultural settings of developing countries.

The document has been developed based on the project experiences of the IFAD funded, SNV implemented Partnering for Value project which has been implemented from March 2015 until March 2018 in five countries: El Salvador, Senegal, Uganda, Mozambique and Vietnam.

In each of the five countries at least four Public-Private-Producer Partnership (4P) business cases were selected and developed based on a participatory selection process. The lessons learned and experience with the tools have been documented and collected into this practical guideline.

The Partnering for Value project was specifically linked to IFAD investment projects. These were:

In Uganda the Partnering for Value project was linked to the IFAD-funded VODP2 (Vegetable Oil Development Project). VODP2 has a combined regional and sectoral development objective to strengthen the oilseeds sector (sunflower seeds, sesame, soy and groundnuts) in Northern Uganda. The primary focus is to improve productivity of smallholder farmers and establish market linkages with agribusinesses through hired service providers. The Partnering for Value’s role was to develop a 4P brokering mechanism as the development of market linkages by the VODP service providers was not delivering the desired results.

In Senegal the project was linked to the PAFA and PAFA-extension programme. PAFA was already working with a PPP system which Partnering for Value has been refining. PAFA has a strategy that supports producer groups to transform into SMEs through (in most cases) a cottage industry approach. The PAFA beneficiaries are divided in producer associations, processors and marketing enterprises who are linked through Value Chain Networks (CNIF). The different actors and the value chain networks are supported through a reclining subsidy approach. The Partnering for Value project has worked on strengthening enterprise management systems and business capacity building as this was seen as the limiting factor for sustainability and further growth of certain value chains. The project has also supported some of the CNIFs in professionalising their services to members.

In Mozambique the project was linked to the PROMER program, a multi-component rural market development program. The program has built in a component for the public sector to set up PPPs, but as the public sector did not have capacity to do so, Partnering for Value was called in to strengthen this system. PROMER has an investment component through which it can co-invest (up to 50% and $ 250K max) in agro-enterprises, which has mainly gone to hardware. PROMER also has a service provision component like VODP2, which focuses on producer and producer group services, including making market linkages.

In Vietnam the project was linked with the Program for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD) and the Sustainable Rural Development for the Poor Program in Ha Tinh and Quang Binh Provinces (SRDP). Both programs have regional market development objectives and are meant to establish a number of PPPs. However, due to lack of capacity and capability in the public system as well as a weak developed agri-PPP legislation which allowed little room for investment, the program had failed to do so. Again, this is where Partnering for Value came in. AMD and SRDP also have a co-investment fund to support enterprises.

In El Salvador the project was linked to the National Programme of Rural Economic Transformation for Living Well – specifically to the Rural Adelante and Rural Territorial Competitiveness projects which aim to strengthen rural cooperatives to take up market functions related to agro-processing and value addition. The IFAD projects are investing in the cooperatives to set-up or improve facilities like warehouses, cool chains, processing activities, etc. Partnering for Value was called in to support the project in establishing sustainable links with (potential) buyers through development of 4P business planning exercises, coaching and mentoring.
Where does the 4P thinking come from?

Public-Private-Producer-Partnerships (4Ps) seek to establish pro-poor, inclusive agri-business partnerships between smallholder agricultural producers and agribusinesses (small, medium or large) supported by the public sector. Public-Private-Partnerships (PPPs) are a well-known development instrument in sectors such as infrastructure, education, health etc. to leverage private investments and combine the strengths of public goods delivery with private sector enterprising. In the agriculture sector, PPPs are still rather new but are increasingly used, especially with regards to finding more effective ways of poverty reduction, improving food security and leveraging public and private investments for more effective delivery of aid and trade policies. The 4P approach goes a step further than the PPP approach, as PPPs are often considered too top-down. Producers have often not been considered as real partners, but rather as beneficiaries, resulting in too little pro-poor inclusiveness. Producers were often only considered as suppliers of raw materials in the partnership, without much vision on social and economic inclusion and true sustainable improvement of their situation. The result is that many PPPs are designed with producers as the target group, but without involving them in assessments of their real needs. This has often led to a ‘mismatch’ between needs and solutions, but also to mistrust between different partners resulting in unsustainable partnerships. During the Partnering for Value project, we found that sourcing companies often assume that producers only aim for higher prices for their produce, while experience has shown that producers prioritize trustworthy and stable relationships with their buyers over a higher price and profit. While it certainly holds true that many smallholders are initially focused on price (or the lack there-off), the project taught us that in reality they prefer market and price security as long as they can make a decent profit. To shift their thinking from short term price seeking, to longer term stability, a clear understanding of partners’ needs is essential as well as a sustained efforts of entrepreneurial capacity building. Key is to include producers as equal partners and decision makers in the partnership, rather than to ‘just’ consider them as a beneficiary, which is exactly what the 4P approach tries to bring.

In the Partnering for Value project, SNV has blended its experience in Inclusive Business\(^2\) and the Markets for the Poor (M4P)\(^3\) approach with the more classic PPP approach. Earlier experiences from IFAD and review studies done by IDS\(^4\) in 2014 have been used as starting points from which this 4P thinking has evolved.

As this document is meant as a practical guideline, we will not go in-depth in the theoretical background of 4P thinking\(^5\), but will focus on how to broker and build strong and sustainable 4P partnerships step by step.

---

3 [https://beamexchange.org/guidance/m4pguide/](https://beamexchange.org/guidance/m4pguide/)
What are 4P business cases?

Although there is no one size fits all definition of a 4P business case, there are a number of basic principles regarding its structure and content that we have used in the development of these 4P Guidelines. These principles can also be considered as minimum qualifications for a 4P business case and can be used during the identification and matchmaking phase.

Market demand expressed by the private partner leads; Although many poverty reduction or rural development projects take a geographical area (often based on high poverty prevalence) as a starting point, we believe that for a 4P to work there has to be a solid demand from a private market buyer for the agricultural produce. This demands also needs to have a clear growth potential; this unmet market demand forms the basis of a 4P model from which the private enterprise will develop a sustainable and inclusive mechanism to source from (organised) smallholder producers. Only when a business case starts from a clear demand, the sustainability of the impact can be ensured.

Organised producers become equal partners; Key to a 4P partnership (which has the intention to grow into an inclusive producer – enterprise relationship) is that producers have a voice, interest and clearly defined role in the partnership from the start. They are not simply producers of an agricultural output, but they have practical and technical knowledge to contribute and therefore should participate in the decision making and development of a growth strategy for the partnership. Where possible and feasible, they also invest financially; an in-kind investment in resources or labour is the minimal requirement to ensure commitment.

The (local) public sector supports the initiative as an equal partner; One of the specific dimensions of the 4P approach is that it builds upon the commitment and investment of the local public sector as an equal partner. In fact, the public sector is often a multitude of different actors at the national, provincial and communal level consisting of administrative and technical departments. In the 4P setting, it is important to identify these different public partners and to agree on a clear and transparent decision making and implementation arrangement.

The public commitment can have many dimensions, starting from facilitating contacts between producers and enterprises, providing extension or other production enhancing services, to public investments in infrastructure or logistics that facilitate the partnership. The public sector can also play a facilitating role in the communication between the parties and where needed, be a mediator in conflict resolution. Last, they can also contribute financially in the form of grants or loans, thereby lowering risks leading to or leveraging private sector investments.

A 4P is a for-profit arrangement; The end goal of a 4P is that both the businesses and the producers earn a healthy profit from the partnership. This requires that the producers are those that show an entrepreneurial spirit and have the skills and attitude to produce for a market, according to the quality standards set by that specific market. It also requires that the participating enterprises believe in profitable partnerships with smallholders as a solid foundation for a business case. This means that the private sector is not expected to contribute from CSR or foundation motives, but that they invest in the 4P as part of their core business model.

A 4P has potential to leverage external investment; For a 4P partnership to emerge and grow, investment is often needed. In a number of cases this investment comes from IFAD (or other donor) project grants or funds towards one or more of the partners, in combination with capacity development support. In some cases, IFAD also uses matching grants to invest in agro-enterprises. One of the principles is to use public funding to leverage private investments. More interesting, but also more challenging, is to identify and attract external (private) financing through bank loans, equity or other forms of capital investment. In the Partnering for Value project external financing was sought in a number of 4Ps in Uganda, Senegal and El Salvador on top of IFAD contributions. These different investments can be sequential; it can start from a grant first, followed by a commercial investment, or even in parallel as co-financing.

When Partnering for Value started, it turned out that most existing rural development programs worked with producers on getting a better price or fair deal for them, without careful consideration of what the market was demanding. The focus has often been on what farmers prefer to plant, as opposed to what the processors want to buy. This can lead to a lack of interest by the enterprises in 4P partnerships.
A 4P is not a temporary project, but the start of a strategic market engagement between partners. An initial 4P partnership might be a testing ground/pilot for the partners to work together, but it always has the aim to continue when it turns out to be successful. This does not mean that the aim of the 4P is for the partnerships to continue indefinitely. To the contrary, in principle the public sector plays a role to address market failures and reduce risks and transaction cost but eventually this role may not be necessary. The 4P should strengthen the capacities of the partners to develop new partnerships themselves and to (re-)negotiate favourable terms and public sector support where needed. In most cases both the private sector partners and the producers will negotiate multiple partnership arrangements.

The role of a broker

According to IFADs Brokering Development report⁶, brokers can fulfil the following key roles in supporting the different steps of 4P brokering:

- **Facilitating contact** between potential partners in order to identify common objectives and build trust;
- **Clarifying assumptions** early on and ensure effective feasibility studies;
- **Providing technical expertise** as needed;
- **Involving farmers** as partners in the 4P, including building farmer capacity to organise effectively, to access information and to negotiate a fair deal;
- **Ensuring transparency** and dialogue within the 4P and between the 4P and external stakeholders;
- **Ensure monitoring processes** by facilitating dialogue and encourage partners to develop own joint solutions;
- ** Ensuring sustainability** so that actors have the long-term capacity, financing and incentives to continue the partnership and to play new roles if needed.

In the Partnering for Value project these roles have been tested and elaborated on. In these guidelines, we look at the role of the broker in the different steps of 4P business case development and provide a number of tools. Chapter 1 will go into more detail on the role of the broker and the initiation of a brokering service.

The need for an independent and neutral broker

For a 4P to grow towards a sustainable and inclusive partnership we believe that an independent brokering role is needed. The broker should be specifically assigned to be an external broker and as such not be part of any of the three involved P’s (producer, private or public) to maintain neutrality.

For the Partnering for Value project, the 4P brokering role was subsidised by an IFAD-funded grant project implemented by SNV and as such was indeed a truly neutral role. None of the 4P brokers the project worked with had any direct relationship or benefit to gain from the 4P arrangement as they were all independent recruited experts who worked for the project.

All partners from the 4P cases of the Partnering for Value project also expressed that they prefer neutral brokers. Especially the producers emphasize this, as they often have poor experiences with agents who have misbehaved while working on behalf of enterprises or public services whose quality of service delivery is deemed inadequate. But also private enterprises prefer neutral brokers over those working on behalf of producer groups, as they want professional entrepreneurial relations with producers. Both enterprises and producer groups have also expressed that they rather not want 4P brokering to become a public service, as the pace of local public sector services often cannot keep up with the speed of their for-profit business activities. Also differing skillsets are

---

required for brokering than what public services normally deliver and therefore specialised brokers are a better option.

In developing markets, where many essential services like access to good quality inputs are lacking, we have identified the risk that public hired service providers who are responsible to establish market linkages, identify this lack of service as a business opportunity. Mostly this is a result of short-term problem solving thinking and not addressing the root causes of the market not (yet) delivering this service. Service providers do take it up as they feel they deliver a good service to the poor smallholders, failing to see that when their temporarily funded service provider’s role stops, the service is also at risk of ending. This can both threaten their neutral role as service provider as well as the sustainability of the 4P partnership, as they start to provide a subsidised service that will disappear once the service provider contract is over. We therefore believe that the role of value chain service provider, like extension agent, input provider etc. should be separated from the brokering role, as the service provider is in essence a permanent market function while brokering entails in most cases a temporary role.

Outline of the 4P guidelines
The brokering process consists of four steps, which are used as a basis to structure this guidelines document. The four steps are:

- Identification and matchmaking
- Developing the 4P business case
- Implementation of the 4P business case
- Monitoring and evaluation

Almost all 4P business cases are interested in or might need additional external funding for their business case. In that case, the development of the business case can be expanded with an additional step, focused on investment brokering in order to link the 4P business case to potential financial partners. Therefore, an extra chapter is added on investment brokering. Note that the 4P broker and the financial broker are not necessarily the same persons in practice; they need a different skillset and expertise. More will be explained in the chapter on financial brokering.
Steps taken, and key deliverables for each step, are presented in the below table.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Steps</th>
<th>Key deliverables</th>
<th>M&amp;E</th>
</tr>
</thead>
</table>
| Identification and matchmaking| Identify potential 4P cases, develop first ideas and concept notes   | • A shortlist of potential 4P cases  
• Idea note  
• Concept note                                                                                       | Collection of basic data to assess the potential of the 4P and to develop the first idea and concept notes |
| Developing the 4P business case | Work out the partnership, develop the business plan, and assess capacity development needs of all partners to implement the business plan | • 4P Business Plan  
• 4P Investment plan  
• Capacity building plan  
• Partnership agreement (also possible at start of implementation) | Collecting baseline data, setting targets and define monitoring roles |
| Implementation of the 4P business case | Guide and coach implementation, facilitate capacity development | • Operational plan | Monitoring of indicators, seasonal or periodic partnership reviews |
| Investment brokering         | Data gathering to develop investment ideas, building of data room, drafting of Investment Memorandum | • Investment Memorandum | Use of earlier collected data for Investment Memorandum |

How to use the guidelines

These guidelines have been developed based on best practices learned from the Partnering for Value project. The project deliberately chose a broad range of contexts to test the 4P approach, to be able to identify common lessons but also context sensitive aspects. The guidelines are not meant as a blueprint for how 4P brokering needs to be done, we rather have tried to provide a general structure through which 4P brokering can be applied. Awareness of the local context is always needed and brokers and programme managers will always have to adjust the recommended approach to context specifics.

Moreover, 4P brokering is not a linear process; flexibility and creativity is always needed. In the guidelines, where possible and needed, we give different options to organise the brokering process. Some of the sub-steps that can be chosen are presented in the table below.

<table>
<thead>
<tr>
<th>Identification &amp; Matchmaking</th>
<th>Developing the Business Plan</th>
<th>Implementation</th>
<th>M&amp;E</th>
<th>Financial Brokering</th>
</tr>
</thead>
</table>
| • Mapping the Sector  
• Inviting ideas  
• Matchmaking  
• Ranking and selecting  
• Concept note development  
• Review and approval | • Analysis of the current supply and value chain  
• Value proposition  
• Developing the business model  
• Writing the business plan  
• Partnership agreement | • Operational Plan  
• Sourcing Agreement  
• Capacity Development  
• Coaching & Mentoring  
• Exit Strategy | • Setting Goals & Ambitions  
• Determining success factors  
• Measuring the baseline  
• Monitoring and data collection  
• 4P review | • Fact Finding  
• Analysis  
• Brokering  
• Closing the deal  
• Documenting |
One of our key learnings is that 4P brokering can never be done in a “quick and dirty” manner. Enough time needs to be taken to do a thorough and detailed analysis on the current situation, the feasibility of the business case and the commitment of the partners. But time is also needed for partners to get to know each other, build trust and ensure commitment. Like in a marriage, you do not tie the knot the first time you meet. Developing a 4P partnership also needs to set development benchmarks and build in decision taking moments to reflect and decide to continue or not.

A 4P partnership is also not always the best solution. When partners are not ready, the partnership cannot be forced. We have learned that in many cases, enterprises or producers were not ready to commit to the partnership. Often because of immaturity, in-experience or non-compliance to specific market conditions. For those situations, the 4P guidelines can serve as a point on the horizon for the future and provide a clear picture for partners to work towards. For example, if a farmer group does not have the right entrepreneurial experience, a period of capacity development needs to take place in order to qualify to become a 4P partner. The same goes for enterprises who are transitioning from an informal to a formal enterprise. This process needs to be completed, or at least well-under-way, before a 4P should be set-up and investments are made in the business case.

A timeline for 4P brokering and business case development
Although it is impossible to give a clear indication of how long 4P brokering will take, from the Partnering for Value project we have learned how long specific phases or steps approximately will take. Besides that, we learned the importance of completing a phase before starting a next phase. For instance, it is important that enterprises document their enterprise performance in profit and loss statements which can be audited, as they need to be available before an investment decision can be taken.
The pre-4P phase
Assessment of potential for 4P approach
Decision making by Project Management on using the 4P approach
Identification of Brokers

4P Selection and Matchmaking Phase
Identification of 4P Business Cases through open calls or pre-qualified selection methods
Ranking and selection of idea notes / concept notes
Decision making process on direct 4P partnership development or first a capacity building trajectory

Development of 4P Business plan and building the partnership
Develop a 4P business plan
4P pre-investment phase

4P Implementation Phase
Annual target setting, planning and reviews
Alignment of planning agendas of public, private and producer partners
Signing of sourcing agreements

4P Capacity Building phase
Capacity assessment of partners
Capacity building to ready partners for 4P partnerships
Piloting of producer - enterprise sourcing agreements

4P Investment brokering
Development of investment memorandum
Map and approach investors
Investment deal making

1 - 3 months
2 - 6 months
3 - 6 months
Min. 3 seasons / years
Chapter 1 - The role of the broker

Introduction
This chapter of the guidelines will explain in detail the role of the broker in establishing, guiding and monitoring 4P arrangements. The chapter starts with a description of the key characteristics of a good broker. This is a summary and reflection on the different brokering set-ups of the Partnering for Value project worked with in the five project countries. The chapter continues with a description on identifying and preparing the brokers for the tasks ahead. The last part of the chapter zooms in on the role of the broker in the whole 4P brokering process. For the other chapters of the guidelines, each chapter will start with a short summary on the specific role of the broker for each brokering step.

Characteristics of a good broker
One of the innovative aspects of the Partnering for Value project was to test and develop an applicable 4P brokering process. Although the steps of 4P brokering were similar in each country, slightly different approaches were taken. Each approach was adjusted to each particular context.

In the table below we describe how the brokering role was set-up in each country including some key reflections on the role of the broker in each context.

<table>
<thead>
<tr>
<th>Country</th>
<th>Brokering set-up</th>
<th>Reflections</th>
</tr>
</thead>
</table>
| El Salvador   | In El Salvador, SNV project staff took on the role of project coordinators as well as the brokering. This was complemented with institutional support from business and sector organisations like FUNDEMAS and PROLECHE to develop the business cases. The brokering team together with the Ministry of Agriculture decided on the selection criteria and approach to identify and select potential business cases. | • The SNV staff had experience in inclusive business, which was useful for developing the 4P approach.  
• Experience showed that a good broker needs to have both knowledge of the content (smallholder agriculture, agribusiness development, particular value chains) as well as experience with the process (dealing with producer organisations, public institutions and private enterprises).  
• Brokering required that SNV staff served as a translator and mediator of priorities and aims between private sector and public actors. |
| Senegal       | In Senegal, the SNV project staff was responsible for the development of the business plans and not so much for the selection of the business cases as these were already selected by the PAFA project. The final business cases were selected by members of the Value Chain Networks (CNIFs) after which the brokers, supported by short term experts, developed the business plans jointly with the 4P partners. | • The SNV staff consisted of both local and international expertise which was a useful combination in building the business plans.  
• Where needed, local consultants with specific expertise were hired for short term assignments, for example to strengthen 4P partners’ capacities in financial management and bookkeeping.  
• Involving the value chain networks in the final selection of business cases was positive in the sense that it created ownership over the brokering process. At the same time, this process didn’t facilitate objective choices as members preferred personal enterprises, or the enterprise of the president of the network. In this way it became more a political than a business opportunity choice. |

7 FUNDEMAS is a non-profit organisation working with businesses to realise social impact, and PROLECHE is the national milk producers organisation.
<table>
<thead>
<tr>
<th>Uganda</th>
<th>In Uganda, SNV was the process manager and worked with a model that sub-contracted brokering organisations who developed the business cases. SNV set out the main lines for the methodology and trained the brokers. Reflection and learning workshops were held regularly. The sub-contracting model was chosen to be able to compare the SNV-brokering model with the VODP-Independent Service Provider model. For each business case, one broker was selected. What became clear during implementation was that the SNV-broker model, working from a market demand, was more successful to facilitate access to markets than the VODP-ISP model where ISP have a double role in production improvement services and market linkages services.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• SNV, being involved already in the oil seed sector and coordinating regional coordination platforms, chose to work with local specialised value chain agencies to do the 4P brokering. • SNV’s role was to build the capacity of the specialised agencies in the 4P approach, so they could function as the brokers. • Brokering organisations were also involved in investment brokering at producer level while investment brokering at enterprise level was handled by local financial experts to support in the development of financial models. • The SNV-broker model used a market pull approach while the VODP2-ISP model used a more market push approach. Using a market pull approach has shown that producers and enterprises are in need of different services than initially was assumed.</td>
</tr>
<tr>
<td>Mozambique</td>
<td>In Mozambique, SNV project staff were responsible to identify the business cases. A selection process was agreed with the PROMER project who were involved in the final selection of the cases. PROMER had earlier tried to develop 4P cases which either collapsed or faced significant delays. Jointly with SNV, PROMER tried to learn from these cases and improve their way of selecting and developing business cases and investment plans. Where needed, SNV and PROMER selected additional consultants to support the analysis and documentation process building the 4P business plan.</td>
</tr>
<tr>
<td></td>
<td>• The set-up of PROMER in different components made the 4P process very complicated as establishing market linkages (the partnership part) and the capacity development of producers and producer organisations were the responsibility of different components, who each had their own systems, planning cycles and targets. • The level of involvement and ownership of PROMER was good. However, the earlier failed cases had a negative effect on the confidence of the staff involved resulting in lengthy and procedural decision making and risk aversion. • The SNV project staff mainly had business experience and expertise and little experience with the public sector ways of working. This frustrated the process of joint decision making and led to a lot of delays as a result of the misunderstandings on planning, procurement etc.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>In Vietnam, the SNV project staff being the brokers, agreed with the AMD and SRDP projects on the way of soliciting calls for 4P proposals based on earlier SNV inclusive business experiences. This resulted in a joint selection and decision making process. AMD and SRDP appreciated the structured and content-led approach introduced. Where needed, the SNV project staff was supported by short-term consultants who supported in the development of business plans and technical implementation.</td>
</tr>
<tr>
<td></td>
<td>• The SNV brokers identified the business cases and invited the leading enterprises to draft the 4P business plans. This was supported with trainings in business plan drafting and by consultants who supported the documentation and data collection, as well as match making with producer groups. • The process faced delays in a number of occasions as the coordination between the lead enterprises and the IFAD projects was too loose and expectations were not clearly defined at the start of the drafting process.</td>
</tr>
</tbody>
</table>
From the different brokering experiences, we identified a number of common characteristics and skills that a broker (or brokering agency) needs to have for successful 4P brokering.

