PRISMA Deal Making Guidelines

for private sector partners

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Foreword

by Goetz Ebbecke

Negotiating successful deals that bring about sustainable transformations in the business model of our partners is at the core of market development facilitation. Yet all market development programs struggle with deal making.

While closing a deal does not mean we have won the battle, it is a significant hurdle for many of our teams. For development practitioners, who are often more accustomed to doing things themselves rather than through actors within a market system, developing an offer and negotiating a deal with private sector actors may not be the most intuitive process. Even those within our teams who have some business background may not be natural deal makers.

After all, deal making is an art and not a science. It requires patience, creativity, and flexibility, alongside an entrepreneurial attitude and acceptance that our ability to make deals will improve over time with practice and experience. While it can be difficult to undertake and is often frustrating, especially when teams fail to close a deal, it does not have to be that way.

When developing these guidelines, we realised that there is limited publicly available guidance on deal making in market development programs. Market development trainings tend to only lightly touch on the partnership process, focusing more on diagnostics, intervention design, and the management of interventions once they are up and running. Deal making skills are also seldom taught in our projects, with staff often left to learn through trial and error.

Although each deal making process will follow its own unique pathway and invariably each market development program will need to adapt any guidance to their specific program structures, this is a first step towards institutionalising our knowledge in this space. This is intended as a practical framework rather than a rule book on deal making. We also intend to revisit these guidelines from time to time, enriching them with more practical lessons or case studies from the field.

In developing these guidelines, we have had the great opportunity in PRISMA to build on the knowledge of a number of the large Making Markets Work for the Poor (M4P) programs, as well the practical experiences and perspectives of our senior management, M4P advisers, and technical team. I would like to thank Vanessa Valentino for preparing the deal making guidelines, the PRISMA sector teams and Core Management Team for their inputs, and particularly Rajiv Pradhan and Jim Tomecko for their invaluable support.

I hope that this practical deal making guideline will give more teams and programs the tools and confidence to negotiate successful deals and build robust partnerships.

Best regards,

Goetz Ebbecke
PRISMA Team Leader

PRISMA Deal Making Guidelines

for private sector partners

PURPOSE

To provide practical guidance on the deal making process for engaging with a private sector partner, including the tools and confidence to facilitate win-win negotiations

NOTE TO READER

These are guidelines only. Each deal making process will follow its own unique pathway, and it will be important to remain creative while also being aware of the various stages of deal making outlined below.

WHAT IS DEAL MAKING?

Deal making is the process by which we negotiate an agreement with an intervention partner that will establish or strengthen services that are necessary to make the market system function more effectively for our target group — poor farmers in eastern Indonesia.

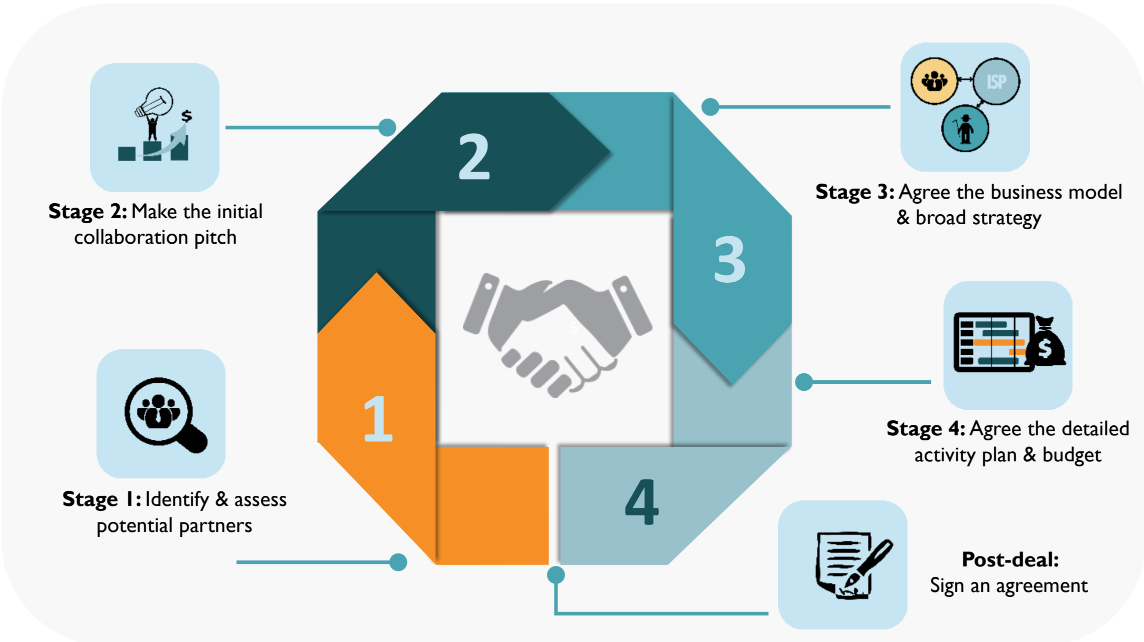
Deal making is an art and not a science, and our ability to make deals will improve with practice and experience. It is an iterative process rather than an activity that can be completed in a single meeting. As a result, it requires patience, creativity, and flexibility as we identify and build on shared value with our partners.

Through this process, we jointly define win-win outcomes for all parties involved and are able to strategically invest PRISMA resources to cost-effectively bring about a sustainable transformation in the business model of our partner.

WHAT ARE THE FOUR BASIC STAGES OF DEAL MAKING?

Deal making consists of four stages beginning with the identification and assessment of potential partners in Stage 1. This is followed by framing and making an initial collaboration pitch in Stage 2 and agreeing on the business model and the broad strategy in Stage 3. The final stage consists of negotiations around the details of the partnership, including the detailed activity plan and budget. After the deal has been made, the agreement is captured in a formal commitment that is signed by both parties.

This guideline focuses on Stages 1 to 4 of the deal making process while the Partnership Guidelines will cover issues pertaining to the preparation and ongoing management of written agreements.



Stage 1: Identify and assess potential partners

There is no formula for finding and selecting the right partners. This involves trial and error and continuous assessment of potential partners.

During the development of the Growth Strategy Document (GSD), we would have discovered some of the key firms operating in our market. We may have even contacted and had some initial conversations with them. As we continue the process of identifying partners, we should build on these initial contacts while also broadening our search for additional partners.

WHO ARE WE LOOKING FOR?

As the starting point for this guideline, we assume that the GSD process has been effective in identifying the needs of the target group and the priority weaknesses in the market system in delivering solutions for these needs.

As part of that analysis, we should have considered which types of market actors are best placed to perform these market functions and drive the changes needed to realise our future vision for the market system. These market actors could be public or private sector and range from input suppliers, processors, traders, collectors, business service providers, business member organisations, government agencies and public bodies, research organisations, to even educational institutions.

Consider the range of possible solutions

We should start with a broad view of the market functions that we are trying to fulfil and the possible solutions. This means making sure:

- we know what related products or services are prevalent in the current system
- we have some evidence of the success of such products or services

For example, if the missing or weak service area is around feed, we should consider all different feed options before narrowing our search to providers of a specific type of feed.

Partners are instrumental to the systemic change that PRISMA is attempting to bring about. By engaging market actors who have the potential to sustainably deliver changes that will lead to improved farmer incomes, we hope that these new market relationships, roles, and responsibilities will be engrained in the system and continue long after PRISMA's support has concluded.

WHERE DO WE FIND THEM?

Start with a basic understanding of their business to gauge their potential relevance:

- Do they have existing products or services that could match the needs of our target farmers?
- Is there potential to adapt their existing products or services?
- Have they previously tried to do something to solve a problem in the market but failed? etc.

Alongside seeking new potential partners, we should also build on existing and proven contacts by considering firms with which we are currently or have formerly engaged in partnerships. Potential partners can be identified through multiple channels, including:

- Internet & desk research
- Field visits
- PRISMA networks (senior management, other sector teams, advisers, DFAT)
- Government networks and databases
- Sector experts
- Other firms operating in the market
- Exhibitions, conventions, or other industry events

Aim to identify multiple potential partners

Ideally, we should work with more than one partner to improve our chances of success. This can be difficult where markets are thin or when intervention ideas are untested. Often the reality is that we may only have the option of working with a single firm. Nevertheless, we should invest in expanding our options upfront by:

- Identifying at least three or more potential partners
- Not limiting ourselves to target districts when looking for potential partners
- Not limiting ourselves to market actors whose core business is in our market

This is a non-exhaustive list, and we should always remember to capitalise on our own personal knowledge and networks as we search for partners.

WHY DO WE ASSESS THEM?

There is no such thing as a perfect partner. What we are looking for is the best possible match that will enable us to get the highest returns for our investment — both in terms of manpower and money. During the partner selection stage, we should be conducting a more formal assessment to decide which potential partners to prioritise and target.

Once we have selected a partner to proceed with and have moved into the deal making negotiations (Stages 2 to 4), it is important that we are not complacent and that we continue to update our knowledge and understanding of the partner. This will help us to more efficiently engage with selected partners during negotiations.

Stage	Objectives of understanding the capacity and willingness partners
During partner selection (Stage 1)	■ Determine the risks of engaging with different types of potential partners ■ Short-list potential partners for further consideration ■ Prioritise short-listed potential partners (if there are multiple options)
During deal negotiations (Stages 2-4)	■ Inform how we should structure the initial offer ■ Inform the types of activities that may be needed to support the partner ■ Inform decisions on the size of our financial contribution and the most appropriate type of written agreement

Continuous, informal assessments are important in helping us adjust our engagement strategy and better respond to the dynamism of private businesses. The private sector is rarely static. Firms are consistently confronted with change as they search for new opportunities and react to changing market realities. Consequently, we will also need to be dynamic and flexible in the way we understand and engage our potential partners.