A 4P broker is…

A **connector** who can bring the right partners together. Matchmaking of the right partners is an important skill for the broker. The broker will need to understand the expectations of the partners and be able to bring together partners that have the right maturity to live up to these expectations.

An **innovator** who can develop new ideas on how partners can work together. In most cases the agro-enterprises are already sourcing materials from smallholder but often in an inefficient or non-inclusive way. The broker will need to come up with innovative new ways to convince the agro-enterprise to take the risk to try new ways of partnering with the smallholders.

A **strategist** who can develop different models or scenarios for the partnership. Different partners will have different expectations, preferred speed of developing the partnership in terms of milestones, size etc. These need to matched, agreed upon and validated with the partners.

A **mirror** who can help the different partners to reflect on what is best for them and what they want to get out and contribute to the partnership.

A **clarifier** who can explain to the partners how markets function, how prices are made, the working methods of other partners, etc.

A **preparer** who can help partners to prepare themselves for difficult decisions or negotiations (for instance through preparation meetings or role plays).

A **mediator** who can manage tensions in the partnership and resolve conflict when needed.

But something a 4P broker is **NOT**…

Someone who can **guarantee success** as success is not made by the broker but by the partners themselves;

A **negotiator** as negotiations are done between the partners and the broker only facilitates this process;

A **decision maker** as decisions regarding the 4P are taken by the partners themselves and not by the broker on behalf of the partners. The broker merely provides information based upon which the partners can take an informed choice.

A partnership **defender** at all cost. If during partner assessments or reviews it turns out that partners are in some way not reliable, then a broker should not defend the partnership but rather draw the conclusion that it is better to discontinue.

A broker should keep a certain distance from the partnership and not feel the responsibility to solve all the problems of the partners, but rather facilitate and support problem solving within the partnership.

The role of the broker can either be taken up by an individual (consultant) or an organisation. There is no straightforward answer to what is the best option; this depends on the context. In case one needs to choose, the following considerations need to be taken into account:

- **A broad skillset is needed.** Which means that it will be difficult to find individuals that have all the required skills and experience necessary for brokering successful 4Ps. In a team, it is more likely that this pallet of skills is combined.

- **Trust is key.** On the other hand, building a partnership requires trust between all parties. Many partners from the *Partnering for Value* project indicated that especially during the start-up phase, they appreciated the presence of the broker as they felt they had someone to rely on, and someone to whom they could address issues and conflicts in a confidential
way. In this sense, an individual broker is preferred as he/she can maintain personal relationships with the partners.

- **Continuity.** At the same time, when the individual broker leaves the assignment (sickness, new job opportunity, etc.) the heavy reliance on one individual broker might have severe implications for the partnership. If a brokering organisation invests in their institutional capacity, they can train multiple brokers who can stand in for each other if unforeseen circumstances occur.

The best situation is probably where one individual broker takes the lead and is the main contact person, but who at the same time can fall back to an organisation or network of experts. In this case, the individual broker can still take full responsibility for the quality of the process and is accountable towards the 4P partners.

In the next textbox, the brokering set-up in Uganda is illustrated. In Uganda a different approach was taken than in the other countries. Local organisations were hired as brokers (with back-up from SNV staff). The rationale for this approach was mainly to explore if brokering as a service would be a viable concept.

From the financial brokering component of the project, we learned that different skills are needed for investment brokering than for partnership brokering. This set of expertise comes of course at a price and is recommended to be used only in case significant external investment is sought for the participating enterprise. When dealing with financial brokering for the producer organisations (cooperatives or associations) or smallholder access to micro-finance, the brokers are often well capable to facilitate this process themselves.
In Uganda, 4P brokering has been a collaboration between SNV project staff, a pool of local 4P brokers as well as Acclaim and TheRockGroup (TRG) as financial brokers. This arrangement was set up to establish national brokering capacity, anticipating that this is a future service demanded by the market.

SNV has developed the capacity of the brokers through training as well as coaching and mentoring. The brokers are organisations that have had experience in brokering business to business linkages and finance to business linkages albeit in a somewhat ad hoc manner.

Leveraging this expertise, SNV sought to develop the capacity of these brokers in a streamlined 4P brokering methodology that would further strengthen the development of oilseed value chains beyond the Partnering for Value project.

Focussing on one 4P business case each, the brokering organisations in Uganda were:

<table>
<thead>
<tr>
<th>Broker</th>
<th>Roles</th>
<th>Future outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNV Uganda</td>
<td>• Capacity development of brokers</td>
<td>Focus on capacity development of brokering organisations</td>
</tr>
<tr>
<td></td>
<td>• Coaching and mentoring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Technical backstopping</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Supervision</td>
<td></td>
</tr>
<tr>
<td>Brokering organisations</td>
<td>• Brokering 4P arrangements</td>
<td>Ability to offer a 4P brokering service</td>
</tr>
<tr>
<td></td>
<td>• Guiding implementation of business plans</td>
<td></td>
</tr>
<tr>
<td>Acclaim</td>
<td>• Financial model development</td>
<td>Capacity development of 4P enterprises to apply for external funding</td>
</tr>
<tr>
<td></td>
<td>• Financial brokering</td>
<td></td>
</tr>
<tr>
<td>TRG</td>
<td>• Financial linkages</td>
<td>External review of financial models and identification of investment options</td>
</tr>
</tbody>
</table>

In summary, the setup of 4P brokering for Partnering for Value in Uganda was as follows:
Initiating the brokering process in steps

Selecting the right broker

As described above, the 4P partners of the Partnering for Value project all indicates that a good 4P broker needs to be an independent and skilled expert. Careful selection of the right broker who is accepted and trusted by the future partners is important.

In most instances 4P will be part of a project set-up (either as a project goal or as a component) where project management will be responsible to identify and select the right broker. For IFAD, the project is usually managed by the public partner in the 4P arrangement. The public partner should select brokers that have an entrepreneurial mind-set and business motivation, and those that can function as independent experts. These are skills that public sector staff often do not automatically possess.

Training the broker

Once the broker(s) have been identified, they will need to be trained or instructed on the 4P objectives and methodology. Most potential brokers have a background in business consultancy, but less experience in giving producers or producer organisations a voice and decision making space in a 4P. But this is of course an essential component in a 4P as a sustainable partnership between enterprises, producer group(s) and the public sector. Communication between all partners is therefore essential and should receive enough attention in the training of the brokers.

The core of the training programme should focus on the process and tools available to identify potential 4Ps, develop the 4P business case, guide the implementation and monitor and evaluate the performance of the 4P. Where needed an extra step is built in that focuses on attracting external investors. Brokers should understand what it entails to do investment brokering and the information needed for this, even if they don’t do the investment brokering themselves.

A training programme can either be an all-encompassing training at the start of the 4P brokering process or divided in blocks between the different steps. Where an all-encompassing training might be more time efficient, it is recommended to build in refresher trainings in between the different steps. This provides opportunities to reflect on the skills of the broker as well as opportunities to steer the content of the 4P.  

Coaching and mentoring the broker along the 4P process

It is important to coach and mentor the brokers on a regular basis. This is both for personal development of the brokers, but also to have review moments. The PMU should organise these coaching and mentoring moments, where possible during their regular project review meetings. Equally, this enables the brokers to be engaged with public partner’s annual planning and budgeting process as this defines the public contribution to the cases, which often turns out to be the least flexible in terms of timing and decision making.

The role of the broker in the 4P process

The broker guides the 4P process from inception, to implementation, up to a phase in which the partnership is able to continue without the broker. The role of the broker is different in each of these steps and also has a different level of intensity in the process. We therefore split the role of the broker roughly per step to illustrate these different levels of intensity.

Below an overview and a short summary per step is provided. The following chapters will explain these different brokering roles in more detail.

---

8 In Uganda, a complete 4P brokering training curriculum was developed. For an outline, see the annexes.
<table>
<thead>
<tr>
<th>4P brokering steps</th>
<th>Brokering roles</th>
<th>Key deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification and matchmaking</td>
<td>• <strong>Explore</strong> potential 4P partnerships and do the matchmaking of 4P partners</td>
<td>• Shortlist of potential 4P cases</td>
</tr>
<tr>
<td></td>
<td>• <strong>Clarify</strong> the value proposition</td>
<td>• Idea note</td>
</tr>
<tr>
<td></td>
<td>• <strong>Validate</strong> the potential business case</td>
<td>• Concept note</td>
</tr>
<tr>
<td>4P business case development</td>
<td>• <strong>Facilitate</strong> the development of a 4P Business Plan</td>
<td>• 4P Business Plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Partnership agreement</td>
</tr>
<tr>
<td>Implementation</td>
<td>• <strong>Guidance</strong> of implementation and capacity development</td>
<td>• Operational plan (annual or seasonal)</td>
</tr>
<tr>
<td>Monitoring and evaluation</td>
<td>• Data collection and analysis</td>
<td>• Business score card</td>
</tr>
<tr>
<td></td>
<td>• Strategize with the partners and adapt the business plan on basis of the collected data</td>
<td>• Progress reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Evaluation reports</td>
</tr>
<tr>
<td>Investment brokering (if needed)</td>
<td>• Preparing 4P partners to become investment ready</td>
<td>• Investment Memorandum</td>
</tr>
<tr>
<td></td>
<td>• <strong>Investment brokering</strong> by connecting 4P cases with potential investors</td>
<td></td>
</tr>
</tbody>
</table>

**Explore - potential 4P partnerships**

The identification and matchmaking phase is the starting point for 4P brokering. During this step, the broker identifies suitable partners, most often starting with the private sector. A simple score sheet that assesses potential private sector partners based on feasibility, inclusiveness, suitability for a 4P arrangement, potential for scale and impact is used to identify the most suitable cases. Once the broker has engaged the private sector, and identified some preliminary challenges, this informs the selection of producers suitable for the 4P arrangement. The broker will also engage the public sector in order to ensure that their objectives align with the emerging case.

**Clarify – defining the value proposition**

Defining the value proposition is a crucial step for the broker as it underscores the viability of a potential 4P case. The role of the broker here is to ensure that challenges and opportunities identified during the exploration phase can be addressed and harnessed in a 4P arrangement. At this stage further engagement with each individual 4P actor is important as well as facilitating dialogue between all 4P actors to agree on desired objectives of the case and validate the value.

---

9. The eligibility criteria for 4P and the scoring matrix will be more elaborated upon in the next chapter and can be found in the tool database.

In working with enterprises, it is important that the 4P broker explains how the enterprise can benefit from participating in a 4P, to attain buy-in, but also to be honest about the necessary time commitment to build the 4P. Having this clear from the start will facilitate a smooth matchmaking process later on.
proposition articulated. 4P brokers need to develop a 4P concept note as a necessary pre-requisite to business case development.

Validate – benchmark the business case
At this stage, it is useful to do an external validation of the business case. This can be done with colleagues, peers or other brokers who provide feedback on each other’s cases, learn from each other and share useful tips and tricks. During this step, it is necessary to find out if other projects are already giving support to one or more partners.

Facilitate – writing the business plan
The next step, developing the business case, is closely linked to developing the value proposition. The role of the broker here is to facilitate the development of a business plan that clearly demonstrates the value of the 4P. Each partner writes their business plan, and identifies investment requirements. The broker then brings these plans together, checks them for consistency and facilitates dialogue between the partners to make it one comprehensive 4P business plan. This is a collaborative effort requiring engagement of the 4P actors to get all partner’s final approval of the business plan document. Access to the required information for the business plan can be challenge and requires intense engagement with actors to highlight the importance of availing that information.

Guidance – implementing and capacity development
Once the business plan is written, negotiated and validated and the partnership agreement signed, the implementation of the identified activities start and the real partnership develops further. As each of the partners will have their weaknesses, the focus of the broker during implementation will be on following whether the committed agreements happen and that partners support each other in this. Where needed, capacity development of the 4P partners will take place.

Data collection – collecting, analysing and steering
A business case needs to be designed and steered on data. Good baseline data are essential inputs to the design and drafting of the business plan. Although it is often difficult to obtain data in the initial stages of the partnership, during implementation and monitoring they need to develop the habit to keep records in order to track their own performance. The broker should at agreed intervals collect these data sets, analyse them and reflect with the partners if the partnership is indeed delivering what was planned. If not, the broker can guide the process of adjusting original plans accordingly. The use of data (both quantitative and qualitative) enhances the transparency and accountability for decision making. A business case and partnership score card has been developed to support the broker and the partners in collecting and reviewing the performance of the partnership.

Investment brokering – securing investment
For some business cases, additional financial investment might be required. In that case, extra efforts can be put in brokering investments. Investment brokering involves analysing the investment need, preparing 4P partners to become investment ready, creating an investor database, selecting suitable investors per business case and analysing their investment criteria (local and international), and developing an investment memorandum. This stage again requires engagement with the private sector in particular as the lead of the 4P arrangement. It should be noted that investment brokering requires different skills than ‘regular’ 4P brokering, and therefore it might be taken up by another person than the 4P broker.

Tools for 4P brokering
For Partnering for Value, SNV developed a number of 4P brokering tools. This set of tools is partly based on existing SNV tools developed for the Inclusive Business Approach, but have been further tailored to the 4P approach.

Additionally, a 4P training curriculum has been developed by SNV for training 4P brokers. This is part of the results package of the Partnering for Value project and can be accessed through IFAD.
The tools are described in further detail in each chapter. An overview of the steps and sub-steps is presented below.

**Challenges and risks**

**Trust and transparency:** 4P actors may not be forthcoming with required information, ideas or opinions because of low levels of trust. It needs to be taken into account that building trust, also between partners and the broker, takes time.

**Capacity development:** The capacity development of brokers also requires a significant amount of time, which also need to be factored in to avoid delays.

**Tips and tricks**

**Expectation management:** The broker needs to consistently and carefully manage the expectations of all parties by clearly articulating roles of 4P actors and the strategic objectives of a 4P case.

**Time investment:** Experience from the *Partnering for Value* project has shown that most brokers had to invest more time in each 4P case than originally anticipated. The stage of business plan development is the most time-consuming, since it requires getting all 4P partners to agree on a shared value proposition and business case. It is therefore difficult for a broker to focus on more than one case at a time.

**Collaboration in brokering:** As stated by Thorpe and Maestre (2015), brokers should either provide or procure technical expertise as needed. Working with local brokers has the double advantage of leveraging regional expertise as well as establishing a local model for 4P brokering services.

**The need for an exit strategy:** From the start, it needs to be clear to all 4P partners that the broker’s role is only temporary; the broker is there to set up the partnership, but partners should be able to continue the partnership once the broker has pulled out. It is the task of the broker to work together with the partners towards that phase of independency.

---

In *Partnering for Value Uganda*, it was observed that when a brokering organisation was truly trying to develop 4P brokering into a commercial service, they showed much stronger commitment to investing in the development of the 4P brokering method and were much more eager to learn and experiment.
Chapter 2 – Identification and matchmaking

Purpose of this step

The purpose of this step is to identify and select opportunities for 4P partnerships by identifying potential partners within a (sub-)sector, geography or value chain, based on 4P eligibility criteria. These criteria are a mix of economic (profit, growth and market), social (inclusion and poverty reduction potential), environmental (climate smart) and relevance to the national development agenda (priority sectors, value chains). Following this identification, concept ideas for 4P partnerships will be identified which will serve as the starting point for the next step, Developing the 4P Business Case.

Role of the broker in this step

In this early stage, the broker works together with the initiator of the 4P programme, the Project Management Unit, to agree and decide how the identification, selection and matchmaking will take shape and what criteria need to be applied to ensure that the selection is in line with the project development goals and impact targets. A decision needs to be taken on how to collect 4P ideas; this could be done through an open call for 4P concept ideas, through a pre-selected lists or through a targeted approach. The final choice depends on many aspects, like the maturity of markets (are there many enterprises in the selected area or value chain), the nature of the value chain (are we dealing with an open market or a closed certified market), the type of crop (a food crop with the double use of home consumption and surplus sales has a very different dynamic from a pure cash crop like coffee) or the nature of the product (a perishable product like milk has completely different possibilities than a storable product like sesame).

Ideally, at the start of this step, the broker should do a first mapping, explore and identify suitable partners for a 4P arrangement, most often starting with a private partner who faces a specific market challenge. Then, the right producers, producer groups and public partner will be identified. During the assessment of the producer groups it is essential that the broker does an in-depth assessment of whether the group consists of merely active or inactive members. During the Partnering for Value project we have often seen that the latter was the case, resulting in wrong assumptions about the possible scale of the case. This first mapping will give a good impression of the 4P potential. Common agreed criteria (explained later in this chapter) need to be used for further identification and selection.

Following this, the broker will talk with each identified partner to explore their challenges, their goals and opportunities for a partnership. The broker can then also provide basic training or instructions on how to draft a 4P concept note and business plan, as most partners will not be familiar with this yet.

10 See also the more elaborate 4P learning paper which has been published alongside this publication
The broker will also take up the role as a matchmaker by linking the partners to each other. In the exploration phase the broker identified opportunities for cooperation. The broker will present those opportunities to each individual partner and bring the partners in touch with each other. When there are multiple producer organisations involved, as decision needs to be taken to consider this as one business case or a comprehensive set of similar business cases. It is important in this phase that clear conditions, expectations and responsibilities are set for the partners and the broker. This includes alignment with the broader agenda of the project which is supporting the 4P programme in terms of capacity building activities.

Then, the broker will bring partners together to facilitate negotiations on first ideas and a value proposition. Common objectives will be identified and translated into a concept note. The key role of the broker in this phase is to facilitate the negotiations between these partners and to make sure that every partner has an equal say in the process.

**Key deliverables**

The key deliverable of this step is a **shortlist of potential 4P business cases** which meet the set eligibility criteria and which builds on the enthusiasm and willingness of the private, producer and public partners to jointly invest in a lasting partnership.

A second deliverable are the **idea notes** for those shortlisted 4P business cases, which summarize the first ideas for the 4P Business Plans. They describe ideas for the 4P business case based on existing financial and managerial data of the enterprise and the producer groups. It describes the opportunity, the partnership, roles and responsibilities, and what actions are needed to get the partnership to work. This will form the starting point for writing a more elaborate concept note based upon which a final selection decision is taken to develop the 4P Business Plan as a next step.

**Identification and matchmaking in steps**

**Preparations before starting the selection process**

Most 4P cases will be part of a larger IFAD-funded government programme with a certain geographical or economic (poverty) focus. This focus will guide the 4P selection process, as national (agricultural) development strategies or choices for a priority area / (sub-)sector are a good indication of where public investment will go to in the near future. Alignment with government objectives is therefore paramount for securing their investment and interest. Moreover, identifying priority economic sectors in government strategies can be useful as it will be more likely that the 4P partnership can be integrated in public funding or technical and financial contributions from other partners, such as other donor projects, NGOs, etc.

Secondary data about these priority sectors or value chains need to be collected. In many cases there will be sector or value chain studies available which can be used as a first source of information. This also provides a first basis for identifying relevant (public, private and producer) players in that sector.

Thus, as a first step in selecting 4P cases it is important to determine the priority areas for agricultural development in the country concerned. As mentioned above, this can be geographically determined (for instance the Mekong Delta in Vietnam), sector determined (for instance the oil-seeds sector in Uganda) or value chain determined (for instance the millet value chain in Senegal).
Other dimensions of priority setting that can be taken into account are a specific focus on women or youth. From that perspective, it should be analysed from which priority value chains women or youth will benefit substantially more. It also worth exploring whether the programme is primarily interested in smallholder production (and market linkages for them) or in value addition and job creation along the value chain (an 'integrated value chain approach').

These different dimensions will help you to define the final priority area from which identification of private sector and producers will take place. These priority areas will also determine (part of) the selection criteria based upon which the 4P partnerships will finally be selected. For this, it is important to set the limitations and boundaries of your 4P business case selection process.

Defining the eligibility and selection criteria

Together with the programme management of the IFAD-funded project, the broker needs to agree on the eligibility and selection criteria for the potential 4P partners. This needs careful attention, as central and regional teams often have different views. Especially when matching grant investments are involved, or if partners are considering to present the business case at a later stage to a third party financier, it is important to define solid selection criteria and be strict in their application. In consultation with the government programme management, an agreement should be made on what will become priority, and which criteria will have more or less weight in the final selection.