WHERE DO WE GET INFORMATION TO ASSESS THEM?

The incentives of market actors are often intangible and may include hidden agendas. Information on business models, sales volumes and targets, new product plans, customer and supplier information, financial data etc. can be challenging to obtain, especially when companies do not have to publicly disclose such details. We need to be mindful that businesses will be sensitive about giving away their enterprise secrets.

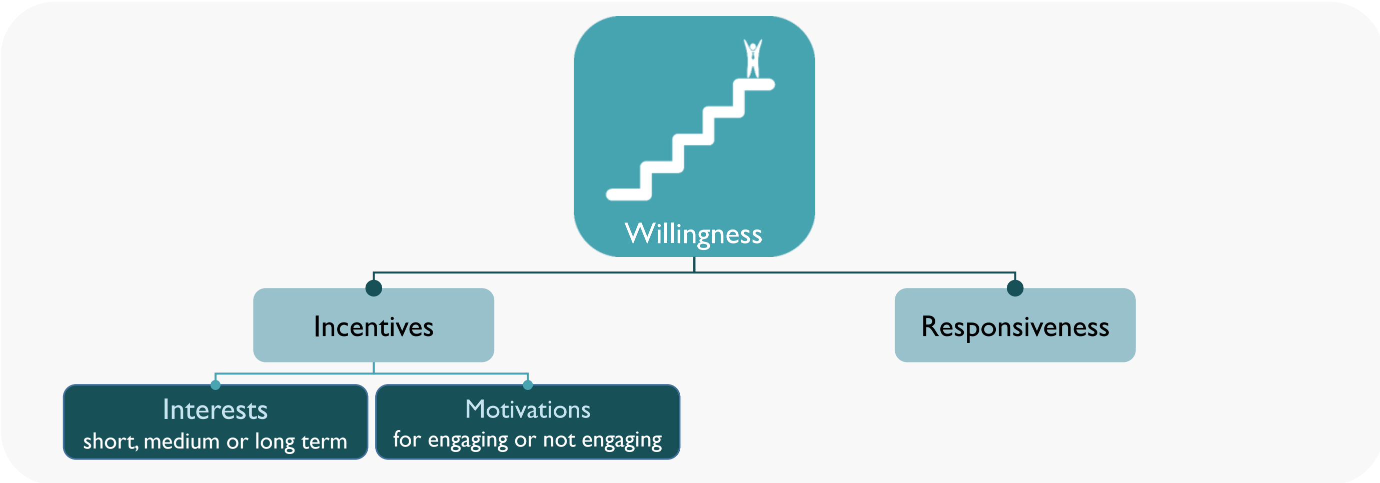
As a result, finding out about potential partners requires considerable creativity and a good deal of detective work and reflection. It can also involve building trust with prospective partners, which can open the doors to sharing more sensitive information over time. Main sources of company information include:

- Company websites, annual reports, brochures, etc.
- Initial interaction/fact finding visit to company (both formal or informal meetings)
- Suppliers, distributors, and customers of the company
- Government websites
- Sector experts
- Coordination bodies and professional organisations
- Competitors

An important, but occasionally overlooked, source of information can be to speak with the company's field staff and not just the managers and representatives at the headquarters.

Good practices for initial interactions with potential partners

- **Actively listen:** rather than charging through our questions or only thinking forward to what we want to say, make sure we leave time for potential partners to speak and take time to digest what they are saying
- **Ask open or probing questions:** open ended or probing questions can help us develop a deeper understanding of the actor and may help reveal signs of common ground that can form the basis of a future relationship
- See page 13 for more tips on effective engagement with partners



WHAT DO WE ASSESS?

Prospective partners and market systems are highly diverse and dynamic. There is no fool-proof method for selecting partners but there are a number of factors and questions that we can ask ourselves while we assess potential partners.

During the early stages of partner identification, we should have already checked some basic information around the actor's business and their potential relevance to the services we would like to strengthen in the market system. We can then proceed to undertake a more in-depth partner assessment of their **willingness** and **capacity** to expand, test and adopt new innovations, change their business model, and also lead the change process.

When assessing willingness, we look at both incentives and the level of responsiveness of the potential partners**.**

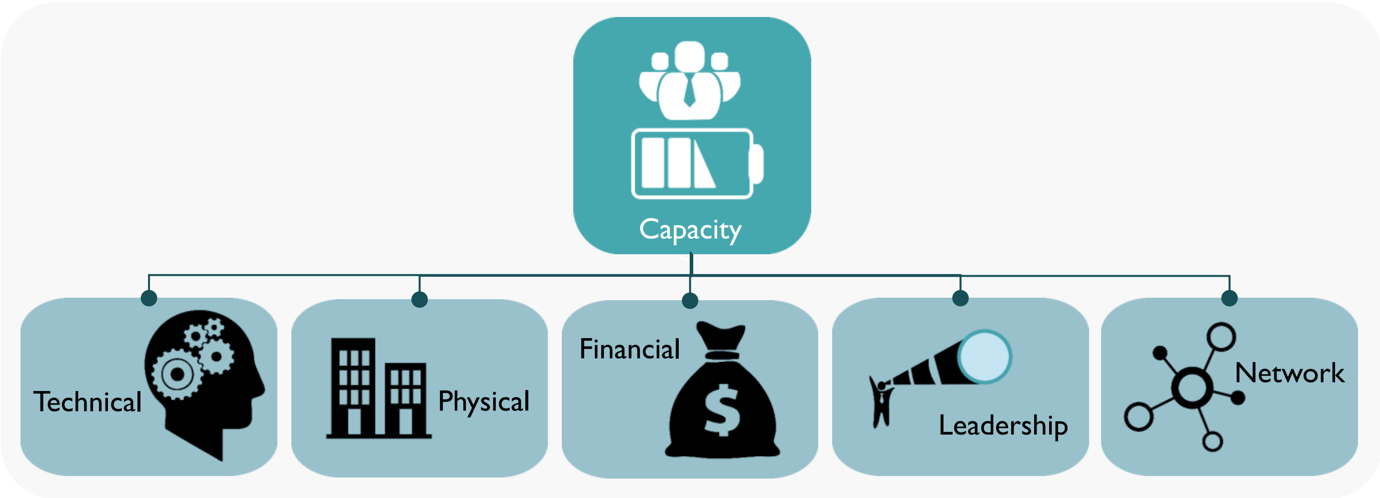
Incentives are the reasons and driving forces behind the actor's behaviour, and they involve two key elements:[1]

- **Interests** are what market actors want to achieve. They dictate the decisions and actions undertaken by potential partners. They can be formally expressed interests (statements of purpose, stated priorities, etc.) or more informal objectives. They can also vary depending on the timeframe, and whether an interest is immediate, medium, or long-term can affect how important it is to the partner.
- **Motivations for engaging or not engaging** are the factors that affect the choices potential partners make when deciding whether or not to follow a particular strategy to achieve their interests. Why would they want to or not want to engage with PRISMA? What are the risks for them? Even if there are factors that may be holding them back from wanting to engage with us, this does not mean we should not engage with them. Instead, we should be looking for ways to address their concerns.

Examples	
Interests	■ Economic interests (sales, new markets, market share, etc.) ■ Social interests (reputation, prestige, etc.)
Motivators	■ Opportunities to increase smallholder customer base ■ Not wanting competitors to have the first mover advantage ■ Existing momentum upon which to build
De-motivators	■ Poor history dealing with other development initiatives ■ Reluctance with being associated with the Australian government through PRISMA funding

See **Tool 1** for guiding questions and more examples for assessing willingness and capacity. **Tool 2** provides a matrix to help us determine our engagement strategy depending on the level of willingness and capacity of partners.

Responsiveness is a measure of the actor's readiness to act and develop a partnership with PRISMA. This can be judged by their reactions and body language, as well as by looking at the history of any previous partnerships with PRISMA.



How proactive are they in trying to develop a partnership? How easy was it to get an initial or follow-up meeting with the partner?

Example: PT AHSTI in the maize sector and PT SOLBI (a pest lamp trader) in the shallot sector were both proactive in gathering additional information from the field about potential ideas presented by PRISMA. In addition to sending their own team to the field to assess the market opportunity, PT AHSTI also presented their findings to the PRISMA team with a clear direction on how they wanted to enter the market. In short, these companies were taking the opportunities seriously and willing to invest time and resources even before entering a formal agreement with us.

When assessing capacity, we are trying to understand whether the actor has the ability to take on a new or expanded role in the market system. For example, larger more reputable companies generally pose less risks and can be easier to work with when trying to encourage the uptake of new ideas. As one PRISMA intervention coordinator put it: “they have more flexibility because they have the experience, human resources, and budget to fail.

We can unpack capacity into five main elements:

- **Technical:** relevant practical knowledge (know-how)
- **Physical:** assets and human resources
- **Financial:** sufficient funds for additional investments
- **Leadership:** existence of internal champions who are able to drive and sustain proposed innovations
- **Networks and linkages:** intensiveness and extensiveness of relationships with relevant individuals, organisations, agencies, etc. This may include the size of their customer or supplier base, as well as the reach of their distribution network.

Essential characteristics of good partners

- They are interested and motivated to work with us to develop/strengthen business models that will deliver change to our target group.
- They have the capacity (or are able to build the capacity) to deliver the kinds of changes to our target group that will increase their incomes.
- They are prepared to invest their time and resources (indicator of ownership) in the new or strengthened business model and share the risks of the joint intervention.
- They have the potential to reach scale and/or influence other market actors.

Don’t forget to also check the reputation & general risk profile of the partner

- Is the company and its management reputable (no known corruption charges or associations with terrorist groups, not blacklisted, etc.)?
- What is the general public perception of the company? How are their products and services received by consumers? Are they engaged in responsible supply chain management? How do they treat their employees or distributors? etc.
- Is it in the start-up, growth, expansion or maturity phase of the business life-cycle? How much experience does the management team have? Is it privately or publicly held, listed or unlisted, multinational or local etc.?