When there are more eligible cases than planned (or budgeted) a set of selection criteria can be used to rank the cases according to those criteria.

A matrix has been developed that can be used as a ranking and selection tool according to the predetermined criteria. This tool and an example can be found in the tool database. This is not meant as a pure mathematical exercise though. The focus for the broker in selecting the partners should also be on understanding the journey that each partner has been on, where they want to go in future and how a 4P arrangement can support them.

Eligibility criteria for a 4P partnership can be divided in a number of sub-categories deemed relevant for the project. These can include for instance;

- Economic viability
- Solid market demand
- Social commitment of the enterprise
- Pro-poor impact
- Environmental soundness
- Formal registrations
- Audited statements

The figure below is a set of eligibility criteria which SNV used as general guidelines for Partnering for Value, based on earlier experience with the inclusive business approach.

Finally, selection criteria can be used once the eligibility check has been done and the best concepts need to be selected. Selection criteria could include the following dimensions:

- Potential to scale (how many smallholders can possibly be reached?)
- Gender & youth impact (is there special emphasis on women and youth?)
- Shared ownership (is there clear shared ownership for the producers?)
- Level of own contribution (how much own contribution do the partners bring in?)
Identifying existing programmes that support producers, producer organisations or SMEs

Often, other (similar) programmes might be active in the targeted area that are also supporting producers, producer organisations, the private sector or are investing in public services or infrastructure. Before selecting 4P partners, the broker should make an inventory of these programs and analyse potential synergies between those and the 4P program. In this way, the broker makes sure that future 4Ps will be complementary instead of duplicating efforts. An example could be a donor-funded program training farmers in entrepreneurial and managerial skills. When brokering a 4P partnership, this could be a strong argument to convince the private sector to step in, as well-trained farmers are less risky to enter into a partnership with. Unfortunately partners may not always disclose what support they have received as they often fear that this will negatively influence the decision on whether to work with them or not.

Equally, those other programs might also be interested in the 4P programme when they are looking for a ‘next phase’ of development for the producers. A 4P partnership, in which farmers build direct relationships and contracts with agribusinesses, could be a next step in a long-term development trajectory. A 4P is in that sense an important step in the producer’s transition from subsistence to commercial farming, including the development of a strong position in a value chain and access to

In Partnering for Value El Salvador, the World Food Programme and the Ministry of Education had been long term partners of a 4P’s cooperative involved in beans. They invested in the cooperative’s facilities and the WFP has been buying their produce. The 4P partnership under Partnering for Value then focused on expanding this market by targeting commercial customers, besides the institutional market. The facilities of the cooperative were improved to expand their packing equipment and improve their warehousing practices in order to comply with the criteria of commercial clients like supermarkets.
the formal market. At the same time, it would also be good to scan for programs that support SMEs or other private sector players and to find synergies between those.

Screening these kind of programs will also be a good entry point for the next step, mapping enterprises and producer groups in the area.

**Mapping the actors in your priority areas**

Following the mapping of governmental priorities and existing support programs, the broker can start mapping the enterprises active in, or sourcing from, the concerned area. This will give the broker a long list of active enterprises that might potentially be interested in a 4P partnership.

The broker should be detailed and critical in this mapping. Multiple visits are often required to get a full picture of the enterprises. Time can also be used efficiently by making use of data that is already there. Important for the broker to determine is:

For enterprises:
- Current engagement with smallholders / willingness to source from smallholders
- History and experience of working with smallholders (in the area)
- Other market players’ perception of the enterprise (although subjective)
- Business volumes
- Market strategies (concerning core business)
- Sourcing methods
- Quality/Certification standards
- Management type and style (for instance, a family-run business, a corporate business, etc.)
- Ability and conviction to invest

It is important to cross-check and validate these findings with others like producers or public stakeholders.

Equally relevant, one should screen the producer (groups) active in the area. The elements the broker could look at regarding producers is:
- Number of producers represented in the producer group
- Volumes produced during the last seasons
- Type and registration of producer group
- Current and previous relations with markets / private sector buyers
- Leadership and management style of the producer group
- Readiness to supply to the market
- Willingness to work with (specific) private sector buyers
- Compliance with technical, sanitary and food safety standards in connection with requirements of the local market

Business alliances or business platforms can facilitate the process of identification, since these organizations have a member database which can be explored. Sometimes, governmental or donor support programs for small producers have existing databases or contacts details of producer organisations and private companies looking for local sourcing.

In Senegal, a number of 4P partnerships were already established before Partnering for Value. The public partner, the PAFA program, has since 2012 been supporting producer’s groups and linking them to enterprises. The idea of Partnering for Value was to add value by selecting existing 4Ps and support them to become sustainable and increase their social and economic impact. The final 4P selection for this support has been made by the Value Chain Organizations (CNIFs) under PAFA, based on past experiences/relations between the partners and possibilities for replication and dissemination of project results.

In Mozambique, the SNV team started with the identification of private partners by focusing on those companies which were already used to working with producers, or had some sort of supply chain activity as part of their core business model. This greatly enhances the chance of commercial success and allows to include producers which are already acquainted working as suppliers to a company they know.

During Partnering for Value, it was observed that producers are not always looking for a new market in reality, and do not necessarily want to change their ways of working. Leadership and management styles of the producer groups is key in the assessment.

For further discussion on the role of 4Ps in development processes, see the 4P final project paper.
In case there are no such networks or databases present, the best is to work with key informant interviews and build up a database from scratch. There will always be local markets, transporters, storage points where a broker can start informing. Often local lead farmers or village leaders are a good entry point as well.

**Inviting potential partners to develop a first idea for a 4P partnership**

Following the mapping of enterprises and producer organisations active within the programme areas, the next step for the broker would be to invite enterprises to take the lead in developing a first idea for a 4P set-up. Important is to clarify the eligibility and selection criteria for the final selection of 4P partnerships from the beginning and to formalise commitment.

There are a number of options to invite potential partners; these are discussed in the below table.

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
<th>Applicable situation</th>
<th>Advantage</th>
<th>Disadvantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launching event</td>
<td>A public event for enterprises and producer organisations where the 4P objectives are explained</td>
<td>When the programme or 4P is not very well known yet among potential 4P partners</td>
<td>- Opportunity to invite a large number of participants;</td>
<td>- Risk to miss out on key players who do not attend</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Opportunity to explain the programme and provide space for questions</td>
<td></td>
</tr>
<tr>
<td>Open application / tender in media</td>
<td>Advertisement in which a call for ideas is announced</td>
<td>When it is expected that many enterprises will “compete” for limited resources to support 4P cases</td>
<td>- Open and transparent process;</td>
<td>- Advertisement may be missed by potential partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Raising the interest of companies not known yet.</td>
<td>- Those who do not understand 4P yet might not apply</td>
</tr>
<tr>
<td>Idea note development training</td>
<td>A training organised for potential partners on how to develop a good 4P concept and idea note</td>
<td>When there is interest but hesitance to apply (because of lack of understanding the process, lack of experience to write concept notes, etc.)</td>
<td>- Quality of proposals will improve;</td>
<td>- One can only invite a limited number of partners to a training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Training can also be used for matchmaking between partners</td>
<td>- Risk of preselection through the training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Opportunity to learn from each other</td>
<td></td>
</tr>
<tr>
<td>Personal networks</td>
<td>A broker uses his/her personal contacts to invite potential partners to submit 4P ideas</td>
<td>When there are only a few enterprises / groups in the targeted area and the broker has a network already</td>
<td>- Personalised approach which results in higher response;</td>
<td>- Broker may miss out on partners who are not in his/her network</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Efficient process because of making use of 'low hanging fruits’</td>
<td>- Risk of perceived preference or lack of neutrality</td>
</tr>
<tr>
<td>Consultation with existing</td>
<td>The broker consults existing value chain networks</td>
<td>When there is an active and well organised</td>
<td>- Provides good insights in potential</td>
<td>- Risk of preferential</td>
</tr>
</tbody>
</table>
value chain networks for their recommended shortlist of possible 4P cases network active in the area enterprises in the area - Efficient process and good local ownership and commitment building treatment by network members - Enterprises who are not a member might miss out

Of course, a combination of methods can be applied. This will be determined by the result of the mapping and the agreement with the funding programme on how the selection process will be done. Key is to first do a mapping of the value chain and regional actors to get a good insight into which agro-enterprises are active, the level of organisation of producer groups and the numbers of smallholders. This will give an insight in the process that could best be followed. For instance, when there are very few eligible private enterprises, it might not be useful to do an open call for ideas, but rather focus on a facilitated process. On the other hand, when there are many eligible private enterprises, it is recommended to do a public launching event or an open call to give everyone a fair chance to put their ideas forward.

From the Partnering for Value project, experience learned that a combination of a launching event with a personalised coaching / guidance approach to collect 4P ideas is a highly effective process. Especially since the broker, from the mapping on, knows both the enterprises and producers and can already establish initial contacts between them. From there, it will be easy to start discussing the first ideas. This also saves time in the end as the process of drafting the final business plan becomes a much smoother facilitated and participatory process.

Matchmaking of potential partners
It is possible that either enterprises or producer organisations indicate that they have an idea for a concept, but that they do not know who to partner with. This is often the case with private enterprises who want to change their sourcing model from working with intermediaries to directly sourcing from smallholders, or with producer groups seeking a more stable buyer.

It is important to explore if the private sector’s commercial needs matches with producers’ capacity to supply. What we often see is that producer organizations have difficulties with complying with contractual obligations due to a lack of experience in business management. To make the 4P a success, additional training is required to close capacity gaps and to allow producers to honour the partnership responsibilities.

In such cases a broker can step in and introduce potential partners to each other for an initial exchange of ideas and matchmaking. This could be done in consultation with the public partner who may know, from their experience which producer groups, who fits best with which enterprise or from what area an enterprise could source the material they are looking for. At this stage it should be clear that the case is still in a concept stage, that there is no formal commitment yet and that the case still has to go through a due diligence and selection process.

In this phase, each partner gets the opportunity to voice their expectations of the partnership. What does each partner see as success? As this might be different for each partner, it is important for the broker to facilitate dialogue to come to a common and agreed ambition and expectation.

In formulating these, it might help to use a table in which current challenges are listed, and how these might be addressed through the 4P. This provides a clear overview of how challenges can be turned into a success and facilitates the formulation of common ambitions and targets for the partnership.

Table: Examples of challenges identified and potential opportunities and actions that can be taken by the 4P partnership

<table>
<thead>
<tr>
<th>Current challenges</th>
<th>Opportunities provided by a partnership</th>
<th>Action required</th>
</tr>
</thead>
</table>

30
**Low productivity per hectare**
- Introduction of new varieties through the partnership
- Analyse best varieties based on description by the enterprise
- Set-up of production demos by public extension
- Support producers with access to seed

**Low volumes produced**
- Aggregation of production through producer organisations
- Strengthen business management and leadership

**No quality standards adopted**
- Adopt and enforce quality standards
- Support to public sector to develop and enforce a standard
- Capacity building of value chain actors to work with the developed standard

---

Important to find out is if there is a history of both enterprise and producer (groups) in working with others in the value chain. It might be that they have experience with non-compliance to contracts, early pull-outs, unreliable partnerships etc. In that case, enterprises or producer groups might start the 4P with little trust. A broker needs to take such historical backgrounds into account before the real matchmaking can be done.

**Ranking and selecting**

Following the drafting of idea notes, the best ones should be selected based on the earlier determined selection criteria. This selection process should be done jointly by the broker and the programme staff and should take available resources into account, such as amount of grants available to support 4Ps. Where possible, the broker could use additional experts from business associations etc. for a specific expertise in scanning the ideas.

The ranking matrix will come in handy for this step. If the eligibility criteria are quantified in scores, it is easy to distinguish the best ideas. Following the ranking of the first ideas (the longlist) a selection will be invited to submit a more elaborate concept note.

**Concept note development**

The next step is the development of a concept note on basis of the idea note. The concept note becomes more concrete and detailed, and describes in draft what partners want to do and achieve together with the 4P.

A concept note should at least contain:

1. Administrative information;
2. Description of the current situation (including an analysis of strengths and weaknesses);
3. Desired future situation and the changes needed to get to that future situation;
4. Technical and business information, such as
   a. Description of the initiative
   b. Company history
   c. Financial statements
   d. Tax situation
   e. Expected impact (economic, social, environmental)
5. Market trends
6. Organisational capacity
7. Complementary information

---

In El Salvador, the SNV team hired the national milk producers association PROLECHE to support them in the selection of a suitable producer group for a partnership in dairy. Similarly, in Senegal the support of value chain networks (CNIFs) was called in to help in ranking suitable 4P partnerships.
The concept note forms the basis for the final 4P Business Plan. If ample time and effort is spent on the concept note, it will be much easier to come to a final 4P Business Plan at a later stage. The concept note development can take 1-3 months depending on available data.

The broker can support the concept note development by bringing potential partners around the table and facilitate the discussion on what they would like to achieve together in a 4P arrangement. In this phase the foundations are laid for a possible partnership and careful management of the relations is therefore crucial.

Before submitting the concept note, it is recommended that the draft is validated by all partners (public, private and producers) in a joint meeting or workshop to ensure that all partners have clarity on what is being proposed in the concept. They have to agree on content and commitments before going to the next step.

**Review and approval**

The submitted concept notes will go through a final review by the project management unit before a selection is made. Depending on the number of concepts submitted, it might be an option to organise consultations with each partnership to verify their ideas and provide them the opportunity to explain their motivation to start a 4P.

Following the selection, the next step before moving to the final business case development is to make a partnership agreement in which the public, private and producer partners agree to collaborate and continue to develop their concept note into a detailed and realistic business plan.

**Tools for identification and matchmaking**

The below table gives an overview of the tools that can be useful for this step:

<table>
<thead>
<tr>
<th>Stage in the step</th>
<th>Tools</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapping the sector</td>
<td>Sector mapping /</td>
<td>Mapping of actors in the preselected value chains or geographical areas</td>
</tr>
<tr>
<td></td>
<td>Geographic mapping</td>
<td></td>
</tr>
<tr>
<td></td>
<td>database</td>
<td></td>
</tr>
<tr>
<td>Inviting ideas</td>
<td>Idea note template</td>
<td>To develop a first idea by an agribusiness or cooperative for a 4P</td>
</tr>
<tr>
<td></td>
<td></td>
<td>without having partners yet</td>
</tr>
<tr>
<td>Matchmaking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ranking and selecting</td>
<td>Eligibility criteria</td>
<td>Ranking and selecting the best ideas for further development</td>
</tr>
<tr>
<td></td>
<td>Selection criteria</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ranking matrix</td>
<td></td>
</tr>
<tr>
<td>Concept note development</td>
<td>Concept note</td>
<td>An elaborated version of the idea note, the concept note template</td>
</tr>
<tr>
<td></td>
<td>template</td>
<td>gives a clear outline for the business case</td>
</tr>
<tr>
<td>Review and approval</td>
<td>Eligibility criteria</td>
<td>Based on predefined eligibility and selection criteria concept notes</td>
</tr>
<tr>
<td></td>
<td>Selection criteria</td>
<td>will be accepted or turned down.</td>
</tr>
<tr>
<td></td>
<td>Letter of commitment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>or partnership agreement</td>
<td></td>
</tr>
</tbody>
</table>

In Uganda, a simple exercise was done where parties noted down what they could offer to other partners, and what they expected of other partners. The broker facilitated dialogue so others could immediately respond to those expectations. This helped the partners in coming to a realistic 4P concept note.
Challenges and risks

- **Getting concrete commitments** from the public sector at this early stage of the process can be an obstacle, especially because they are often not used (yet) to working directly with the private sector in their rural development programmes. This can be overcome by getting obtaining buy-in from higher levels (senior officers) for 4P, and by ensuring their full support and agreement at every step of the process.

- At the same time, **private sector confidence might be difficult to achieve** at this early stage when the public sector is involved. It is good to keep in mind that it requires time and trust for the partners to get acquainted to each other and to get used to each other’s ways of working.

- Often, **small producers are used to being beneficiaries** in public and private projects. Being a ‘partner’ instead of a beneficiary in the 4P might be new to them, and it might take time before they understand what commitment it takes. It is important to clarify their strategic role in the 4P partnership and what the boundaries of the partnership are.

- All actors clearly need to understand that the implementation of the 4P partnership requires (financial / human) investments and commitment. Objectives cannot be reached if some partners only try to benefit without much effort. Even when partners have different objectives and roles, these need to be clear to everyone for mutual understanding.

- Sometimes, there have already been **past experiences** between partners, and conflicts may have occurred. It is important that the broker is aware of any relevant background information before starting new deals. Constructive dialogue is necessary, managed by the broker, to ensure that problems have been solved and trust can be rebuilt.

- Many producer groups and private entities are involved in more than one commodity / value chain or activity. It is sometimes necessary to narrow down the opportunities and write a realistic concept note with a 4P only based on one activity. However, when it comes to leveraging funds for a company, the bank/investor will be willing to assess the company as a whole, so the broker will have to work on different levels.

**Tips and tricks**

- It is important that all stakeholders feel that they are part of the matchmaking process in order to create a sense of co-ownership.

- Each partner needs to actively participate. Therefore, it is important that the 4P broker keeps in touch with the partners and is able to timely identify and solve issues.

- If the initial commitment from the private sector is secured directly with the owners or directors of the companies (or at least with relevant decision makers), it is more likely the private sector stays committed during 4P implementation. Distinguishing between decision makers, influencers and implementers is important.

- It might be useful to engage business associations and platforms as they can support and strengthen this commitment from the private sector.

- All agreements with 4P actors should be documented, written and signed to ensure their commitments.
Chapter 3 – Developing the 4P Business Plan

Purpose of this Step

The second step in the 4P brokering cycle deals with the development of the business case and writing the 4P Business Plan. It logically follows after the phase of scoping and matchmaking, during which ideas and concepts have been formulated and initial partnership agreements have been signed on the basis of the 4P eligibility criteria.

In the second step the initial ideas are elaborated in detail and developed into a viable and sustainable 4P business case with a validated business plan. This requires extensive research, field visits, negotiation among partners, capacity assessments, clarification of roles and responsibilities, writing these plans on paper and confirming these plans in an agreement. As might be clear, the broker plays an essential role in this process. The steps necessary to come to a viable 4P Business Plan are described in this chapter.

Role of the broker in this step

The broker plays an essential role in this step. First of all, the broker is a 
convenor and facilitator
for all partners, as first ideas and expectations need to be developed into a business plan. The broker will document these ideas on paper, support data gathering and validate this data, and supports the development of a financial model. The broker not only supports the partners in business plan writing but also makes sure that all partners have a say in the negotiation process.

The broker also plays an essential role as a 
facilitator and trust builder. The broker makes sure that all partners feel comfortable and respected by the other partners in the negotiation process. A real partnership will slowly come to existence and trust is needed to facilitate this process. A reliable and confidential broker is necessary so the partners know that there is someone they can turn to when issues arise.

Last, in this phase the broker also assesses if additional investments are needed to implement the 4P Business Plan and decides whether to start a financial brokering process. The last chapter is dedicated to the process of financial brokering.

Key deliverables

A 4P Business Plan: The 4P business plan describes the market opportunity that gives justification to a business case, the business case itself, a business strategy and how implementation will lead to achieve the agreed targets. The key focus needs to be in working with quantitative data describing current and estimated future profitability, cash flows, investments etc. that provides evidence for a viable business case.

A sourcing agreement: A detailed agreement describing the product and the conditions of trade between the enterprise and producers. This deals for instance with the exact specifications of varieties, moisture content, purity etc. but also point of delivery, transport responsibilities, determination of price, terms of payment etc.
Seasonal/annual plan: A seasonal plan (or annual plan, depending on the type of product) setting the targets for the season. For instance, it could describe that a processor will purchase 5MT of dried sesame seed from a producer group. This plan can also describe what support the public partner will give to the producers to train them in growing the required quality and quantity of sesame.

Capacity assessment and development plan: Partners may not have the capacities yet necessary for implementing the business plan. Therefore, a capacity development plan is an integral part of building the business case.

Completed baseline and target sections of the Business & Partnership Scorecard: This baseline is necessary to be able to monitor progress from the start of the 4P partnership.

Monitoring plan: A monitoring plan needs to be developed which describes the responsibilities for data collection to track progress. A more thorough explanation on monitoring and the Business & Partnership Scorecard can be found in the chapter on M&E.

During this step, an assessment also needs to be made on whether the individual partners are ready to receive financing (grant and/or commercial) or that the partners first need a boost in building business management capacity. Such a pre-investment phase will need to be built into many of the 4P cases as in most settings the partners do not have proper accounting systems. The broker can assist in introducing the right business management instruments and support the use of data for decision making. A more detailed description of the steps for financial brokering are described in the last chapter.

The development of a 4P Business Plan in steps

The development of a 4P business case should be a facilitated co-creation process. Joint ownership and validation of the plans by the partners is key in this process. The basis for the 4P Business Plan is the concept note which was developed during the scoping and matchmaking phase. To bring the concept note to a business plan, a number of additional actions are needed which include at least:

- A supply chain/value chain analysis
- Business model development, including quantitative analyses, such as profit-loss calculations, balance sheet development etc.
- Writing the final 4P Business Plan
- Drafting of a partnership agreement, including a detailed sourcing agreement and seasonal target setting

The content of the 4P Business Plan

The 4P Business Plan forms the backbone of the business case. It describes how a market opportunity drives the partners to come together and what needs to be done to achieve success, who will do what, who will invest, etc.
Usually, the 4P Business Plan contains the following items:

**Outline of the 4P Business Plan**

1. **Executive summary**  
   Summarizing the complete business plan to serve as a ‘teaser’ for the reader.

2. **Introduction**  
   Introduces and explains the rationale of the 4P case.

3. **The Public-Private-Producer Partnership arrangement**  
   Describes the different partners and roles in the partnership.

4. **Value chain analysis**  
   Provides an analysis of the value chain in the country concerned, including current bottlenecks.

5. **Strategic objectives of the 4P**  
   Describes how these bottlenecks will be addressed and the strategic objectives for the 4P partnership.

6. **4P Business model**  
   Explains the 4P business model including a visualization.

7. **Value proposition**  
   Describes the value that is created through the 4P partnership.

8. **The company**  
   Describes the background and role of the private partner who is leading the business case.

9. **Revenue model**  
   Explains how revenue will be earned through the business model.

10. **The market**  
    Explains the current market situation, i.e. demand and supply, for the particular commodity the 4P will focus on.

11. **Key milestones and activities**  
    Describes the milestones to be achieved, and the activities that will lead to those milestones.

12. **Capacity development plan**  
    Provides an assessment of the capacity needs of each partner to be able to achieve the strategic objectives, and how these needs will be addressed.

13. **Use of funds**  
    Describes how investments will be spent in the 4P partnership. This goes for own-investment of each of the partners as well as external contributions from development projects or commercial funders.

14. **Project impact**  
    Describes impact targets (including a list of impact indicators to be monitored) for each of the partners as well as seasonal business volumes.

15. **Risk analysis**  
    A risk analysis and mitigation measures for the 4P business model.

16. **Financial model**  
    A profit and loss statement, balance sheets, etc. are all included at the end of the business plan. It both includes a financial model for the private partners as well as for the producers.

17. **Funding requirements and returns**  
    If external investment is needed, this section will describe why certain funding is needed and for what.

18. **Exit strategy**  
    The exit strategy describes a) the exit strategy of the broker b) in case of an external investor, how the investor will pull out.

To gather information, justification of the choices made and validation of the findings a number of steps are worked out below. In the tools section, more detailed templates can be found.
Analysis of the current value and/or supply chain
The first step to develop the business plan is to analyse the current supply chain and/or value chain through interviews, consultations and field visits to get insight into the current bottlenecks, dynamics and opportunities. The opportunities and constraints named in the concept note will be further researched leading to an in-depth analysis.

Additionally, a clear picture of the present role of different value chain actors, both primary actors (producers, agribusinesses) and secondary actors (service providers, legal bodies, regulatory authorities, etc.) needs to be mapped. This includes mapping the functions of these actors and how they are performed. This is also important for the capacity development strategy which will be formulated later during the business plan writing. At the end of this analysis the broker should have a good picture of who is doing what in (and around) the value chain of the proposed business case.12

Data gathering and analysis
The next step is the development of the business model, which starts with data gathering and analysis. Relevant quantitative and qualitative data on the current and past performance of the partners needs to be collected and analysed in order to develop a solid business model. This data should contain the official (legal) status of the partners, financial data (profit-loss accounts, balance sheets, inventory etc.), management data (management set-up, staffing and succession planning), etc. A list of the required data is provided in the tools section. Rough data should already have been collected in the concept note stage to be able to make proper estimations on the viability of the business case which should have informed a go/no-go decision to develop the full business plan.

Preferably, data should not just be copied from annual reports, but also be verified in the field and where possible, with some key interviews. An important role of the broker here is to show the partners the importance of building a business model on solid, reliable data to facilitate realistic planning. Private actors are often reluctant to share (financial) data because they are afraid it will leak to competition. The broker however needs to make them realise how important reliable data is to let the 4P business case succeed. Often, these kind of partnerships are started with an enthusiastic, but also too optimistic attitude, which leads to disappointments once implementation of the business plan has started. These disappointments can have significant negative implications for interest and trust in the partnership.

It will be likely that not all partners have the necessary data ready; especially producers are not used to keep records on for example costs of production, revenues and business planning. But also the private sector (especially SMEs) do not always keep records. The role of the broker here is not only to support the partners in gathering the missing data, but also to make an inventory of capacity needs in for example record keeping and analysis. This should become part of the capacity needs assessment, which will be explained later in this chapter.

Defining ambitions and developing the value proposition
Based on data collected, partners can formulate their ambitions for the 4P partnership. Before turning to concrete objectives, it might help to first visualise the current business model. This helps in analysing what current activities can be changed or improved (if there is an already existing working relationship), or to map a business model for a new partnership.

---

12 For further information, please see the many tools available on value chain and supply chain analyses. See for instance “Innovation for inclusive value chain development: Successes and challenges”, by IFPRI (CGIAR): http://www.ifpri.org/publication/innovation-inclusive-value-chain-development-successes-and-challenges
Figure: an example 4P business model in soybeans (Agrinet, Uganda)

The visualisation will also help in formulating the value proposition of the 4P partnership. In essence, this requires answering the question: what is the added value of partnering? This should not only focus on the economic benefits, but the social and environmental benefits are equally (if not more) important for a 4P. In terms of social or environmental benefits, one could think of the empowerment of women, employment creation for youth, climate change resilience, nutritional improvements in diet, etc.

After the value propositions is formulated, targets and objectives need to be translated in a concrete plan to achieve them.

**Developing the 4P business model**

The development of the business model is at least substantiated by the following:

A *road map* describing the pathway and the milestones of how the partnership will reach its objectives and targets. This road map also highlights how decisions will be made in case certain milestones are not met and the plan does not work out as expected.

A description of **roles and responsibilities** of all three partners and service providers in the business model. Again, the visualization of the business model will help in this.

A *risk analysis* for all partners and for the 4P case itself describing the potential (internal and external) risks that might obstruct achieving the targets, an analysis of the likelihood of these risks to happen and mitigation measures taken by the partnership to lower the chance for those risks. This can be put in a matrix that provides a clear overview of the most urgent risks for the 4P Business Plan.

Participation of the producers during the formulation of business plan objectives is important because:

- Validate if the leadership of producer organisations are indeed acting on behalf of their members
- Validate if there is enough sense of ownership of the business model among the producers
Below table is an example of such a matrix from Mozambique.

<table>
<thead>
<tr>
<th>Risk</th>
<th>P</th>
<th>C</th>
<th>R</th>
<th>Impact of the risk</th>
<th>Responsibility</th>
<th>Impact Mitigation approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreliable rainfalls (due to climate change)</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>• Will disrupt crop growth</td>
<td>Company Management</td>
<td>• Field officers to monitor the development of the crops and engage with forums on measures to take</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• If too severe will affect productivity significantly</td>
<td></td>
<td>• Ensure farmers to not take inputs on credit when there is high risk of default</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Production input loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High price volatility</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>• Low prices will impact company revenues</td>
<td>Company</td>
<td>• To monitor world prices and ensure that information is passed to farmer organisations, thus adjusting their capacity to protect them from possible price shocks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Low prices will impact producer incomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic &amp; Political risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation and currency</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>• Inflation leads to increased costs and daily expenses for the farmer</td>
<td>Company</td>
<td>• The Company Sustainability Unit to transfer benefits to the farmers from profits as exports in USD are made.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Inflation leads to increased costs and daily expenses for the farmer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate change leading to droughts and floods</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>• Farmers cut down trees to expand production areas</td>
<td>Forums Company</td>
<td>• Farmers would need to adhere to standards to be introduced by the company as part of its sustainability standard</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Slash and burn to increase</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

P = Probability (5 = likely, 4 = probably, 3 = possible, 2 = not likely, 1 = rare)
C = Risk level: PxC (4 = Extreme (16-25), 3 = High (9-15), 2 = Medium (6-9), 1 = Low (1-5))

A capacity development plan consisting of an analysis of the current capacities and capacity development needs of the partners to achieve the 4P objectives. The costs for capacity development are an integral part of the business plan as without this investment the execution of the plan has a high risk of failure. Partners should be encouraged to co-invest.

Typically, we find the following capacity development needs for each 4P partner:

<table>
<thead>
<tr>
<th>Public partners</th>
<th>Private partners</th>
<th>Producer Group</th>
<th>Producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 4P business case development and financial modelling</td>
<td>• Financial management</td>
<td>• Group management</td>
<td>• Technical production skills</td>
</tr>
<tr>
<td>• Business plan writing</td>
<td>• Enterprise management</td>
<td>• Record keeping</td>
<td>• Record keeping</td>
</tr>
<tr>
<td>• Developing calls for and working with the private sector</td>
<td>• Working with smallholders</td>
<td>• Financial management</td>
<td>• Meeting contract requirements</td>
</tr>
<tr>
<td>• Managing 4P co-investments</td>
<td>• Providing extension services to smallholders</td>
<td>• Contract management</td>
<td>• Financial management</td>
</tr>
<tr>
<td>• Providing tailored services (extension, financial services) that serve 4P objectives</td>
<td>• Business plan writing</td>
<td>• Succession/ organisational planning</td>
<td>• Succession/organisational planning</td>
</tr>
<tr>
<td>• Managing certification</td>
<td>• Certification</td>
<td>• Technical skills (storage/aggregation)</td>
<td>• Technical skills (storage/aggregation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Quality management</td>
<td>• Quality management</td>
</tr>
</tbody>
</table>

It might be clear that, in most cases, all partners have capacity development needs to successfully implement the 4P, rather than only the producers. It is the role of the broker to sit down with each partner and make a realistic assessment of the capacity needs. This then needs to be translated into a concrete capacity development plan which will be part of the business plan implementation phase. For instance, in El Salvador this process was taken into account by organizing
multidisciplinary teams within the private enterprises who evaluated their strengths and weaknesses to make the business partnerships, pathways to improvement in the value chains.

**Writing the 4P business plan**

For more details on writing a 4P Business Plan, see the tools section for a 4P business plan template and other useful tools.

**Validating the 4P Business Plan**

Following the drafting of the plan, the final version needs to be validated by the partnership. Especially when the plan is compiled and drafted by the broker, it should be presented, discussed, and agreed by the representatives of the three partners before the final version is sent out for approval. The plan should be internally approved by each of the partners regarding the agreed commitments and investments in the partnership. This validation should result in a formal endorsement of the plan. Once all three partners have given their formal approval, an official partnership agreement for the business case can be signed.

**Partnership agreement**

The partnership agreement is the final step of this phase. This is a (multi-year) agreement by which the partners formally commit to contribute to the success of the plan and take joint ownership of the plan. The agreement should ideally comprise of two sections. The first is a general section on roles and responsibilities and governance of the agreement. The second section is a more operational section composed of the operational plan, sourcing contract arrangements, and the monitoring plan.

Important elements in the partnership agreement should be:

- **Roles and responsibilities** which describes the role of each partner in detail, so all partners know what to expect from each other.
- **Investments and contributions** provides a clear overview of what each partner has committed to invest in the partnership. For example, the private company will financially invest in new processing machinery, the public partner will invest in better extension services for the farmers, and the producers will invest time in adopting better agricultural techniques.
- **Monitoring and evaluation** describes the who, what and why of data collection and monitoring of the partnership. It also describes how the partnership performance will be evaluated.
- **Decision making** explains how decisions will be made on what, and by who. In essence, this section describes the governance system of the partnership.
- **Dispute settlement** will be provided for if unlikely events occur and disputes between partners need to be settled. One could think of the broker stepping back in the partnership to mediate, or an external mediator will be hired to appease the dispute.
- **Operational plan** comprising of the seasonal targets, sourcing arrangements, and a monitoring plan. The details of the operational plan are explained in chapter 4.

In most cases, the private partner has most experience in writing business plans and therefore takes the lead in business plan writing. In Vietnam, the private enterprises indeed took the lead to draft the business plan, while the other partners provided input. To facilitate this process, trainings on business plan writing were provided by the 4P broker to enable all partners to participate in the process. For each business case, a mentor was appointed who would guide the process and to make sure that everyone had an equal say.
An important part of the partnership agreement is the (seasonal) monitoring plan. This monitoring plan will describe the starting point of the business case, the baseline data, the partners’ ambition and targets, a description of the success factors for each of the partners, how progress will be monitored and who will collect the data. A Business and Partnership Scorecard is developed which measures the success of the business case along five performance dimensions:

- Enterprise performance
- Producers business performance
- Social and inclusion performance
- Environmental performance
- Partnership performance

The Business and Partnership Scorecard (and a user manual) are described in chapter 5, Monitoring and Evaluation. The basic assumption behind the scorecard is that most data will be collected by the partners themselves, especially the producers, the producer groups and the private enterprises. This is merely business data (volumes, prices, etc.). It is recommended to use this as the minimum standardised performance measurement system as it will give an objective, validated overview on the status of the partnership performance. If the partnership wants to measure more indicators, they can be add that to the scorecard.

**Tools for developing the business plan**

Below table gives an overview of the tools that have been selected or developed for this step.

<table>
<thead>
<tr>
<th>Stage in the step</th>
<th>Tools</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of the current supply chain</td>
<td>Value chain analysis tools</td>
<td>An in-depth analysis of the current value and/or supply chain to analyse opportunities and constraints, both on quantitative and qualitative aspects.</td>
</tr>
<tr>
<td>or value chain</td>
<td>Constraints and opportunities table</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value Proposition</td>
<td>Partnership tool</td>
<td>The partnership tool can be used to identify why a partnership is of added value, and what each partner expects to contribute and get from the partnership.</td>
</tr>
<tr>
<td>Development of the business model</td>
<td>Business model canvas</td>
<td>Description of all aspects of the business model, which can also be used to identify risks.</td>
</tr>
<tr>
<td></td>
<td>Risk analysis template</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Roles of primary and secondary actors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Challenges and success factors table</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capacity assessment tools</td>
<td></td>
</tr>
<tr>
<td>Writing the business plan</td>
<td>4P Business Plan template</td>
<td>Full write up of the business plan</td>
</tr>
<tr>
<td>Partnership Agreement</td>
<td>Partnership agreement template</td>
<td>Each partner signs a partnership agreement to confirm their commitment.</td>
</tr>
</tbody>
</table>

The 4P Business and Partnership Scorecard is meant as a data tool to track progress regarding the partnership’s objectives. This should not be confused with a regular project M&E system which tracks the output, outcomes and impact of a project.
### Challenges and Risks

Common challenges found during business plan development are:

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Challenges</th>
<th>Proposed solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>■ Partners have no time available to work with the broker</td>
<td>■ Convince the partners about the importance of the 4P project;</td>
</tr>
<tr>
<td></td>
<td>■ No recent data or statistics to understand the value chain and market dynamics</td>
<td>■ Inform partners about the time commitment it requires;</td>
</tr>
<tr>
<td></td>
<td>■ Make a plan including time commitment from specific staff for the writing process beforehand</td>
<td>■ Proper benefits of the investment;</td>
</tr>
<tr>
<td>Data</td>
<td>■ Poor availability and quality of data necessary to build the business plan;</td>
<td>■ Collect and validate data where possible;</td>
</tr>
<tr>
<td></td>
<td>■ No recent data or statistics to understand the value chain and market dynamics</td>
<td>■ Extrapolate with the data available;</td>
</tr>
<tr>
<td></td>
<td>■ If available, try to use from the last 2-5 years to make proper estimations</td>
<td>■ If possible, try to use from the last 2-5 years to make proper estimations</td>
</tr>
<tr>
<td>Information</td>
<td>■ Reluctance from private sector to share financial reports;</td>
<td>■ Brokers and partners could sign a non-disclosure agreement;</td>
</tr>
<tr>
<td></td>
<td>■ Limited documentation about good practices and field activities</td>
<td>■ Share with partners the importance of progress reporting</td>
</tr>
<tr>
<td>Validation</td>
<td>■ Lack of partners’ involvement during the business plan writing process</td>
<td>■ Define the role of each partner in the business plan writing process beforehand;</td>
</tr>
<tr>
<td></td>
<td>■ Plan well in advance, source external consultants from database, align with finance department, draw liquidity plan</td>
<td></td>
</tr>
<tr>
<td>Procurement</td>
<td>■ Lengthy procedures</td>
<td>■ Plan well in advance, source external consultants from database, align with finance department, draw liquidity plan</td>
</tr>
<tr>
<td>Ownership</td>
<td>■ Lack of ownership of 4P business development process</td>
<td>■ During concept note development, identify ownership of each partner;</td>
</tr>
<tr>
<td></td>
<td>■ Make the process as participatory as possible</td>
<td>■ Ensure indicators are chosen that meet expectations.</td>
</tr>
<tr>
<td>Business plan approval</td>
<td>■ 4P Business Plan not representing the expectations of the partners;</td>
<td>■ Engage the partners as much as possible during business plan writing;</td>
</tr>
<tr>
<td></td>
<td>■ IFAD not approving the public investment from project resources (where applicable);</td>
<td>■ Validate the data on which the business plan is based;</td>
</tr>
<tr>
<td></td>
<td>■ Lack of endorsement</td>
<td>■ Document partners’ expectations and targets;</td>
</tr>
<tr>
<td></td>
<td>■ Ask for endorsement of the final version of the business plan;</td>
<td>■ Ensure indicators are chosen that meet expectations.</td>
</tr>
</tbody>
</table>
Tips and Tricks

Agree on the decision making and approval process: Discuss with all stakeholders how the decision making and data verification will take place to ensure that the right people in the organisation are involved in business plan development. During the writing process, the broker should be in continuous consultation with all partners and stakeholders to check if the drafts written are in line with the required quality for approval.

Validation of data: The broker should verify and validate numbers in the field. For example, if the business plan depends on 3,000 farmers producing sesame, it has to be verified if there are indeed 3,000 farmers willing to produce this.

Quality: Considering that 4P partners not always have experience with business plan writing, the broker should lead the drafting process and guard the quality of the plan.

Co-ownership: In practice, the private sector will be the leading partner (as compared to other partners) in developing ideas for the business case. The broker has to make sure that the other partners feel engaged and that they co-own the business plan.

The importance of validating data for the success of a 4P was learned in practice. A 4P in Vietnam focused on chicken eggs failed as the company had not done proper research on the willingness of producers to start producing eggs – in the end, it turned out that producers found the eggs business too risky and did not want to enter the proposed partnership. In Mozambique, a 4P in sesame failed as it turned out that sesame producers were too spread out in the foreseen area, which caused unexpected high transportation costs for the company.
Chapter 4 – Implementation of the business case and strengthening the partnership

Purpose of this step
During the implementation phase, partners coordinate their commitments and carry out the planned tasks. For cooperation to be successful, a shared working culture is considered important. However, the partners’ different backgrounds bring about different ways of working and organizational cultures that may trigger misunderstandings and conflict. Bottlenecks in the sector can also complicate PPP activities.

During this step the partnership needs to grow and develop further. Trust needs to be built between partners. Success needs to be celebrated while the partnership also learns to deal with disappointments and keeping each other accountable for commitments made.

This step will continue over a number of agricultural seasons to provide space and time for development of the partnership, reflection, learning and redefining expectations, ultimately leading to a self-governed sustainable partnership between producers and private agro-enterprises.

In this process, reviews and adjustments to the business plans are essential and therefore the tools used in the previous step (business plan development) as well as in the next step (M&E) will also be used as reference materials for this phase.

Depending on the starting point of the partnership, there will also be significant investments and improvements in the capacities of the different partners during implementation. Often, we see that most investments go to building entrepreneurial and business management skills to bring the 4P partners as serious market players to a stage of investment readiness.

The broker plays a critical role in helping partners changing their mind-sets towards a shared working culture. The focus of the broker during implementation will be on following whether the committed performance improvements happen and supervising partners in taking action when it does not go as expected. The steps necessary to ensure the successful implementation of the 4P business plan are described in this chapter13.

Role of the broker in this step
The role of a broker shifts significantly during this step. Whereas the broker in earlier steps is more facilitating the negotiations around the partnership, during this step the broker becomes more a facilitator, motivator as well as a neutral mediator. As part of monitoring the success of the partnership, the broker is also an analyst, seeing where the business plan is performing well and a strategist, to discuss with the partners where the plan needs to be adjusted based on the realities of implementation and changes in the market (more on this is presented in chapter five on Monitoring and Evaluation).

13 The steps presented in the figure are not sequential but rather components which will be take place parallel to each other.
The broker facilitates the drafting of an operational plan between the partners, steers implementation and monitors performance and commitments. The broker also organises regular face-to-face reviews between the partners in which the past season is discussed and the next season is planned. The relationship and trust between partners is monitored, and the broker acts as a mediator when needed. Last, the broker plays a key role in knowledge management and assesses capacity development needs of each partner and assures that these are addressed.

Experience shows that during this step the broker spends most time with the producer organizations who, for multiple reasons, require coaching support to fulfil their tasks and keep their commitments within the partnership.

**Key deliverables**

Following the development of the business plan, this should now be operationalised into an operational plan (sometimes also called the detailed activity plan and budget). This is a seasonal or annual plan in which each partner commits to carrying out specific activities in order to achieve the objectives of the business plan.

A second deliverable is the actual delivery of goods and/or services from each of the partners to another partner/the partnership. This includes capacity building activities based on identified needs during the business plan development stage.

A third key deliverable is the documentation of the results through for example the business and partnership scorecard and a related participatory review of the partnership to track performance and adjust the business and operational plan where needed.

It is difficult to set out a typical implementation process as activities of 4P models are case specific and depend significantly on the project characteristics and events arising during its duration. Logically, this step requires much less standardized involvement of the brokers than the rest of the 4P brokering cycle. The steps mentioned below are therefore flexible and to be adjusted to each individual 4P business case.