Some aspects in the list above must be verified as part of the due diligence process before a written agreement can be finalised with the partner. See the Partnership Guidelines for more details on the World Compliance Check and Due Diligence Review and Checklist.

Other factors, particularly around the company type and maturity, will likely have an effect on the firm’s capacity level that we discussed above.

Tool 1: Guiding questions for assessing partners

The following table provides some guiding questions and examples for assessing partners, as well as notes on how to interpret this information. This list of questions is non-exhaustive and should only be taken as a guide to stimulate our thinking as we do our detective work to find out more about potential partners.

<table>
<tr><th colspan="2">Category</th><th>Guiding questions</th><th>Examples</th><th>Notes on interpreting</th></tr>
<tr><td colspan="5">BASIC RELEVANCE</td></tr>
<tr><td colspan="2">Background information</td><td>

What is their current business and size of operation?
Do they have existing products or services that could match the needs of our target farmers?
Is there potential to adapt their existing products or services?
Have they previously tried to do something to solve a problem in the market but failed?
What is their growth trend? Is the company growing rapidly, slowly but steadily, etc.?
Have they invested in diversifying their portfolio?
</td><td></td><td>For example, if they have no existing products that currently match or can be adapted to the needs of poor farmers, we would have to introduce new products through the company. In this case, we may consider prioritising other partners if they have more relevant products.

Some of these general questions can also give us some overall clues about their capacity and willingness.</td></tr>
<tr><td colspan="5">WILLINGNESS TO CHANGE</td></tr>
<tr><td rowspan="3">Interests</td><td>Immediate</td><td>What are their immediate interests (3 to 6 months)?</td><td rowspan="3">Economic: grow sales volume of existing products, enter new geographies, enter new sectors, grow customer base, reach customers at the base of the pyramid, expand market share, become the market leader, gain a foothold in the market within a short timespan, upgrade processes or technologies, recover from a price fall, attract government investment, increase their profit margin, conduct R&D in new products or new sectors, etc.
Social: improve their reputation and prestige, increase their social license to operate, etc.</td><td rowspan="3">See Tool 2 on willingness & capacity matrix

Also use findings to frame our initial pitch: For example, as a program, we tend to focus on more long-term outcomes while potential partners may place more importance on immediate needs and interests. This can affect how we frame and communicate our initial pitch.</td></tr>
<tr><td>Medium term</td><td>What are their medium term interests (6 months to 2 years)?</td></tr>
<tr><td>Longer term</td><td>What are their long term interests (> 2 years)?</td></tr>
</table>

Tool 1: Guiding questions for assessing partners

Category		Guiding questions	Examples	Notes on interpreting
Motivations	Motivators	■ Why might they think it is a good idea to partner with PRISMA? What are the benefits for them?	■ Opportunities to increase smallholder customer base ■ Not wanting competitors to have the first mover advantage ■ Existing momentum upon which to build	
	De-motivators	■ Why might they not want to partner with PRISMA? What are the risks for them?	■ Poor history dealing with other development initiatives ■ Reluctance with being associated with the Australian government through PRISMA funding	
Responsiveness		■ Have they questioned us on the evidence of the success of our ideas? ■ If this is their idea, have they been proactive to take us on field visits to areas where they have been successful? ■ How easy is it to get an initial or follow-up meeting with them? ■ How proactive are they in trying to develop a partnership? ■ Are they investing resources to find out about the potential innovations before reaching an agreement?		Target potential partners who exhibit high responsiveness
CAPACITY TO CHANGE				
Technical		■ Do they have practical knowledge (know-how) to deliver the required services or products?		See Tool 2 on willingness & capacity matrix Also use findings to frame our initial pitch and feed into the activity plan and budget
Physical		■ Do existing staff have the time to take on new projects or new tasks associated with the change being proposed? ■ Is the organisation able to hire and train new staff? ■ Is the use of existing physical resources restricted to other purposes?		

Tool 1: Guiding questions for assessing partners

Category	Guiding questions	Examples	Notes on interpreting
Financial	■ Do they have the financial resources to make additional investments?		
Leadership	■ Are there champions in the firm who have the power and influence to lead the company through the change process? ■ Are there individuals in the firm who want to explore and break new ground (e.g. forward thinkers, visionaries, early adopters)?		
Networks & Linkages	■ Has the company previously worked with the target population? ■ Is it connected to the appropriate geographic areas (provinces, districts, etc.)? ■ What is the size of its customer or supplier base or reach of its distribution network? ■ Does it have good relationships with local decision makers and relevant government agencies? ■ Does it have potential to influence other actors in the value chain?		
OTHERS			
Reputation & General Risk Profile	■ Is the company and its management reputable (no known corruption charges or scandals, not on any DFAT or donor blacklists, no known associations with terrorist groups, etc.)? ■ What is the general public perception of the company? Is its brand famous? How are their products and services received by consumers? Are they engaged in responsible supply chain management? How do they treat their employees or distributors? ■ Is it in the start-up, growth, expansion or maturity phase of the business life-cycle? How much experience does the management team have? Is it privately or publicly held, listed or unlisted, multinational or local etc.?		The legal status of a company (UD, CV, PT, International limited liability, etc.) is typically associated with a certain standard of supervision and audit within the company. For example, there will be lower risk for PRISMA to work with a PT rather than an individual. If we choose to proceed with the partner, some of this information will feed into determining the size of our financial contribution and will be important for completing the due diligence review before a written agreement can be finalised.