**4P implementation in steps**

**Operational planning**

4P partnerships can be quite complex, with a variety of partners who are often not used to working together. The implementation of 4P arrangements requires a significant level of proactive management among partners in order to ensure that the project is implemented in accordance with the targets set out in the business plan.

Once a business plan has been approved, an operational plan needs to be agreed upon which sets the interim/seasonal targets and guides implementation. There should be a clear separation between the roles and responsibilities of partners in the operational plan. As a neutral facilitator of the 4P partnership, the broker plays a critical role in ensuring smooth operation. Experience shows that there can be quite some challenges during implementation because promises are not kept, activities are delayed or agreements around implementation and funding are not clear. Especially in 4P cases where there is complementary matching grant funding we have observed delays or even premature ending of business cases as a result of unclear procurement rules for goods and services leading to frustration and withdrawal of the private partners.

When entering the partnership, disagreements about expected roles and responsibilities of the various parties may arise. If these disagreements are not addressed quickly and in an appropriate manner, they might lead to greater conflicts that can damage the partnership in the long term. All the more important is to have clear and transparent roles, structure and planning. In other words, an appropriate governance mechanism for the 4P should be established with all parties’ agreement.

---

14 See the next chapter, Monitoring & Evaluation.
As part of the main business plan and partnership agreement formalising the partnership, a series of bilateral agreements can be signed among the parties. This can be a grant contract between the public sector and the enterprise or producer group for a co-investment (i.e. in a new facility). Often there are also seasonal farming contracts (forward production contracts) or offtake guarantees between the enterprise and farmer organizations (see the tool section for templates).

The operational plan will define in detail how the 4P partnership will operate in practice to implement the business plan. An operational plan does not exist as a standalone plan. Rather, it is integrated in the approved business plan and updated on a seasonal or annual basis. The operational plan describes what each partner will do, when and how as contribution to the success of the 4P; it steers the day-to-day operations. It also describes the interdependent relations for success, of which for example the timely delivery of seeds, provision of technical training or joint harvesting and bulking are part. Here, the broker also plays a key role in streamlining the different working cycles of the private, public and producers partners to manage expectations and reduce the risks of implementation delays.

The detailed operational planning should be a participatory process facilitated by the broker. Additional support from the brokers may be required in detailed budget planning.

The operational plan should contain measurable milestones, deliverables, indicators as well as tasks and responsibilities of each partners. A degree of flexibility is required throughout implementation which corresponds to the different needs of all parties such as contingency plans for delays, failures etc. However, project structures need to be sufficiently robust to allow effective monitoring and to ensure that the public interest is guaranteed. Timing should also be realistic; internal organisational processes should be taken into account and transparent to avoid frustrations during the project.

In Vietnam, municipalities have played an important role during the contract signing between private and producer partners as municipalities had detailed data on their communities and households.

In practice, 4P partnerships may involve formal (contractual) or informal arrangements, depending on the partners and the context. From experience from Partnering for Value however, we generally recommend less formal contract modalities, such as Memoranda of Understanding. Such modalities provide space for learning and flexibility, enabling the partnership to incorporate lessons learned and adjust during implementation.
Matching operational plans with the partners’ capacities

During the Partnering for Value project, in a significant number of the cases the initial expectations were not met by the partners. This was due to different factors:

For enterprises and cooperatives

It is often assumed that enterprises are mature enough to participate in 4P arrangements. However, often there is too little attention to the level of business management skills within the company. It is not uncommon that investment is still needed in financial management, bookkeeping and reporting skills at company level.

During the implementation phase in Uganda and Senegal, participating enterprises still needed a lot of support to improve the required business development processes. This is not only true for small, but also for larger enterprises.

Leadership skills is a second point of attention, especially for family-run enterprises and cooperatives. Both are often led by passionate individuals (owners) who feel over-responsible for the success of the enterprise. Leadership styles, the capacity to delegate and strategies for growth and succession planning are sadly often forgotten, putting the enterprise and therefore also the 4P at risk.

Last, a company needs to be familiar with working with smallholder producers. Companies need to be aware of the advantages and risks, and have to learn best ways of working with smallholders. If this experience is not there, it is strongly recommend for companies to start with a pilot before setting up a large scale 4P arrangement in order to increase the chance of success.

For producers

In many programmes and 4P arrangements, producers are primarily seen as beneficiaries and not as entrepreneurs. As a result, operational plans mostly focus attention on productivity improvements, but not on aspects such as farm management and the development of entrepreneurial skills. This often leads to a narrow focus of working only with poor households who are the furthest from having the required skills for a 4P. The best 4P cases are in fact those producer groups which were self-formed by the communities and consists of a mix of better-off and poor farmers. In such groups, the better-off farmers often play a mentoring role towards the poor farmers and represent them in negotiations with traders and companies.

Farmers often already have trading relations, however mostly informal and short-term. In the operational planning, these have to be analysed in terms of how farmers have experienced them (terms of payment, timing of trade and harvest, pricing etc.). These factors need to be taken into account as they might indicate previous tendencies for contract breach. Transparency and communication are key success factors to facilitate the trust building between producers and enterprises.

For the public partner

Planning within the public sector mostly follows a rigid annual (calendar year) cycle, which is in contrast to producers and enterprises, who plan much more along business cycles and agricultural harvest seasons. What has been observed in all countries of the Partnering for Value project is that public sector employees have difficulties with speaking and understanding the language of the private sector. Especially thinking in business models and plans, decision-making based on profit-loss estimates etc. are not part of the standard public sector ways of working.

Different ways of performance management can also contribute to possible misunderstandings. The public sector is mostly looking at delivery of outputs - such as delivery of trainings, inputs, tools etc. - without much follow-up on the actual use or effects of these outputs. When involving the public sector in the 4P arrangement, attention needs to be paid to strengthening capacities and systems of the public sector to work with the private sector and facilitate relations between producers and the private sector, without becoming a manager of the 4P arrangement themselves.
Operational plans containing clear interim targets can be refreshed annually, seasonally or at the request of the partners. In general, full scale revision of the operational plan over the project duration is not envisaged except where there is a major external change. Based on the discussion and consensus among partners, the operational plans will be revised by the broker with final agreement by all partners. This often calls for pro-activeness from the broker given the fact that timely implementation of the different field activities should be well-coordinated.

**Working and planning together**

In a 4P partnership, all partners have to learn to work together and to understand each other’s planning systems and ways of decision making. The broker plays an essential role in bringing the partners around the table, discuss differences and similarities and negotiate transparent ways of working which will form the basis for the governance of the partnership. This process takes time and will in most cases go through a phase of trial and error. The broker will need to play a very pro-active role by staying in touch with each of the partners and discussing issues in an early stage. Another lesson from the Partnering for Value project is that the partners can best communicate face-to-face regarding these issues rather than only (indirectly) through the broker.

**Holding each other accountable**

In the business plan and the operational plan, each partner commits to contributing to the partnership (in cash or in-kind). Unfortunately, not all commitments were kept in the 4P business cases of the Partnering for Value project, even though there were written and signed agreements. For example, enterprises did not invest in the promised decentralised storage facilities, producers decided to side-sell despite clear off-take agreements and the public sector was often late with promised trainings, grants, inputs or other services.

Especially at the level of the public sector we have observed many delayed activities. This is partly due to overly regulated planning cycles and procurement mechanisms, but also because people involved are not in the position to take the right decisions and have to wait long before their superiors take this up.

To make the 4P a success, more stringent accountability measures are needed so partners learn to hold each other accountable for the timely delivery of each other’s committed activities. The broker plays a role here to monitor this on a continuous basis and to remind them that they depend on each other for the partnership’s success. An important part of holding each other accountable it to set clear annual or seasonal targets and to gather data on a continuous basis, which will be reviewed at regular intervals to track progress and steer timely.

Operational plans containing clear interim targets can be refreshed annually, seasonally or at the request of the partners. In general, full scale revision of the operational plan over the project duration is not envisaged except where there is a major external change. Based on the discussion and consensus among partners, the operational plans will be revised by the broker with final agreement by all partners. This often calls for pro-activeness from the broker given the fact that timely implementation of the different field activities should be well-coordinated.

For Partnering for Value Vietnam, local authorities also played a critical role in validating adjustments to the operational plan, guiding necessary actions as they had in-depth knowledge of project activities and participating households.

**Delivery of capacity building and service activities by the partners**

A key element for this step is the investment in capacity building of each partner, as identified during the capacity needs assessment in the business plan formulation phase. In general sourcing models, the assumption is often that smallholders need to build capacity in agricultural technical skills in order to deliver high-quality supply. However, 4P experience has shown that more capacities and skills are needed, also with other partners, to build a successful 4P. For example, producers equally need more business management skills, both at an individual as well as at a producer group level. In many cases, companies need support in managerial, financial and accounting skills, especially when the 4P also focuses on financial brokering. The public sector in turn often lacks experience in working with the private sector, and often looks for increased capacity in assessing the financial feasibility of business plans as well as due diligence of partners (both the enterprises and the producers).

To ensure the set-up of capacity building activities, the broker has to facilitate a detailed self-assessment of each partner’s capacity building needs during the business plan formulation of the 4P. These capacity building needs have to be translated in concrete activities (i.e. trainings by a
specific service providers) and have to be incorporated both in the financing plan for the business case as well as in the operational plan.

Coaching and mentoring

Brokers have a key role in coaching and mentoring the 4P partners, and are therefore recommended to visit the project area frequently (once a month, for example) to make sure the partners are performing according to their business plan. Brokers who are involved in multiple 4Ps can even facilitate peer learning through for example 4P exchange visits.

In addition, brokers should keep a long term vision in mind, ensuring that actors have the capacity, financing and incentives to continue the partnership even beyond the initial funding and support. This means that the broker should develop a proper exit strategy for him or herself.

Overall, the main role of a broker is to maintain close contact with the stakeholders involved. Given that the 4P is often not the partners’ only business, it is important that an independent third party keeps them motivated and committed to the partnership. This means that the broker should find an adequate balance between supporting projects on the one hand and leaving space for partners to be proactive, develop their own ideas, and take ownership of the joint activities on the other.

All in all, guiding and coaching can take place at different levels:

- At the level of the 4P partner through regular visits, consultations and reviews;
- At the level of the 4P partnership through joint planning, review sessions, and study tours which benefit the partners’ understanding of each other;
- At the level of project implementation such as the set-up and facilitation of steering committee meetings.

Exchange and learning

During the implementation phase, brokers facilitate learning and exchange among 4P partners. In addition to bringing relevant stakeholders together to identify common concerns and problems, discuss difficulties, and identify additional information needed, external experts can also be invited to provide that information. Brokers should have an entrepreneurial mind-set, constantly seeking opportunities to improve the partnership.

Another way to encourage learning and exchange for the broker is to set-up peer networks both between similar partner types (directors of companies, cooperative leaders, etc.) and between 4Ps partnerships. Such networks could either take shape in peer-to-peer visits (4P cases learning from other 4P cases) or formal training sessions. Both bring people together and result in relationships that allow them to learn from one another, both during trainings but also beyond the learning activities.

Besides connecting 4P partners to each other, a broker may help 4Ps by connecting them with other initiatives, programs and experts they could learn from. Furthermore, coordination with other initiatives is essential to avoid overlap or duplication of activities, as discussed in chapter two.

Below, a list of activities is provided in which the broker could play a role as a learning catalyst.

---

In Partnering for Value Senegal, the main need in terms of capacity development was related to financial and accounting tools. Tailored support was provided to producer’s groups and agribusinesses to improve their accounting practices. The recommendation was to appoint a fulltime employee who would focus on administrative and financial operations and use these for strategic business decisions. Intensive training and coaching was needed to check the effective use of the provided tools. This time-demanding operation turned out to be essential for building strong 4P business cases that can grow with minimum risks.

4P arrangements and partners may not always “get it right” the first time, so it is critical to stay flexible and experiment with new models and partners as the partnership moves forward.

Partners therefore need to be encouraged to learn from mistakes, be willing to forgive others and leave room for each other to experiment and find improvements.

During the Partnering for Value, SNV organized learning events in all project countries, such as themed workshops. In Vietnam, effective knowledge exchange was achieved through exchange visits that matched 4P businesses with peers or other experts with practical experience. This has served as an effective capacity building tool as partners learn about each other’s challenges.
## Learning and exchange within a 4P – A menu of options

<table>
<thead>
<tr>
<th>Type of intervention</th>
<th>When</th>
<th>Potential activities</th>
</tr>
</thead>
</table>
| Coaching and Mentoring       | Business plan development        | - Share expertise in (business) planning  
- Provide feedback during the different phases of the 4P process  
- Regularly review of project progress and targets (and adjust plans accordingly)                                                                                                                                                                                                                     |
|                              | Implementation                   |                                                                                                                                                                                                                                                                                                                                                     |
| Networking                   | Matchmaking                      | - Identify and make connections with interesting formal and informal (knowledge) organizations from which 4P partners can learn  
- Make connections with similar (4P) cases for peer to peer learning                                                                                                                                                                                                                               |
|                              | Implementation                   |                                                                                                                                                                                                                                                                                                                                                     |
| Training                     | Implementation                   | - Train 4P partners in several aspects of building and implementing 4P business cases  
- Train 4P partners in monitoring and evaluation of 4P implementation                                                                                                                                                                                                                         |
| Exchange                     | Business plan development        | - Organize workshops during which 4P partners get the opportunity to exchange experiences with and learn from experts  
- Similar workshops but with partners from similar (4P) cases  
- Organize exchange visits with peer 4P cases                                                                                                                                                                                                                                                   |
|                              | Implementation                   |                                                                                                                                                                                                                                                                                                                                                     |
| Leadership development       | Implementation                   | - Serve as a role model or counsellor to key staff within the 4P partner organisations, such as the director of the company or the leader of a farmer organisation                                                                                                                                                                                                                   |
| Development of local service providers | Business plan development      | - Identify gaps and strengthen the quality and quantity of local service providers to better connect with 4P efforts                                                                                                                                                                                                                          |
|                              | Implementation                   |                                                                                                                                                                                                                                                                                                                                                     |
| Direct management assistance | Implementation                   | - Guide and support company staff to provide technical assistance to be able to respond better to 4P activities                                                                                                                                                                                                                                                                                        |
| Documenting and disseminating | All phases                      | - Document key learnings from the 4P process  
- Share lessons when relevant (for example, in the form of publications, during conversations with policy makers, during events, etc.)                                                                                                                                                                                                                      |

### Monitoring implementation and performance

Monitoring of the operational planning is an ongoing responsibility of all partners. It should be an integral part of the management of the 4P business case and not a separate activity. During the implementation stage, monitoring is essential not only to keep the project on track but also to facilitate effective communication between project partners, which is essential for adaptive project management. Moreover, it is essential for learning and documenting best practices for further implementation.

An important dimension of monitoring progress is to track results against the targets as set out in the operational plan. In order to do so, each partners needs to collect data in a systemic way for review. Monitoring results also increases accountability and transparency within the partnership. Moreover, data collection might help partners to get access to finance, as solid track records are often required to qualify for finance applications.
While the kind of information needed for monitoring will vary between 4Ps, progress reports will usually include:

- Tasks completed since the previous reporting period;
- Tasks planned for next reporting period;
- Main issues and any deviations from original planning, with proposed mitigating actions;
- Financial progress compared to the budget; and
- Action points required by each party.

The broker can support the partners in setting up (formal) monitoring and reporting systems. The more activities a business plan entails, the more sophisticated the monitoring system needs to be.

More details on monitoring and evaluation of 4Ps will be discussed in the next chapter.

Managing unexpected events and adjustments to the 4P business plan

Monitoring progress is essential when unexpected events occur (price fluctuations, droughts, crop diseases, local political changes, etc.) which might have an effect on implementation of the partnership. Monitoring systems are a helpful tool to remind partners of their commitments and the agreed targets, but also to assess the impact of such events on the initial 4P planning and manage adjustment to the business plan. Among others, the broker can play several roles in such situations:

- Assess impact on the feasibility of the 4P Business Plan and discuss and propose changes to the partners;
- Assess financial changes and check the financial model, explore refinancing opportunities;
- Assess legal impact and review and draft PPP contract amendments if required;
- Motivate partners to keep momentum for the 4P.

Dispute resolution

During implementation, a broker is the key contact point when problems or conflicts arise. When partners cannot agree, or unexpected circumstances occur, the broker can take up the role of a neutral mediator. Most disputes can be dealt with by bringing partners together and allowing them to voice their concerns, thereby enhancing mutual understanding of each other’s perspectives. The broker supports in safeguarding a safe environment to solve conflicts.

A broker can provide support in several ways, such as:

- Support in developing a shared vision among the partners;
- Encourage partners to be accountable to each other and adhere to commitments made;
- Moderate discussions between 4P partners and facilitates joint problem diagnosis;
- Mediates between different interests to find possible solutions;
- Helps keeping, building or restoring trust between the partners;
- Advises the project management unit from the public sector on the issue being disputed;
- In worst case, explains and advises on legal steps if the conflict is impossible to resolve through mediation.

When the conflict turns out to be too difficult to solve by the broker alone, the broker might help the partners in looking for further legal advice.

Working towards sustainability of the partnership

While the broker has been essential for building, guiding and monitoring the partnership, at the same time all partners need to realize that the broker will eventually pull out of the partnership. During the implementation phase, it is therefore crucial that the partners work towards a phase of an independently functioning partnership, with key monitoring and coordination mechanisms in
place. Therefore, an exit strategy of the broker needs to be developed and agreed upon by all stakeholders from the start. The following check list is useful when setting up an exit strategy:

The roles and responsibilities of every partner need to be made clear to avoid confusion on who is responsible for what after the broker has pulled out, and to avoid future disputes;

- The broker should have trained partners how to apply the tools that were used during 4P workshops/trainings, so partners can use them independently when needed;
- All formal agreements should be in place and signed, including documentation for solving disputes;
- A monitoring and evaluation plan needs to be made so partners can continue monitoring 4P performance;
- Individuals in key positions need to be selected at the institutional level of the partner organisations and trained in the 4P approach. It is key that the broker leaves well-trained individuals behind that can continue the work and embed the philosophy of and expertise in the 4P approach. At the same time, the broker might help them in developing the right networks for continuing 4P practice;
- Additionally, investments need to be made in the institutional development of 4P partners, which ensures that further implementation of 4P will continue if key people leave their organisations;
- In some cases, when the IFAD-funded government programmes have the resources, budget and priorities, key staff in those programs were trained to continue specific 4P activities, such as continued monitoring, supporting the scaling of existing 4Ps and identifying new 4P opportunities.\(^{15}\)

**Tools for implementation**

Below table gives an overview of the tools that have been selected or developed for this step.

<table>
<thead>
<tr>
<th>Stage in the step</th>
<th>Tools</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Plan</td>
<td>Annual / Seasonal Plan</td>
<td>A comprehensive activity and budget plan indicating what each of the partners will do this season to achieve the 4P targets</td>
</tr>
<tr>
<td>Sourcing Agreement</td>
<td>Sourcing Agreement Template</td>
<td>A list of items to be considered for the sourcing agreement. To avoid future disputes, recommendation is to detail this as much as possible.</td>
</tr>
<tr>
<td>Capacity Development</td>
<td>Capacity Improvement Plan</td>
<td>A detailed plan to strengthen the capacities of the partners</td>
</tr>
<tr>
<td>Coaching and Mentoring</td>
<td>Coaching and mentoring plan</td>
<td>A detailed plan of the coaching and mentoring by the broker</td>
</tr>
</tbody>
</table>

In Senegal, particular effort was put in transferring knowledge to the public partners in the IFAD-funded PAFA project to continue certain 4P activities, such as: Facilitating continued cooperation between PAFA, the 4P companies and the National Value Chain Organisations (CNIFS); Key staff within PAFA and the CNIFS were trained in 4P business case development; Staff in PAFA were trained to provide continued support to the companies in the 4P partnerships, including training in application of the tools; CNIFS were additionally trained in recognizing and identifying new 4P opportunities in their daily work.

While it should be supported that public partners learn more and apply the 4P approach in their work, if public partners can become 4P brokers themselves (instead of independent 4P brokers) is still debatable. For this discussion, please see the 4P paper.
Challenges and risks

Challenges often found during 4P implementation are:

- **Efficient coordination**: between the public and private sector can be a challenge, as they differ in focus, goals and working methods. For example, tensions might easily rise when rapid decision making is required by private actors (who are subject to market dynamics), while public actors have to comply with strict bureaucratic decision making structures.

- **Market fluctuations**: business plans are always subject to market dynamics. Highly fluctuating prices and demand for a particular crop might have a significant impact on the original planning of the business plan; for example, the private partner might not be able to offer the same price anymore to the producers as agreed in the original partnership agreement. The broker plays a key role in making the partners understand each other’s situation and maintaining trust, and perhaps facilitating adjustments to the original agreements and business plan.

- **Unfavourable conditions for production**: events such as droughts, pests and crop diseases might occur that have a negative impact on quantity and quality of the farmers production. Therefore, it is key that producers learn climate smart agronomic practices and have access to good quality inputs. The broker might play a role in exploring and promoting best options, and mediate between partners if production still turns out to be disappointing.

- **Flexibility of the partners**: as mentioned, unexpected events might occur or it might turn out that the original targets of the 4P business plan are not feasible. Partners must therefore be willing to open up agreements again. Brokers play a key role in facilitating these renegotiations and reminding partners that flexibility is often needed.

- **Sustainability of the partnership**: during the implementation phase, it is essential that the broker supports the partnership in becoming slowly independent from the broker. Enough trust between the partners needs to be built so they can continue the partnership after the broker has exited.

- **Transparency**: partners may be reluctant to be transparent and provide full insight in their business/organisation. However, it is necessary that all partners are open and transparent to each other to ensure feasibility and flexibility of the partnership and identify necessary changes to agreements and targets set.