Any market actor can be a potential partner for AIP-PRSIMA (input suppliers, collectors, etc.). This matrix looks at the potential partner's willingness and capacity to change. It can be used to identify which players to target or prioritise and the type of support required to change their behaviour. For example, it is often easier to work with partners who exhibit willingness to change even if they may or may not have the capacity to do so. At the same time, we may still choose to target a partner who lacks willingness if we find that the lack of willingness is actually a result of limited information or understanding of a business opportunity or model.

SCENARIO

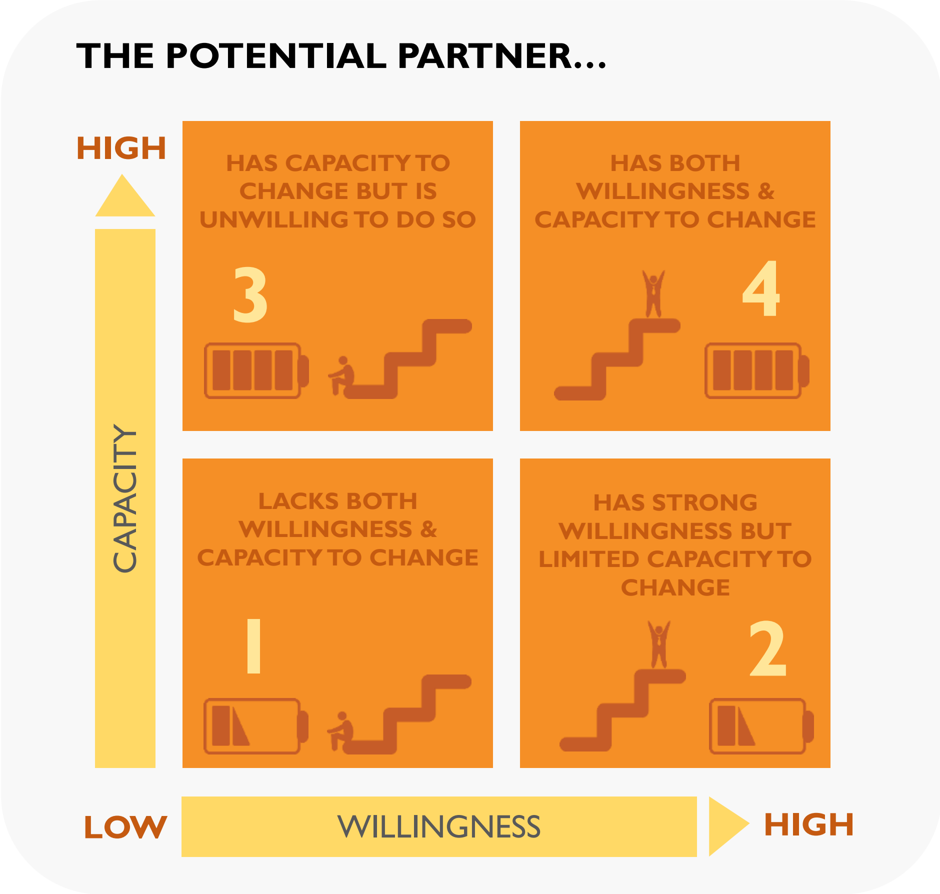
1. **Low will, low skill:** In this scenario, a potential partner lacks both the incentive and capacity to change. Then, why engage them at all?

In some cases, this partner may be the only option (e.g. government body) or this partner may be of strategic importance to the target group and could be instrumental in delivering the desired change. For example, a mango collector could be vital to creating the market for a new chemical that will induce early flowering of mango trees, thus opening up the possibility of off season production. In this case, this business model is new for the collector and at the same time they have no experience with delivering the required chemical.

Engagement options include (1) reconsidering the feasibility of change or (2) using a hard sell strategy to develop the competence and motivation of the partner. Note that intensive support to develop the willingness and capacity to achieve change may have high risks of distorting the market system.

2. **High will, low skill scenario:** In this scenario, a potential partner displays strong incentives and is highly responsive, but their capacity to pursue a change is underdeveloped. For example, a cocoa trader could easily make the connection between better use of fertiliser by cocoa farmers as a way to increase farmer productivity and therefore his turnover. But he may lack the knowledge of how to deliver this in a cost effective way.