Tips and tricks

- **Close engagement with all partners**: the broker should be in continuous contact with all partners during implementation to keep track of progress, activities, motivation, issues that need to be solved, etc. In this way, partners keep feeling engaged and committed to the 4P partnership which will lead to enthusiasm to perform.

- **Governance of partnership**: coordination and governance of a 4P partnership has costs and requires time. Partners need be aware that they have invested in the partnership in order to build a long-term, sustainable partnership build on trust. The time, costs and commitment to govern the partnership should have been budgeted for in the business and operational plan.

- **Capacity building needs to start early**: the capacity building activities identified during the capacity gaps assessment should take place as early as possible as soon as implementation has started, as it can take time before actual knowledge and lessons will be applied in 4P practice. Moreover, it is important that capacity building activities are demand driven and will address bottlenecks for 4P implementation.

- **Ongoing and participatory learning**: while implementation is ongoing, partners are continuous learning from 4P practice. The broker could make partners aware of that learning and documenting best practices is equally important as achieving targets. Seasonal and extensive reviews play a key role in this.
Chapter 5 – Monitoring and Evaluation

Purpose of this Step
Monitoring and evaluation is often seen as the last step in the cycle, where results are reviewed and analysed. However, a detailed monitoring and evaluation plan should be developed already before the implementation phase, as data collection and monitoring is an ongoing process. Not only will important lessons get lost when collected at the end, it also takes away the opportunity of learning, adjusting and improving while implementation is ongoing. Thus, during the whole 4P process data needs to be gathered in a structured and consistent way in order to be able to give meaning to the analysis and discussion of the results.

In this step we will discuss the overall M&E approach for 4P, but also how the M&E approach feeds into the different steps of identification and matchmaking, business plan development and implementation. In the description of each of the steps we have already indicated some of these elements like goal setting, agreeing on success factors and the development of a monitoring plan as part of the operational plan.

In contrast to most regular development projects, M&E of the 4P partnership is primarily for the interest of the 4P partners themselves. Therefore, it needs to be stressed that M&E for 4P partnerships is rather focused on monitoring performance (progress towards agreed targets), rather than on impact. This is not only because it is difficult to directly ascribe certain impact to specific partnership activities, but a pragmatic approach makes it easier for partners to do their own monitoring and evaluation. Based on the data gathered each partner can follow whether the partnership is delivering what they expected and take a decision how to continue. For instance, the private partner should be able to conclude if the partnership brings the expected business growth. The public sector can conclude if the matching grant has been an effective investment in an inclusive producer–enterprise business venture. Producer organisations might come to the conclusion that the partnership indeed has led to a more secure market and income.

The M&E tools provided in this chapter will help 4P partners to understand what results mean for the partnership and improve their activities and partnership practices accordingly. This will improve the sustainability of the partnership: because when 4P partners are able to manage their own M&E systems, they will be able to monitor and improve the partnership by themselves, even after the broker has pulled out.

The role of the broker in this step
The broker has multiple roles in the M&E process. This role starts with motivating and capacity building of the partners to make them aware of the need to work with a data-for-decision-making business strategy and to train the partners on how to gather the right type of data.

During business plan development, the M&E role of the broker will shift to doing quality checks on the data on which the business plan is based and checking the feasibility of targets set, thereby especially looking at the match between supply and demand. Setting realistic growth targets is a key component here to avoid future disappointments and mistrust between the partners.

Another role of the broker during the business plan development phase is getting the right monitoring systems incorporated in the business (and operational) plan. The broker will support the development of an M&E plan and agree with the partners who will be responsible to measure what and when.
During the implementation phase, the broker will adopt a mentoring role. On the one hand, the broker will motivate partners to collect the data they are responsible for, and on the other the broker will support partners in analysing the data and help them to use these in seasonal reviews. During this phase the broker will also have a strategic role, supporting the partners in adjusting business plans to findings from the reviews as well as to market development trends.

Key deliverables
For each step of 4P brokering there are different M&E deliverables. In the table below the key M&E activities and guiding questions are indicated for each step.

<table>
<thead>
<tr>
<th>4P Step</th>
<th>M&amp;E Analysis</th>
<th>Guiding Questions</th>
<th>Tools to be used</th>
</tr>
</thead>
</table>
| Identification and matchmaking | • Agreement of 4P key indicators  
• Baseline measurement of 4P key indicators  
• Realistic target setting  
• Capacity needs assessment | What will be the right indicators to measure the performance of the 4P partnership?  
Do the partners have the right capacities to successfully implement the 4P plan?  
What investment in capacity development is needed to develop these required capacities? | • Business & partnership scorecard  
• Baseline study  
• Target setting and planning  
• Capacity needs scan with focus on the following skills:  
  • Technical  
  • Financial  
  • Managerial  
  • Entrepreneurial  
  • Leadership  
  • Relationship & networking |
| Business Plan Development | • Collection of data on key 4P indicators  
• Seasonal/periodic review of performance | What have been the results of the last production season/period?  
What needs to improve/change in the 4P partnership to achieve the targets? | • Business & partnership scorecard  
• Profit-loss calculators  
• Seasonal review tools  
• Other monitoring formats |
| Implementation            | • Setting realistic investment targets  
• Level of investment realised  
• Results of investment | Is the investment giving the expected results? | • Investment memorandum including key financial information  
• Updated operational plans  
• Business & partnership scorecard  
• Seasonal reviews |
| Financial Brokering       | • Setting realistic investment targets  
• Level of investment realised  
• Results of investment | Is the investment giving the expected results? | • Investment memorandum including key financial information  
• Updated operational plans  
• Business & partnership scorecard  
• Seasonal reviews |

M&E of 4P partnerships in steps
As mentioned, monitoring and evaluation activities are ongoing from the matchmaking phase up to implementation of the 4P. M&E in the phases of matchmaking and business plan development involves data collection and analysis to make a realistic match between 4P partners and to develop a feasible business plan. The first real M&E activity of the broker therefore is to assist the 4P partners in collecting data for realistic goal and ambition setting.
Setting the partnership goal and ambition

An important role for the broker is to assist 4P partners in realistic goal and ambition setting. Experience from the Partnering for Value project has shown that there is a tendency of 4P partners to be too optimistic when formulating their ambitions for a 4P business case. Although enthusiasm should be motivated, there is an important role for the broker to stress the need for realistic ambition setting in order to keep that enthusiasm during the course of the 4P partnership. Partners will stay better motivated if they see that they are able to achieve their targets.

Therefore, relevant data needs to be collected on past performance of all partners. For producers, this could be numbers on production volume, quality and productivity of the past seasons. For companies, this could be numbers on sales volume and prices and production capacity. Even for public partners it is relevant to track past performance, for example in the quality, quantity and nature of the trainings they have been providing to producers in the past.

During business case development, all partners need to sit together to streamline their targets and manage expectations. This is to avoid situations in which the company expects much more production volume from the producers than producers have been producing in the past. It is key for the 4P partnership to set a steady and realistic growth rate that every partner can agree on.

Realistic seasonal target setting can be strengthened by starting with a pilot period, during which only small targets are agreed on and the agribusiness starts to work with only a small number of the total number of producers to be eventually included in the 4P. This way, the business (and the other partners) get the opportunity to see what works and what not, before expanding to larger producer groups. Targets could then be based and extrapolated from the pilot period to the complete 4P business plan.

Agreeing on success factors and indicators

The broker needs to identify what the partners see as success for the partnership, and thus what they see as key indicators for monitoring the 4P performance. The type of indicators can differ per 4P business case. While in one case the partners might find the quality of production an important success factor for the partnership, another case can be more focused on a steady supply volume. It is expected that each 4P is interested in more than one performance indicator. In principle, there is no limit to the indicators or success factors, as long as it is realistic and all partners agree on those indicators.

4P partnerships strive for more than profit. They also aim to create social and environmental benefits such as inclusion of poor households in the value chain or enterprises, employment creation for women and youth and climate resilience through adoption of climate smart agricultural practises. Brokers can help partners to systematically assess these different dimensions of performance.

Measuring the baseline

For each of the business cases, a baseline study should be done. Most of the information can already be gathered during the drafting of the concept note and the business plan. The data used during these stages, which includes data on the past performance of the partners (mostly to analyse the feasibility of the business case), can also serve as baseline data so that no extra surveys have to be designed for baseline setting.

Monitoring and data collection

Throughout the year, performance needs to be monitored against the commitments made. Partners should be encouraged to collect their own data, not only to track partnership performance but also for tracking their own business performance and record keeping. The aim of data gathering is to build a culture of data-for-decision making.
Experience from the Partnering for Value project has however shown that both producers and agro-enterprises often have no or incomplete data available. This hampers not only strategic decision making, but it also forms a bottleneck in getting access to finance. Good financial and business performance records as well as established accounting and governance principles are a minimum requirement for most financial institutions.

For producers, the recommendation is to work with easy to understand "crop budgets" in which they can record their seasonal expenses and incomes. For producer groups, there are slightly more complex formats looking at sales and revenue models as well as asset management. Depending on the maturity of the group, cash flow management could be added to this. Enterprises should be able to keep profit and loss statements, cash flow statements, return on investment calculations, asset management etc.

As part of monitoring and evaluation, regular review meetings between partners should be organised for timely identification of potential issues and steering where needed. Regular updating of data forms are an important dimension of this.

**Setting up a monitoring system**

To assess the performance of the 4P partnership, regular reviews are recommended in which the results are discussed and self-evaluated. It is recommended to do this after every season, directly after the sales of the agricultural produce. This review can then be used as input for planning the next season.

The seasonal review should have two main dimensions. A quantitative dimension in which the facts and figures are reviewed and discussed and a qualitative dimension in which cooperation within the partnership is discussed. For the quantitative part, the Business and Partnership Scorecard has been developed as the main tool for tracking performance indicators (see the tool section for an example). Although each 4P partnership can choose their own performance indicators they want to monitor, a number of recommended quantitative indicators are listed in the overview below.

<table>
<thead>
<tr>
<th>4P performance dimension</th>
<th>Key indicators</th>
<th>Who collects the data</th>
</tr>
</thead>
</table>
| **Enterprise performance** | 4P sales (volume)  
4P sales (value)  
Share of 4P sales of total business sales (%)  
Profit growth (%) | Private enterprise  
Producer groups |
| **Producer business performance** | Number of producers involved in 4P  
Net income increase of 4P producers  
Net income increase of 4P producers (%)  
4P sales by producers involved (volume)  
4P sales by producers involved (value) | Producers and producer groups |
| **Social and inclusion performance** | Number of poor people participating in 4P (women and men)  
Number of women involved in 4P as producers or employees  
Number of youth involved in 4P as producers or employees  
Number of jobs created in the participating enterprises (counted as full time jobs)  
% of jobs taken up by poor, youth, women (measured separately) | Producer groups and enterprises  
(who should be asked to keep poverty, gender and youth segregated records) |
- Net income earned from paid labour resulting from the 4P by producer households

| Environmental performance | Share of total seasonal production under the 4P agreement in compliance with environmental standards (%) | Producer groups
|                          | Share of producers having adopted climate smart techniques or methodologies (%) | Agricultural Service Providers (Extension workers) |

| Partnership performance | 4P financial investment (by public partners) | Public, private and producers partners |
|                        | 4P financial investment (by private partners) | |
|                        | 4P financial investment (by producers) | |
|                        | 4P financial investment (by external investors) | |
|                        | No. of producers selling to 4P partner for 2 consecutive seasons | |

A number of these indicators need to be further refined during the business plan formulation and should be understood within the context of a specific case. For example, the "Share of 4P sales of total business sales (%)" is listed as an indication of the level of inclusion of smallholder farmers. From the Partnering for Value project we have seen that companies source either through agents or directly from smallholders through producer groups. The target is to shift this towards sourcing more directly from smallholders rather than from agents. By tracking the % of production that the agro-enterprise buys directly from producer groups says something about the level of smallholder inclusion as part of the business volume.

It is recommended that monitoring performance of the 4P needs to be kept as pragmatic as possible. This to avoid complicated, time consuming M&E systems that will be too difficult for the 4P partners to continue when the broker has pulled out. Taking this into account, leading in the choice for performance indicators is the extent to which 4P partners are already collecting data regarding those indicators. The assumption is that companies are already tracking their profit and growth and that with relatively small changes they can adjust this to do separate 4P tracking as part of their total business. This is similar for producer groups, who often already keep records of production volumes sold. Some partners will need capacity building, not only to learn how to collect data, but also to establish an entrepreneurial culture of record keeping and data for decision making. It is recommended to address these gaps in capacity building activities as part of the business and operational plan. As mentioned earlier, to be eligible for financing, most financial institutions demand records and 4P can serve as supporting this professionalization of partners.

The broker plays an essential role in setting up such a monitoring system. Ample time needs to be reserved by the broker to explain the rationale and benefits of monitoring to create buy-in by the partners. Technical details needs to be explained, such as what the indicators entail and how to collect data for these indicators.

**The 4P review**

The data gathered during the monitoring cycles will be used in a participatory 4P review where the overall progress and satisfaction of the partnership is discussed.

- Take stock of preliminary results
- Discuss performance according to the Business and Partnership Scorecard
- Look at results vs. the 4P business plan
- Other 'soft' issues
- Discuss ambitions and plan for the next agricultural season
- Identification of capacity gaps within the 4P partnership that still need special attention and additional support from the broker
The seasonal reviews can consist of a round of bilateral meetings between the broker and each 4P partner and a final joint collaboration meeting with all 4P partners. Especially in the early stages of the partnership, it is recommended that the broker first sits with each partner individually as they will feel more comfortable to speak. The bilateral meetings are meant to:

The bilateral meetings are meant to provide a safe space for each partner to talk freely about how they experienced the 4P partnership until so far, and to discuss any confidential or difficult issues within the 4P partnership that the broker can address through the review process. During these meetings, more open topics are discussed, such as general experience, the perceived strengths and weaknesses of the partnership, lessons learned, challenges, recommendations and expectations of the 4P partnership for the next season. These bilateral meetings help partners to reflect on the partnership so far.

Following these meetings, a joint collaboration meeting needs to be organized with all partners to discuss these reflections, to share expectations and to jointly plan for the next season.

In this way, brokers help partners to take to time to sit together and reflect on key takeaways after every season. The reports of the bilateral meetings can be used as a starting point to facilitate discussions during the collaboration meetings. This not only facilitates reflection, but regular face-to-face meetings also lead to trust building and confidence for direct cooperation between the partners.

Additionally, it is recommended that brokers engage in monitoring activities in between the 4P review meetings. For example, the broker can ask for short updates or reports from each partner or regularly visit the project sites to check how implementation is going. Sometimes, issues might already come up and can be addressed long before the 4P review meetings. Getting regularly updated on issues might also prevent small issues from turning into bigger challenges.

Figure: an example of the 4P review process after the first season under Partnering for Value in Uganda
Based on the data recorded in the Business and Partnership Scorecard and the conclusions of the 4P review meeting the partners can decide to adjust the 4P business plan and operational plan. The joint collaboration meetings provide space for discussing target adjustments and the development of new operational plans. This should be a well-prepared process by the broker, who is already up to date on the expectations of the different partners for next season. The broker can take this information into account when organizing and facilitating the collaboration meetings.

Tools for monitoring and implementation
Below table gives an overview of the tools that have been selected or developed for this step.

<table>
<thead>
<tr>
<th>Stage in the Step</th>
<th>Tools</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting goals and ambitions</td>
<td>Business Plan</td>
<td>To jointly set goals and ambitions for the partnership, based on data collection for building the business plan</td>
</tr>
<tr>
<td>Determining Success Factors</td>
<td>Business Plan</td>
<td>To jointly determine what is success for the partnership and agree on indicators to measure this</td>
</tr>
<tr>
<td></td>
<td>Business and Partnership Score Card</td>
<td></td>
</tr>
<tr>
<td>Measuring the baseline</td>
<td>Business and Partnership Score Card</td>
<td>To set the baseline values for the selected indicators before the start of the implementation of the partnership</td>
</tr>
<tr>
<td>Monitoring and data collection</td>
<td>Data collection formats</td>
<td>So each partner is able to keep their own records (crop budgets, producer group records, enterprise records)</td>
</tr>
<tr>
<td></td>
<td>Business and Partnership Score Card</td>
<td></td>
</tr>
<tr>
<td>4P review</td>
<td>Review tool</td>
<td>To review and evaluate the partnership with all partners, adjust plans where needed</td>
</tr>
<tr>
<td></td>
<td>Business and Partnership Score Card</td>
<td></td>
</tr>
</tbody>
</table>

Challenges and risks

Partners do not see the need to collect data: often, 4P partners will not see the need for data collection. In many cases, they probably have not collected data at this level before and only see the effort and time it takes which they would rather spend on their core activities. It is therefore key for the broker to show the benefits of having a monitoring system in place: it facilitates target setting, business planning and helps managing expectations within the partnership. At the same time, it also supports sound business management for the partners themselves.

Data quality is not reliable: because not all partners will be used to collecting data, it is key that capacity is built in data collection and analysis. Additionally, the broker needs to cooperate closely with all partners during the first season when monitoring activities are planned, so that the broker can provide close guidance and support.

Partners are not willing to be transparent about data: especially private partners are not always willing to share data, as they are afraid that their competition will get hold of sensitive information. Therefore, it is important that a safe space and trust is created among the partners. At the same time, the benefits of sharing data for 4P business planning needs to be clear to all partners; it is difficult to develop a business plan without any financial data.

Tips and tricks

Brokers might also play a role in direct collection of data: in order to get the monitoring system started. For example, the broker could re-check the quality of production to assure that quality checks are
done in a right and honest way. Also, if it is the first time that a partner is involved in a monitoring system, it might be wise that first data collection is done together with the broker.

**Keep it simple, but serious:** as mentioned, M&E for 4P needs to be kept simple and pragmatic, in order to not put too much pressure on the partners, who rather focus on implementation. At the same time, the broker needs to show the value of regular and reliable data collection and how that could contribute to better performance of the 4P partnership.

**Motivate partners to maintain their own data-sets:** when explaining the benefits and importance of collecting information for monitoring, the broker should stress that data collection is not only beneficial for 4P performance monitoring, but is also beneficial for the partners themselves, as they can use it for their own business management purposes.

**Agree with the partners who owns the data and for what purpose the data can be used:** as mentioned before, some partners might be reluctant to share sensitive information. Therefore, partners have to agree on who is responsible for which data, and how data is allowed to be used and shared. This might be through formal non-disclosure agreements, but also through more informal agreements once trust is built between the partners.
Chapter 6 – Financial Brokering

Introduction

For many 4P partnerships, at least one of the partners will be looking for additional financial investments to invest in the business case. Organisations funding 4P programmes encourage this, as they often set up 4P brokering mechanisms to leverage their own investment. During the Partnering for Value project we worked with a specialist agency, TheRockGroup, to develop a methodology on financial brokering.

The basic assumptions for this (additional) step in the 4P brokering cycle is that one of the partners has a financial viable business case that could attract external (commercial) investments. In such cases, grant co-financing merely serves as a catalytic investment or a risk mitigation mechanism to leverage other investments.

A second assumption for this step is that financial brokering is such a professional task that an additional (temporary) financial brokering team is needed who does the analysis of the business case, as well as the preparation of all the required documentation. This results in an Investment Memorandum which can be presented to a number of shortlisted potential investors.

In this chapter the process and tools for financial brokering are explained. They include the following steps:

- Fact Finding
- Analysis
- Documenting
- Brokering
- Closing the Deal

Developing an Investment Memorandum and closing the deal can take up to 3 months

It is advisable to identify the financial needs of (one of the) 4P partners as early as possible in the 4P brokering process. Requirements of potential investors should namely be leading when developing the 4P business case, because these requirements could not only serve as useful guidelines for the construction of a solid 4P business case, it will also ensure a smooth financial brokering process later on.

The role of the financial broker

The role of the financial broker is to ensure that the 4P business case is adapted to meet investment requirements and to set up and facilitate the investment process. This comprises analysing investment criteria and templates from potential investors (local and international), creating an investor database, further selecting suitable financiers per business case and developing and supporting cases to become investment ready. The level and timing of involvement of the financial broker depends on the maturity of the organisation requesting finance. When a company is in an early stage situation, a financial broker could look for subsidy to support the business plan. This can be the first step of a sequential financing process from (matching) grants to potentially debt/equity finance.

Experience in Uganda has shown that financial brokering depends on whether the individual partners are ready for financing. An investor cannot invest in a 4P business plan, but will invest in one of the partners instead. Investors are still interested in the complete 4P model, but from the perspective of the 4P model being an inclusive or risk mitigation strategy of the entity they are going to finance.

Generally, the financial broker enters the stage when the business case is in a relatively mature state. As it is most often the private partner that looks for additional investment (and in some cases the cooperative), the financial broker supports the agro-enterprise to comply with the requirements of potential financial institutions. When the business case seems compliant, the financial broker will start activities to connect the cases to these investors, aiming at a successful investment that will enforce the 4P case.

16 We refer to the stages in venture capital investing: seed, early stage, formative, later, balanced.
The additional skills of a financial broker to a 4P broker

Because of the complexity of the 4P project, a broker should be an expert in different fields. These fields have become apparent when one looks at the different roles a broker has to take up to ensure a successful 4P process. When it comes to financial brokering, additional skills are needed. In most cases, the activities of the 4P broker and the financial broker are not done by the same individual/organisation.

It is recommended that the role of the financial broker is taken on jointly with the 4P broker to provide all the needed expertise. It is even recommended that the financial broker consists of a brokering team, to ensure that all necessary types of expertise are available.

To ensure a smooth financial brokering process, several roles are identified. Although the 4P broker is not likely to do the financial brokering itself, he or she can still contribute by preparing the 4P partnership for financial brokering from an early stage.

The necessary roles of the 4P broker for financial brokering:

**Process manager** The 4P broker oversees the partnering process of the 4P and should identify in an early stage if additional investment is desired by (one of) the partners. As a result, the broker should know when to call in additional expertise needed for financial brokering. As a process manager, the broker is responsible for daily tasks, such as managing the objectives and budget for the brokering of the 4P case. In that sense, he or she is also responsible for managing a budget for financial brokering.

**Inclusive business/supply chain expert** Financial institutions with a potential interest in 4Ps will most likely be impact investors, or at least investors committed to achieving social impact and improving the situation of smallholder farmers. This means that also for the financial brokering process, it is essential to include producers as equal partners in the 4P and that a solid inclusive business model needs to be built. This means that the 4P broker should be an expert in inclusive business modelling to also ensure a smooth financial brokering process later on.

**National expert**: The broker should have knowledge of the local context; this holds for agricultural knowledge, local market knowledge, knowledge of local rules and regulations as well as an understanding of the financial sector. In an early stage, the 4P broker should be able to estimate whether it is feasible and worth putting effort in finding additional investments, depending on the particular 4P partnership but also on the financial sector of that particular context.

**Business consultant**: It is important that the 4P partners develop a certain level of professionalism to become eligible for external investments. The 4P broker could already provide organisational support from the matchmaking phase on, to guide the parties to eventually become stable, mature businesses that comply with the requirements of the financial institutions. After finance is secured, the 4P broker could still support both the 4P and the financial institutions by supporting in monitoring, reporting and continued advice on implementing the activities of the Investment Memorandum.

**Industry expert**: The 4P arrangements take place in agricultural markets. Financial institutions consider investments in agricultural sectors risky. Therefore, a 4P broker should fully understand the details of the particular sector/value chain of the 4P, including insights in agricultural seasons, quality, yield, price, etc. With this knowledge, the broker should be able to “translate” the case to financial institutions and make a case attractive to their specific goals and targets.
The necessary roles of the financial broker for financial brokering:

Financial analyst: To be the bridge between the 4P broker and the financial market, the financial broker should be an accounting and finance expert. The enterprise should make the financial model, but the financial broker should be able to understand and check the model to provide expert advice. The role of the financial analyst is one of the key roles for the financial broker.

International financial sector expert: When the national financial institutions are not interested or when the national financial landscape is not suitable for the 4P investment, international investors should be addressed. Therefore a financial broker should have an extensive international network of financial institutions that could be suitable in the respective case.

The figure below outlines the timing of different brokering roles in the financial brokering process. These do not imply full time positions, but rather emphasize the need for special expertise in different stages of the financial brokering phases.

How the local context influences 4P financial brokering

When facilitating financial brokering, it is necessary to take note of the local circumstances that influence the 4P process. From experience from Partnering for Value, we learned that at least the following topics need to be taken into account:

Presence of local IFAD or other donor programmes: In some countries, local IFAD programs have matching grants available to improve the agricultural sector. This means that 4P cases in need of financing can apply for IFAD (local program) grants. This aspect changes the financial brokering strategy, as the (financial) broker will work with 4P partners to apply for the IFAD grant first, which can function as a leverage to make the 4P more appealing for financing from other financial institutions later on. The IFAD matching grant can either be used to increase the maturity level of the case to make it eligible and attractive for third party investment, or the matching grant can be used as a co-investment next to a third party investment. The possibilities for this depend on the
maturity of the partners as well as on the preferred investment conditions of the third party investors.

**Attitude/involvement of the in-country government:** The presence of a local IFAD programme means that the country government might be funding the 4P partnership activities with both capacity development and matching grants. In the Partnering for Value project countries, applying for these grants through the national government’s handling of IFAD funds often came with bureaucracy and sometimes demanding conditions. Furthermore, the involvement of the government frequently comes with mandatory cooperation with governmentally certified consultants. This process can be lengthy as existing procurement, approval and planning cycles need to be followed. In most cases, enterprises indicated that they did not feel very comfortable working with these conditions.

**Relation 4P broker/financial broker:** In some 4P cases, the 4P brokering and financial brokering were done by the same person, in other cases there were more professionals involved. It is important that from the beginning of the project, the roles and responsibilities are clearly defined and assigned to the appropriate (financial) broker. Whereas 4P brokers are often well capable to support producers’ access to micro-finance, for agri-businesses the more specialised financial brokers are required. For the more complex financial brokering it is therefore recommended to set-up a brokering team of at least a 4P broker and a specialized financial broker.

**Size of investment:** The size of the financial need in a 4P case also influences the process of financial brokering. When looking for a small sum, local microfinance institutions might serve as suppliers. Often however, the deal size of a 4P case is considered to be too large for microfinance and too small for impact investors or local financial institutions\(^\text{17}\). When the deal size is larger, international financial institutions might become attractive solutions to provide the necessary finance. For a financial broker this means that she or he should have the network and knowledge to approach the relevant financial institutions in each case.

---

\(^{17}\) The lack of this type of financing contributes to the financing gap for SMEs, often referred to as the "missing middle".
The setup of financial brokering in Partnering for Value

Different setups for financial brokering are possible, depending on the local context. Under the Partnering for Value project, the following setups were used.

<table>
<thead>
<tr>
<th>Country</th>
<th>Financial brokering setup</th>
<th>Operational description</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Salvador</td>
<td>Local SNV staff is programme manager and (financial) broker at the same time</td>
<td>SNV staff developed the 4P business cases according to the needs of the value chain, sought funds for investment with IFAD, and worked with the Ministry of Agriculture. Consultants from the Ministry of Agriculture wrote the business plans. SNV started a lobby process to convince the Ministry of Agriculture to invest in other market segments than initially planned, to be able to apply for grant funding for all 4Ps.</td>
</tr>
<tr>
<td>Senegal</td>
<td>SNV staff is programme manager, cooperation with local brokers and an international financial broker.</td>
<td>SNV staff collected both the financial and non-financial information for the business cases. In collaboration with a local consultant with expertise of administrative, financial and fiscal services and an international financial broker (TheRockGroup) they created a financial brokering team to finance 4P arrangements.</td>
</tr>
<tr>
<td>Uganda</td>
<td>SNV staff is programme manager, cooperation with local brokers and an international financial broker.</td>
<td>Brokering was facilitated by local brokers under guidance of local SNV staff. SNV developed together with TheRockGroup as the financial broker and a local specialist firm Acclaim, the Investment Memoranda based on the previously developed business plans. The further steps of financial brokering were done by SNV in collaboration with TheRockGroup.</td>
</tr>
<tr>
<td>Mozambique</td>
<td>SNV staff is programme manager and financial broker at the same time.</td>
<td>After concept note development by SNV, local (governmentally certified) consultants developed the full business plans for the selected cases. Afterwards, SNV monitored the financial and administrative data. Finally, a number of the business plans were selected by the IFAD-funded program for a matching grant. The SNV staff also organised access to finance workshops and as a result of that, contacts were established with a by the World Bank established local fund to which three of the business cases have been presented for potential financing.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>SNV staff is programme manager and financial broker at the same time.</td>
<td>The local SNV staff was responsible for business case selection, brokering and writing of the business plans. Local government consultants supported the brokering process. The business plans needed to be approved by local government. No additional financial brokering was needed, as the IFAD-funded programme had a matching grants facility.</td>
</tr>
</tbody>
</table>
The financial brokering process in steps and the responsibilities of the financial broker

Fact finding: At the beginning of the process a broker should identify together with the partners, if there is a financial need, and, if so, the size of the financial need. Furthermore, the broker should map the organisational capabilities that are required to apply and receive external financing. If an organisational capability gap is identified (e.g. lack of financial planning capacity), the broker should provide access to technical assistance or find external experts that could provide the service. The costs for this training or expert should be incorporated in the total amount of the financial need that is identified, or be agreed as public contribution to the 4P.

The financial broker should then validate the financial data from the private sector and producer groups. This can be considered a due diligence process of the financial broker. At this moment, the financial broker creates a scoped list of potential financial institutions. These could be local IFAD programs or national and international investors. A mapping of potential investors and their requirements can guide the case already in an earlier stage, for example when developing their business plan and strategy.

Analysis: When a financial need is identified, the financial broker supports the enterprise to develop the financial model of the 4P case in order to define the amount of financial need. The financial broker makes sure that the business case is compliant with the requirements of potential investors. She or he makes sure that the enterprise provides the adequate, validated data needed to develop an exhaustive Investment Memorandum. The financial broker prioritizes the most important challenges and risks for the selected business case and supports the local staff and consultants in developing and implementing a strategy to improve the business cases to make them investment ready.

Documenting: In the documentation phase, the financial broker creates a data room and makes sure that external parties are able to do a due diligence when needed. Moreover, the broker works on storytelling: making sure that the financial plan and the business plan are communicating one congruent and attractive strategy.

Brokering: The financial broker brings investors and the private sector (and if needed other partners) together, monitors the investment process, facilitates dialogue and encourages partners to develop joint solutions. The entrepreneur is the owner of the enterprise and in the end responsible for financing the company and linking up with the producers. The financial broker needs to ensure transparency and dialogue within the 4P, and between the 4P and external stakeholders.

Closing: The financial broker selects the most relevant financial institutions together with the partners and facilitates the process towards a concrete investment. The financial broker consults on the terms and conditions and ensures a sustainable agreement that is contributing to the ambitions of a 4P arrangement. The role of the financial broker should solely be that of an advisor, whereas the enterprise takes the final decisions.
Below figure gives a schematic overview of the different phases of the 4P financial brokering process and the respective activities.

<table>
<thead>
<tr>
<th>PROJECT PHASES</th>
<th>Fact finding</th>
<th>Analysis</th>
<th>Document</th>
<th>Brokering</th>
<th>Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go / No Go</td>
<td>Go / No Go</td>
<td>Go / No Go</td>
<td>Go / No Go</td>
<td>Go / No Go</td>
<td></td>
</tr>
</tbody>
</table>

### Developing the Investment Memorandum
- Business Case Data Collection
- Risk Analysis
- Writing Investment Memorandum
- Introduction to shortlist of Investors
- Draft of Letter of Intent
- Financial Data Collection
- Financial Modelling
- Data Room Formation
- Initiation of Meetings
- Due Diligence
- Teaser and NDA Development
- Signing Contract

### Understanding the financial market
- Map of Potential Investors
- Benchmark Business Case to Financial Requirements
- Adaptation of Business Case
- Requirements of Financial Institutions
- Summary of Critical Challenges
Tools for financial brokering
Below table gives an overview of the tools that have been selected or developed for this step.

<table>
<thead>
<tr>
<th>Stage in the step</th>
<th>Tools</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fact finding</td>
<td>Requirements of Financial Institutions</td>
<td>Creating an overview of the relevant requirements that are needed to address possible investors for a case</td>
</tr>
<tr>
<td></td>
<td>Map of potential investors</td>
<td>Longlisting the relevant investors, based on their investment criteria</td>
</tr>
<tr>
<td></td>
<td>Business case data collection</td>
<td>Collecting the required data that will be the foundation of the Investment Memorandum</td>
</tr>
<tr>
<td>Analysis</td>
<td>Benchmarking Business case and requirements of Financial Institutions</td>
<td>Comparing cases to requirements of financial institutions</td>
</tr>
<tr>
<td></td>
<td>Risk Analysis</td>
<td>Mapping &amp; prioritizing adaptations based on the outcomes from the Benchmark &amp; Gap Analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Describing the most salient risks and plans for mitigation</td>
</tr>
<tr>
<td>Documenting</td>
<td>Investment Memorandum (IM)</td>
<td>Presenting a business plan including financial modelling and risk analysis to a group of interested parties or institutions</td>
</tr>
<tr>
<td></td>
<td>Data Room</td>
<td>Structuring the development of a clear data room that consists all relevant information needed to do proper financial due diligence</td>
</tr>
<tr>
<td></td>
<td>Teaser</td>
<td>Summarizing the attractive features of a case to present to financial institutions</td>
</tr>
</tbody>
</table>

Challenges and Risks
The main challenges to do financial brokering are related to the maturity of the partners in the 4P business cases and the financial landscapes in the countries.

The maturity of the partners is often too low for financial brokering to be successful. The agri-businesses operating in the rural 4P settings are not yet accustomed to keep business records etc. required by the financial institutions. It is therefore important that the IFAD capacity building support focuses on bringing the partners to this required level of maturity.

- It can be difficult to gather trustworthy validated data because:
  - Most of the involved SME's or cooperatives operate in a highly informal economy
  - There can be a lack of trust towards the programme and/or the financial broker and therefore companies can hesitate to share data.
- Financial institutions often lack the expertise in agricultural finance. Agrifinance is considered a high risk, therefore many institutions are very hesitant to invest in small or medium sized agricultural parties. There aren't many instruments or institutions that help mitigate that risk.
- There is very little financial supply of ticket sizes between $20,000 and $500,000 USD which is the range which 4P agribusiness are generally looking for.
Tips and Tricks

4P design

When setting up the programme it is important to take into account the complexity of working with different actors in different local contexts. Many different variables influence the financial brokering for a 4P arrangement. On top of these, the following points should be reflected upon in the project design phase:

- It is important to have clear definitions of all roles and responsibilities in the 4P arrangement, including those of the 4P broker and the financial broker, as these roles are often not taken up by the same individual or organisation. Furthermore, the division of these roles and responsibilities should reflect the different fields of expertise needed to broker 4Ps and to do financial brokering. This can improve the programme’s efficiency as it is clear to all parties which tasks and responsibilities belong to which team members.

- Make a realistic planning, keeping in mind the local context of (governmental) bureaucracy, and the baseline (and hence development needs) of the involved partners. Also for financial brokering, it is recommendable to set up case specific milestones, each marking a new financial brokering phase with respective roles and targets.

- During the formulation of goals and targets it is important to realise that finance is a means to an end. The implementation of a 4P should be the goal and only when financial needs are a barrier is it relevant to start thinking about financial brokering.

- When the 4P centres on early stage development of a private sector party or cooperative, it is important to make sure the subsidy or grants that the financial broker seeks, will be used to enable sequential investing. This means that it should enhance for instance administrative and governance aspects of the investee. It is therefore key to keep long term development leading in the design of the intervention in a 4P programme.

Process management

Potentially the biggest challenge in 4P brokering is working with many different stakeholders with different needs and interests. It is the task of the 4P broker to keep all the parties committed and working as one team. For effective financial brokering:

- The order of activities and data gathering is essential. For example, when the business case reached the phase in which the financial institution can be approached it is important to ascertain the availability of the required validated data.

- The requirements of investors can be useful guidelines for the construction of a solid 4P business case. Reaching the stage of “finance readiness” ensures a minimum 4P quality. Therefore a financial broker should start with an inventory of the requirements of relevant financial institutions.

It can be concluded that a 4P is often a challenging concept but with huge potential. The financial brokering process is important to enable some 4P business cases to further develop. A solid 4P construction with commitment of all parties could help increase confidence of the financial sector in 4P business cases.
References

IFAD, Public-Private-Producers Partnerships (4Ps) in value-chain development projects, 2015

IFAD, How to do Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains, Sustainable inclusion of smallholders in agricultural value chains, 2016

Annex: 4P Brokering Tools
An Overview and Introduction to the Tools

Introduction
During the Partnering for Value project, a number of practical tools were developed, tested and used by the 4P brokers during the different phases of the 4P brokering process. The tools are meant to improve and systematize facilitation of 4P business case development. An inventory and short summary of these tools can be found below. The complete collection of tools can be found online at ... including short user guides on when and how to use them.

It is recommended to use the tools together with the 4P guidelines where the facilitation process and the facilitative role of the broker is explained. Rather than being prescriptive the use of these tools is only a recommendation and never a must. It is also not necessary to use all the tools. The use of the tools depends on your own preference and decision making of the process to follow. It is therefore more a menu of choice.

We have tried to keep the tools as user friendly as possible and geared towards self-completion and self-assessment by the potential partners. The aim of 4P is that the partners are facilitated, in a semi-structured way, along a path of self-discovery resulting in a decision to join a 4P partnership.
The Role of the Broker

Terms of Reference template for a 4P broker
When setting up a brokering mechanism for 4Ps, project or program managers setting this up need to develop clear terms of reference of what such a brokering service entails. The Terms of Reference should be clear on the facilitation role and the activities of the broker, but also what the broker should NOT do (such as taking over decision making of partners) and when a broker can exit a 4P after successful brokering. This can also be agreed upon in consultation with the broker.

Recommended reading: The Partnering Toolbook
Although rather a resource than a concrete tool, we strongly recommend to read this tool book written by the Partnering Initiative. It provides helpful, detailed guidance for a (generalized) partnering process, and contains many practical tools and checklists.

Training and Capacity Building of Brokers
Based on materials developed by the Partnering for Value teams in Uganda a number of training content lay-outs are provided which can be used. They will introduce the tools used in the different steps of the 4P process as well as focus on the role of the broker and communication with the partners.

Training provided by Brokers to Potential Partners as part of the 4P Case Formulation
A training outline powerpoint for business owners and public sector staff on the do's and don'ts of 4P business case formulation. The powerpoint introduces the 4P concept, the use of eligibility criteria, the business model canvas and the steps to take to gather and analyse the data needed to complete the business plan.
Identification and Matchmaking

The tools which can be used during the introduction and matchmaking step are introduced here.

You may not have to use all tools, or decided to amend some of the tools to your own situation, which is always recommended. These tools are merely meant to guide you through the process of brokering a 4P Business Case.

For instance, you may decide, based on the number and type of companies you have identified during the initial mapping of the sector, to skip the process of inviting ideas and directly go to a targeted concept note stage as there are only few eligible companies to work with. These are considerations that you as a broker have to agree with the project management who are funding the 4P partnerships.

### Tools used during Identification and Matchmaking

<table>
<thead>
<tr>
<th>Stage in the Step</th>
<th>Tools</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.1 Mapping the Sector</strong></td>
<td>Sector Mapping / Geographic Mapping matrix</td>
<td>Rapid Analysis of the actors in the pre-selected value chains or geo-graphic areas</td>
</tr>
<tr>
<td><strong>1.2 Inviting Ideas</strong></td>
<td>Idea Note</td>
<td>A first idea of agribusiness or cooperative for a 4P without having a partner yet</td>
</tr>
<tr>
<td><strong>1.3 Matchmaking</strong></td>
<td>Eligibility Criteria Selection Criteria Ranking Matrix</td>
<td>Testing the idea with potential partner(s)</td>
</tr>
<tr>
<td><strong>1.4 Shortlist</strong></td>
<td>Eligibility Criteria Selection Criteria Ranking Matrix</td>
<td>Ranking and selecting the best ideas for further development</td>
</tr>
<tr>
<td><strong>1.5 Concept Note</strong></td>
<td>Concept Note</td>
<td>Elaborated from the idea note, the concept note gives the clear outline for the business case but not yet a full business plan</td>
</tr>
<tr>
<td><strong>1.6 Review &amp; Approval</strong></td>
<td>Eligibility Criteria Selection Criteria Letter of Commitment</td>
<td>Based on pre-defined eligibility and selection criteria concept notes will be accepted or turned down Once selected partners should be requested to sign a letter of commitment before the business plan drafting starts.</td>
</tr>
</tbody>
</table>

1.1 Mapping The Sector

**T1 - Matrix for listing potential 4P partners**

This excel sheet helps the broker in listing and pre-ranking potential 4P partners regarding their suitability to be included in a 4P partnership. In the ranking matrix, different variables are listed for each 4P partner, such as experience in working with smallholders for enterprises and number of hectares of land owned for producer organisations. With this overview, it will be easier for the broker to identify the most suitable partners for a 4P business case.

1.2 Inviting Ideas

**T2 - Idea note template**

This template can be filled in by enterprises or other 4P partners to summarize their initial ideas for a 4P business case. The information collected through this tool can be used by the broker for ranking and selecting the cases with the most potential. After selection, these cases will be invited to develop a concept note with help of the concept note template. This will be the first ‘go-no go’ decision making moment for the broker regarding the development of the 4P business case.
1.3 Matchmaking

**T3 – Constraints and opportunities table**

The constraints and opportunities table is a listing of the identified constraints in the value chain and the existing opportunities to solve these constraints.

By letting each partner list their own constraints and opportunities a potential march could be identified.

**Recommended reading:**
R1 - Partnership Canvas and
R2 - Partnership Tool

1.4 Shortlist

**T4 - Ranking matrix of scoring potential 4P business cases**

This excel sheet helps the broker in ranking the most potential 4P business cases. Like the previous tool, it contains a number of variables to be filled in by the broker, only this time the 4P business cases are being scored as a whole. Some variables that could be included in the matrix are market demand for the specific crop, commercial feasibility, inclusion of climate smart techniques, etc. This tool is especially helpful when a call for proposals has been announced, as the broker can easily translate received proposals into this scoring matrix to create an overview of the business cases with the highest potential.

1.5 Concept Note

**T5 - Concept note template**

The tool is meant to support the development of idea notes into concept notes. It follows the same logic and flow as the 4P business plan and investment memorandum template, such as sections explaining the value proposition and business model, but does not (yet) require the same level of detail.

1.6 Review and Approval

**T6 - Checklist for go/no-go decision to develop concept into business plan**

This checklist helps brokers to assess a number of variables (such as a proven market demand, a clear value proposition, etc.) to make a go/no-go decision regarding the development of a concept note into a full 4P business plan. A number of variables will be the same as in the first ranking matrix for scoring potential business cases, but will now contain more detail.