Engagement should focus on building the partner's skills and knowledge to operate outside their current comfort zone and deliver the change sustainably (e.g. through advice, training, mentoring, or linkages with market actors that have the know-how).



Adapted from The Springfield Centre's Will-Skill Matrix and Jim Tomecko's Partner Engagement Matrix/Think Tool

3 **Low will, high skill scenario:** In this scenario, a potential partner appears to have the capacity to change, but their interest and motivation is low. This may be because they do not see an economic return from their investment within a reasonable period of time. For example, a chemical company may have a product that has worked in one agricultural sector but not in one of ours. If we can show that the potential demand is high and of a commercial volume in our sector, then they may be more willing to engage with us as a partner. This was the case in our partnership with Syngenta in the mango sector.

Engagement should focus on making the business case for change to the partner or reducing incremental risk associated with change. This may involve doing some market research in order to generate the data needed to convince the partner that there is an opportunity to be exploited. It may also involve co-funding trials around a proof of concept.

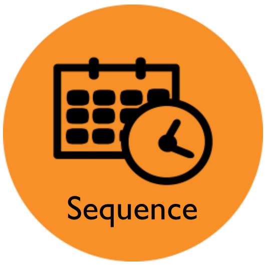
4 **High will, high skill scenario:** In this scenario, a potential partner appears to be both competent and willing to change. So, why aren't they already doing it and why should we be involved with them at all? The reason for their lack of action might be a result of dysfunctions elsewhere in the market system, such as the regulatory environment. Alternatively, it could be that they have developed a business model that has worked in one area of the country but they have not used it in eastern Indonesia. For example, a seed company that has been using contract farming as their business model may be enticed to work with the same model, or a variation of it, in an area that, up to now, they have considered to be pre-commercial.

Engagement options include (1) offering potential partners an opportunity to scale their business model up in pre-commercial areas that focus on our target groups (e.g. minimise their risks associated with moving into a new market) or (2) conducting further analysis on business enabling environment factors that could be tackled through PRISMA.

WHAT ARE KEY PRINCIPLES FOR EFFECTIVE ENGAGEMENT?

Deal making is as much about building a relationship with potential partners as it is about discovering and defining shared value.

We need to allow time for relationships to evolve. This means we might have a number of interactions and meetings with potential partners before we make an initial collaboration pitch to them.



For effective engagement, it is important that we establish our credibility, build trust and rapport with our partners, manage expectations, and are prepared.

Credibility has to do with our expertise as well as how we present ourselves. Key tactics for building credibility include:

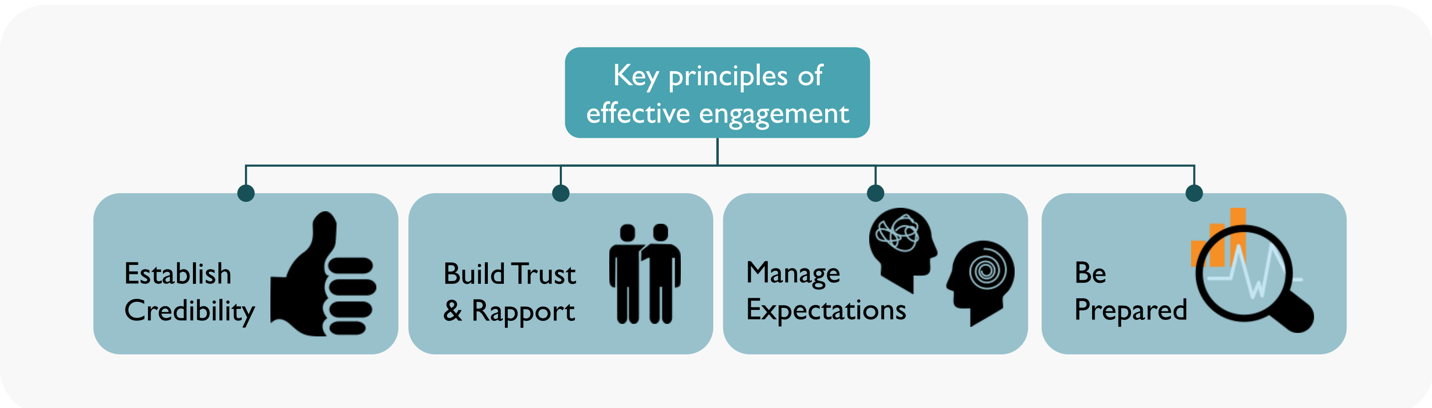
- **Leveraging on credibility of sector experts:** Use experts that are known and credible among the private sector to help open doors to companies and decision makers.
- **Presenting success stories:** Talk about our track record and success stories with companies in other sectors. Show evidence of the positive impact on the business of our partners. We may also want to reflect on some of these experience and share lessons learned through these previous engagements.
- **Acting & talking business:** Use business terminology (e.g. profit and market share) while discussing with partners. Do not assume that the business people we are speaking with are interested in "helping the poor." Instead focus on presenting a viable business opportunity to them.
- **Knowing the target audience:** Do background research on the specific individual(s) with whom we will be meeting. For example, a financial director would likely be more interested in the numbers than a marketing director who may want to hear more about promotion tactics or opportunities.