**T7 - Letter of Commitment Template**

With this letter of commitment the identified partners and the broker commit to go to the next step to shape a business plan. Part of the commitment is that they will invest their own resources, in cash or in kind.
Developing the Business Plan

This section contains the tools you can use to develop the business plan. The tools to be used depend very much on the amount and quality of the data that is already available.

An important source of the data is the data from the concept note, which will be further analysed in this step.

Also in the business plan tool, there are a number of sub-tools which can be used to assess supply and demand, pricing etc.

It is key to end the step with some form of partnership agreement in which the three partners accept and commit to the business plan. The exact format for this will depend on the local legislation in place and the formats used there. It is important though to check them for quality and consistency and to recommend further detailing where needed.

| Tools used during Identification and Matchmaking |
|-----------------|-----------------|-----------------|
| **Stage in the Step** | **Tools** | **Purpose** |
| Analysis of the current supply chain or value chain | - Value chain analysis tools  
- Constraints and opportunities table | An in depth analysis into the current value and supply chain described in the concept note to analyse opportunities and constraints both from quantitavie and qualitative aspects |
| Development of the business model | - Business model canvas  
- Roles of primary and secondary actors | Description of the business model and who does what in the model. This can also be used to identify gaps in the services like inputs, finance, regulatory support etc. |
| Value Proposition | - Partnership Tool  
- Challenges and success factors table  
- Risk analysis template | The partnership tool can be used to identify in more detail what each partner expects to get from the partnership and contribute to the partnership. At this stage it is also necessary to determine success for each partner and what the challenges they see to get there. A third tool is the risk analysis template looking at what risks are and how then can be mitigated. |
| Business Plan | - 4P Business Plan template  
- Capacity Assessment Tools | Full write up of the business plan. Assessment of the existing capacities and gaps to bring the business plan to a succesful implementation |
| Partnership Agreement | - Partnership agreement template | Each partner signs the agreement to confirm their commitment. |

2.1 Value Chain Analysis

We will not be providing a fixed value chain analysis tool here as there are many ready available. Important is to choose one that can help you with both a quantified analysis (business volumes, costs and margins etc) and a qualified analysis (market structure, social inclusion, chain governance).

It is **recommended to use T3 constraints and opportunities** in the analysis to be able to determine the feasibility of the identified opportunities.

**T8 - Value chain analysis tools**

SNV’s Value Chain Analysis Guide supports a thorough analysis of the particular value chain the 4P is operating in. Major components of the value chain analysis are a) the market trends and competitiveness analysis; b) value chain and relationships mapping; c) governance for empowerment analysis (how is a value chain organised); d) analysis of value chain constraints. All these sub-tools are meant to support understanding of how a particular value chain operates and
to identify constraints that inhibit inclusive economic growth and value chain competitiveness. It provides insight in how a 4P can address current value chain constraints.

**T9 - Supply chain analysis tools**

Similar to the Value Chain Analysis Guide, SNV also developed a Supply Chain Analysis Guide which contains several tools to map the actors in a particular supply chain and analyse certain constraints or challenges in that chain.

**Analysis of primary and secondary roles in the value chain**

In addition to the value chain and relationship mapping named under the value chain analysis tools, a broker can make an even more detailed mapping of the primary and secondary actors in the supply or complete value chain. If both primary actors (producers, agribusinesses) and secondary actors (service providers, regulatory authorities, etc.) and their functions in the value chain are mapped, an even more informed business plan can be developed. This is also important for the capacity development strategy which will be formulated later during the business plan writing.

**2.2 Development of the Business Model**

**T10 - Business model or PPP canvas**

The Business Model Canvas (BMC) a well-known tool developed by Alexander Osterwalder is a strategic management template for developing business models. It is a visual chart which contains the building blocks of a business model, describing a company’s or product’s value proposition, infrastructure, customers, financial model, etc.

The PPPCanvas developed by PPPLab is based on the Business Model Canvas and can be used to analyse the business model of a PPP. Like the Business Model Canvas, it helps to visualize, design and pivot a business model. However, the PPPCanvas adds four extra fields. Compared to companies, PPPs with a development focus need to consider a few additional elements in their business model; therefore fields on impact, extended beneficiaries, business ecosystem and partnership governance are added.

In the powerpoint training, provided by the Vietnam Team

**2.3 Value Proposition**

To formulate the value proposition, the partnership canvas and partnership tool can be used to describe in detail the value proposition of the partnership.

**T11 – Success Factors**

A table describing the success factors for each partner and the partnership is a whole. How these will be measured and the road map to get there.

These success factors will also be turned into measurable indicators for success (outcome = performance and impact = increased income or jobs).

**T12 - Risk analysis template**

A risk analysis template or assessment tool helps 4P partners in making an overview of potential risks related to the business plan. The tool contains several aspects by which a risk can be ranked, such as internal/external risk, cause, potential consequences, risk likelihood, risk impact and a mitigation plan. It is also contains a column in which a risk owner is described; in case of occurrence, responsibility on who should start mitigation measures is then clear. The tool is especially helpful in supporting partners to develop a risk management strategy.

**2.4 Business Plan**

**T13 - 4P Business Plan template**

The 4P Business Plan template guides 4P partners in developing a complete business plan for the 4P partnership. The lead in writing the plan should be taken by the private partner, but all partners should be allowed to provide input and validate the final plan. The business plan is a detailed description of the business model, including a detailed demand, supply, risk and financial analysis.

---

The business plan will form the basis of activities for the implementation phase, but also for the development of an Investment Memorandum in case external investment is needed.

**T14 - Result chain template**
A 4P business case is not just a regular business, as next to economic objectives, it also aims to achieve social (and environmental) impact. To make sure that such impact will indeed be achieved, the broker can choose to develop a result chain in which it maps the 4P operational activities; this helps to make logical links between the activities resulting from the 4P business plan and the final impact.

**T15 - Template for a capacity needs assessment and improvement**
For each 4P, a good analysis of the current capacities and capacity development needs of the partners needs to be done to identify which areas need further development and investment to achieve the 4P objectives. It is the role of the broker to sit down with each partner and make a realistic assessment of the capacity needs. This then needs to be translated into a concrete capacity development plan which will be part of the business plan implementation phase.

### 2.5 Partnership Agreement

**T16 - Partnership agreement template**
The partnership agreement is the formal commitment of the partners to the 4P business plan. The template contains sections such as roles and responsibilities of each partner during implementation; investments and contributions committed by each partner; roles and responsibilities for data collection and monitoring and evaluation; the decision making or governance structure of the partnership; and a plan for dispute settlement if unfortunate events occur.

### Implementation
The tools used during implementation are a further detailing and refining from the tools used in the business plan development. If the business plan is done in full detail, then in fact, the tools provided here can already be combined in that step.

During implementation it is then for a large part following up on the agreements signed and ensuring that partners keep their commitments. Regular partner visits for coaching and mentoring, progress meetings and short minutes that are shared with the partners are key to that.

<table>
<thead>
<tr>
<th>Tools used during Implementation</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage in the Step</strong></td>
<td><strong>Tools</strong></td>
</tr>
<tr>
<td>Operational Plan</td>
<td>- Annual / Seasonal Plan</td>
</tr>
<tr>
<td>Sourcing Agreement</td>
<td>- Sourcing Agreement Template</td>
</tr>
<tr>
<td>Capacity Development</td>
<td>- Capacity Improvement Plan</td>
</tr>
<tr>
<td>Coaching and Mentoring</td>
<td>- Coaching and mentoring plan</td>
</tr>
</tbody>
</table>

### 3.1 Operational Plan

**T17 - Template for operational plans**
The template for operational plans is a kind of annual (or seasonal) work plan and budget which combines the activities of each of the partners and indicated the inter-connectedness and timing.

It is an excel based spreadsheet where all planning and budget details can be entered. Especially where there are infrastructural investments planned, these should be carefully integrated as in many cases the “real” 4P partnership work of sourcing and supply between the enterprise and the producers only starts after the completion of the construction. This may cause significant delays in the planning and implementation. Therefore contingency plans need to be developed in the plan.
T18 - Template for matching grant investments as part of the 4P arrangement
In addition to a partnership agreement formalizing the partnership, often a matching grant agreement is signed between the public sector and either the enterprise or the cooperative. This often takes place in the form of a Memorandum of Understanding (MoU) or a Strategic Investment Plan (SIP). A MoU usually contains sections such as description of the involved parties, objectives of the agreement, responsibilities of each partner, duration of the agreement, and an exit procedure. The template also describes procurement procedures which need to be followed, technical specifications and approvals etc. Care needs to be taken that these details are clearly described and agreed upon by both parties.

3.2 Sourcing Agreement
T19 - Sourcing contract template as part of the 4P arrangement
Often there are also seasonal farming contract (forward production contracts) or offtake guarantees between the company (buyer of raw material) and farmers’ organizations. The template for such a sourcing contract prescribes sections such as the partners involved; what, how and when is purchased by the company from the producers; quality standards; production area; and rights and obligations of each partner. A checklist of dimensions that could be included in such a sourcing contract (such as volumes, product characteristics, production methods, storage, etc.) is also available.

3.3 Capacity Development Plan
Outcome description of the capacity development activities.
In the description of the indicators and results areas of the 4P it is important that the capacity development activities are not only described and measured at output level (number of trainings and number of participants) but more importantly at the outcome level (number of participants that demonstrate an increased capacity). The result chain can give guidance on that.

For instance, it is not just important to follow if a training to the company staff on financial management has been delivered but also that they are using the content and tools provided and that as a result the financial records of the company are improving.

R3 - Recommended reading: Preparing farmers to engage successfully with markets – A field guide for five key skill sets
This helpful guidebook developed by Catholic Relief Services (CRS) provides pointers for 4P brokers and partners on how to foster several skill sets crucial for preparing farmer organisations who are at an early stage of engaging in markets and who aspire to reach the level of ‘farming as a business’. It provides numerous tools to develop several necessary skills, such as group management and sustainable production skills.

See T17 where this is integrated

R4 – It takes two to trade Understanding and improving farmer–firm relations in Africa
This helpful book developed by AgriProFocus, in collaboration with WUR and KIT, gives insights and tools that can be used to develop capacities for producer – enterprises relationships.

3.4 Coaching and Mentoring
Coaching and Mentoring Plan
As part of the implementation plan by the partners, the broker also makes a coaching and mentoring plan to agree on the implementation support and the timing.

This can be made as part of the overall plan under 3.1 or a separate plan indicating key moments and activities in the agricultural season where coaching is needed. The benefit of including it in the overall plan is that it is also easier to include a budget for the broker.

It is recommended to also keep a kind of brokering logbook for the business case and a to make minutes of the visits to the partners in which the activities, recommendations and agreements for follow up are documented.

See T17 where this is integrated
Monitoring and Evaluation

The tools under monitoring and evaluation are partly in support of tools used in the other three steps of the business case development.

In this step there are two key tools for M&E purposes. The partnership business score card which contains the quantitative data on the indicators set the success factors tool against the targets formulated in the business and operational plans.

The second key tool is the review and evaluation tool which is a more quantitative tool through which partners can, in a participatory process, review the partnership performance and agree on adjustments needed.

<table>
<thead>
<tr>
<th>Tools used during Monitoring and Implementation</th>
<th>Stage in the Step</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting goal and ambition</td>
<td>- Business Plan</td>
<td>To jointly set goals and ambitions for the partnership. This is done during the development of the business plan.</td>
</tr>
<tr>
<td>Determining Success Factors</td>
<td>- Business Plan</td>
<td>To jointly determine success factors for the partnership and agree on indicators to measure them. This is done during the development of the business plan.</td>
</tr>
<tr>
<td></td>
<td>- Partnership Score Card</td>
<td></td>
</tr>
<tr>
<td>Baseline</td>
<td>- Partnership Score Card</td>
<td>To set the baseline values for the selected indicators before the start of the implementation of the partnership. This is done during the development of the business plan.</td>
</tr>
<tr>
<td>Monitoring and Data Collection</td>
<td>- Data collection formats</td>
<td>Data collection formats for each partner to keep records (crop budgets, producer group records, enterprise records).</td>
</tr>
<tr>
<td></td>
<td>- Partnership Score Card</td>
<td></td>
</tr>
<tr>
<td>Review and Evaluation</td>
<td>- Review Tool</td>
<td>Seasonal/periodic review plan.</td>
</tr>
<tr>
<td></td>
<td>- Partnership Score Card</td>
<td></td>
</tr>
</tbody>
</table>

4.1 Setting goal and ambition
The goal and ambition of the 4P arrangement are set during the early stages of matchmaking concept note development and business plan development.

No separate tool is developed for this at M&E level. The goals and ambition are reviewed and where needed adjusted on a seasonal basis.

4.2 Determining Success Factors
The success factors are determined during the business plan formulation. At that moment the indicators are also formulated.

No separate tool is developed for this at M&E level. The indicators should be used in the Business and Partnership Scorecard for which data is continuously collected and reviewed on a seasonal basis.

4.3 Baseline
Where possible the baseline values for the formulated indicators should be determined during the data gathering for the business plan. The same data mostly forms the basis anyhow for profit-loss calculations, target volumes for trade etc.

4.4 Monitoring and Data
Profit and loss calculation tools
Although a profit and loss statement has already been included in the 4P business plan, it is important for the partners to continuously keep track of their profit and loss; are they earning any revenue from the current business model? By regularly keeping track of these kind of data,
partners will be able to steer and adjust their activities accordingly, making sure that the partnership becomes profitable for all.

The advantage of partner record keeping is mainly for the partners themselves as they can also use this to develop a multi-year track record which they will also need to apply for loans or investments.

T20 - Farm Records
Crop Budgets are an important tool for farmers to calculate their profits but also to know how much inputs they need etc.

T21 - Cooperative Profit – Loss Tool
The cooperative profit – loss tool is a simplified enterprise profit – loss calculation tool based upon which they can calculate their running costs, replacement costs and determine their sales (price they can sell to enterprises) and purchase prices (price they can pay to members).

As in many cases the cooperatives have obtained (part off) their equipment and buildings from development project it is important to start working with this tool through which they can gain essential insights how to run their economic activities for profit without an (over) dependency on external subsidies or grants for essential business processes.

Enterprise Tools
The enterprise profit-profit loss tools are provided under the financial brokering section.

T22 - Business and Partnership Scorecard
The main tool for tracking quantitative performance indicators is the Business and Partnership Scorecard. Although each 4P partnership can choose its own performance indicators, a number of recommended quantitative indicators are provided in this scorecard. The excel sheet contains indicators categorized in five dimensions: enterprise performance, farmer business performance, social and inclusion performance, environmental performance and partnership performance. The scorecard enables partners to define and track their own progress.

T23 - Partnership review plan and template
Clearly, monitoring performance of 4P business cases is different from monitoring regular business. The 4P partners will not only be interested in profit or income growth, but also in trust building, stability, inclusiveness, impact on the environment, and other social and environmental aspects of the partnership. These are qualitative indicators which are difficult to measure in numbers. It is therefore recommended that the broker organizes a seasonal review with all 4P partners to discuss these qualitative aspects of 4P performance in order to assess current satisfaction and adjust the activities for next season. The role of the broker can also be evaluated during this phase. For this, a template for a review plan, and a template for evaluating the qualitative indicators are included as tools in the database.

Tool T17 integrates the planning, review and scorecard for easier use.

T23 - Partnership health check tool
This tool, developed by SNV, is an easy-to-use checklist to assess whether a partnership is still ‘healthy’; it contains indicators such as ‘are partners attending all meetings?’, ‘all partners feel respected in the partnership’, etc. By scoring these indicators, an easy overview is created which the broker can discuss with the partnership, to address certain challenges that might have popped up.
Financial Brokering

The tools for financial brokering in principle build further on the business plan developed by the partners, facilitated by the broker. The provide an extra due diligence cycle to assess the enterprise (or cooperative) against the conditions for financing set in the national or international market, depending which one is targeted. These tools are in principle for use by professional financial brokers only.

<table>
<thead>
<tr>
<th>Tools used during Financial Brokering</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage in the step</strong></td>
</tr>
<tr>
<td>Fact Finding</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Analysis</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Documenting</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

5.1 Fact Finding

**T24 - Map of Potential Investors**

Normally you first make a longlist of potential investors. A concrete example from Agrinet out of Uganda can be found in the learning environment (please use this for reference purposes only). This list can be built up with parties that are active in the specific country but also with International impact investors.

The good news is that building such a list is not always related to the specific company but will end up to be valid for more agricultural business cases in the specific country.
When the longlist is ready the financial consultant should do a desk research and she/he needs to find out which potential investors will have the highest chance of being interested in the company. Thru this filtering a list of appr. 5 to 10 parties should remain and with that list the active brokering (sending out the teaser, asking for interest, setting up meetings with the company et cetera) can start.

**T25 - Business Case Data Collection**

In the very first case of writing a Business case, it is important to receive as much as possible information that can be used. Otherwise one has to contact the entrepreneur several times and this might be perceived as irritating. Moreover, the consultant should be conscious about the time/money spent on the specific business case.

The tool is nothing more than a check-list which can be used during the data gathering meeting with the entrepreneur.

**T26 – Financial Model**

For the financials the company will need to have good insights in its business, the markets, the costs and not only now but also with a view to the future. She/he should be assisted by an intern administrator and a financial model specialist. The latter one can be provided be a local accountant.

Potential investors will need to have at least this information:

a) The profit & loss accounts, preferably from the last two years, a prediction of the running year and a plan (linked to the written plan in the Investment memorandum) of the coming 5 years

b) The Balance sheet for the same period mentioned under a)

c) A cash-flow analysis that shows the need of the investment amounts asked for. The cash flow statement (minimal 5 years forecasted again) should preferably be presented in a chart and also in a graph

d) The total amount of investment needed and a break-down of items the investment will go to.

The reasons why these 4 grids are so important:

Ad a) it is important to show that company is capable of making profit. If it is not now, it should at least show that, with the investments done, the company ends up to be stable and that implies making a structural net operating profit.

Ad b) especially for those Financial Institutions that will provide loans, they would like to know if there are any assets the can use to secure their loans with. Further the balance sheet will show how stable/solvent the company will be for the longer run.

Ad c) The cash-flow analysis should show that the company is capable to absorb the interest and redemption of the loans in their operations. Can they afford to repay the loans? Is there thereafter any cash left that will at the end of the day return into profit and possibly partially into dividend as well?

Ad d) is the money requested being used for the short run (working capital) or more to invest in assets. The potential investor might want to differ in the financial instruments provided (for example overdraft facility or a term loan).

**5.2 Analysis**

**T27 - Benchmarking Business case and requirements of Financial Institutions**

To reduce dis-appointments of getting only "No" from Financial Institutions, it is recommended to do a benchmark study early in the process.

This is a methodology to filter out those Financial Institutions that truly should have an interest in investing in the specific business case.

In fact there are five main items a Financial Institution will look at: Financial needs, Producer performance, social impact, environmental impact and the sector.
By using this confrontation matrix you can see which Financial Institutions should go to the "short list", which is the list you are factually going to discuss the business case.

T28 - Risk Analysis
It’s not a topic entrepreneurs are thrilled to talk about….but for the potential investor in the company it is very important to also look at the flip-side of the coin.

The risk analysis is normally filled in during a workshop and is meant to define what the biggest risks out of impact versus probability are. The second part of the workshop is about how you could lower (“mitigate”) these risks as much as possible.

There will always be residual risks, because that is simply part of being an entrepreneur.

Financial Institutions will do their own risk assessment, but they will value an own critical look at the company, the industry and the governance.

In this tool we have presented some “empty” sheets you can use by filling this in and a real filled in example (please use that information for your reference only).

5.3 Documenting
T29 - Investment Memorandum template
The core of the 4P process is the delivery of the Investment Memorandum (IM). The IM is the Business plan of the entrepreneur “upgraded” to a level that Financial Institutions will understand/accept the information.

Important part (on top of a regular business plan) are the risk analysis and especially the financial analysis.

We present to you a blueprint/table of content you could use to assist the entrepreneur in writing this. On top of that we present a fully filled in one for a company out of Senegal. Please use this information for reference purposes only!

T30 - Data Room
As soon as you know that there might be Financial Institutions interested to invest in your 4P Business case, it is wise to urge the entrepreneur to start building a data room.

A data room is a well-structured file (for example a Dropbox) that has a folder list in it. The attached list is truly a minimal list you should start.

It really will speed up the process after the Financial institutions has decided to invest.

Then they will start to ask for all kind of documents. If you have built up the Data room, then you normally only have to give access to the Financial Institution.

The better you fill it up and the better you structure it, the easier the process will go later on!

Please be aware that you should collect all legal documents (Chamber of Commerce, audited figures et cetera) but also commercial and technical documents (product descriptions, sales pipeline et cetera).

T31 - Teaser
A teaser is normally send to potential investors as a first request for potential interest.

The teaser can be created by taking the Executive summary out of the Investment Memorandum. Too much details should be deleted, but potential investors will need the answers on at least these questions:

1. What is the market?
2. Which products?
3. What is the team/organization?
4. What are the projected financials (cash flow, EBITDA and investments needed?)

In practise we have found that the teaser-phase can also be replaced by a letter from the consultant to address the business case.
SNV is a not-for-profit international development organisation, working in Agriculture, Energy, and Water, Sanitation & Hygiene. Founded in the Netherlands in 1965, we have built a long-term, local presence in more than 30 countries in Asia, Africa and Latin America.

Our global team of local and international advisors works with local partners to equip communities, businesses and organisations with the tools, knowledge and connections they need to increase their incomes and gain access to basic services – empowering them to break the cycle of poverty and guide their own development.

www.snv.org