Trust is built up through communication, the ability to deliver professional and creative ideas, and flexibility in being able to modify ideas to accommodate the business interests and structure of the firm. Key tactics for building trust and rapport include:

- **Continuously engaging partners in both formal & informal settings:** Invite potential partners for dinner and continue discussions in more relaxed environments. Face-to-face communication is often preferable in Indonesia, and it is common to spend time asking about the other person before delving into business topics.
- **Listening more and talking less:** It is important that partners feel that we genuinely care about them. So take the time to actively listen to them. Understand and appreciate the risks they are taking by making new investments and developing new relationships with poor farmers. Demonstrate a genuine understanding of the challenges they face and recognise the positive steps or contributions they have made or are making.
- **Always try to offer something in return:** A meeting should always be a give and take situation. This could include sharing a relevant contact, market intelligence, etc. It can also involve sharing information related to their personal interests.

"It is easy to communicate with my private sector partner because they feel like I listen to them and I am not teaching them what to do. I listen to them to see what area of their business I can fit into [while I] ensure my development goals can also be achieved."

– PRISMA Intervention Coordinator



- **Do not make any promises or commitments that we cannot deliver:** This is about demonstrating reliability by being consistent in what we say we do and what we do. If we have promised to come back to them with some information, then we need to make sure we do this in a timely manner or at least inform them if there are any delays.

Expectations in relationships can be harmful when they are not aligned or properly managed. Potential partners may have unrealistic expectations especially since the M4P approach is relatively new and most partners are used to direct delivery donor programs (where there do not have to engage pro-actively or where handouts are common). Manage and avoid inflated expectations by:

- **Presenting the opportunity as a co-investment & clearing up confusion as early as possible:** We need to emphasise that partnerships will be reciprocal, temporary, and based on shared benefits. We have limited financial funds, and we do not subsidise business operations. We can use examples or success stories from other sectors or M4P programs to help the potential partner understand more about the approach, process, and potential roles and responsibilities of each party in a partnership.
- **Introducing early on that we intend to work with multiple partners and being specific about ownership questions:** Partners may want exclusivity of solutions provided to target beneficiaries, but this can come in conflict with our objectives of scaling up innovations by encouraging adoption by other market players. A balance needs to be struck between the two during the negotiation process.

Preparation is critical for successful deal making. The more preparation, the greater chances of success — there is no such thing as being over prepared! Good preparation allows us to be more confident when speaking with partners, instilling them with greater confidence in our ideas and proposals. On the other hand, if we come across as uncertain or unknowledgeable, this can threaten any credibility or trust that we have built, and we may lose the opportunity to continue discussions. Good preparation involves:

- **Mastering the facts & figures about the sector and business opportunity:** We cannot be fundamentally wrong on the business side. Be equipped with technical information and have a clear picture of the overall opportunity in our mind. Initial market assessments need to be sufficiently detailed to give us a good understanding of the trends, threats, challenges, etc. We also need to have a strong understanding of the demand side story. This means being well-equipped with answers to questions that the private sector may have about what the current practices are among farmers, why farmers are reluctant to change, what could help facilitate changes among farmers, etc.

Tips for mastering the facts & figures

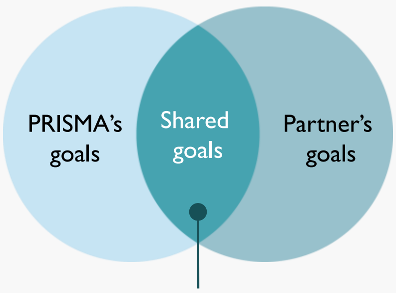
- Come armed with accurate and well-researched business calculations: See box below on tips for more effective business calculations
- **Come armed with relevant and successful examples:** Where has this business opportunity/model been successfully applied? Understand the key factors for success and the impact on businesses. Use these facts to help build our business case.
- **Come armed with insights about farmers and other market actors:** Insights from our market analysis can help us make a more compelling case to partners. For example, before making an offer to partners, we may want to do a small survey or some action research to gauge interest levels from farmers: How much would they be willing to pay? Why are they or are they not interested in using or purchasing a particular input? etc.

Example: Before meeting with an input supplier, one of the teams conducted a small survey of 50 farmers in Ponorogo to see how many farmers were interested in using a particular input and under what conditions. This information was used to provide some initial evidence of demand for the product.

Tips for more effective business calculations

- **Keep it at high level market numbers:** Provide the partner with the number of new clients, additional sales volume, etc. In most cases, they will be in a better position to translate these into revenue and profit. All we need to do is give them a general idea of the size of the potential market or unmet demand.
- **Verify the accuracy of calculations:** Business calculations are only effective if they are accurate. Why not use sector experts to verify our calculations or assist with the financial modelling of more complex businesses?
- **Find relevant benchmarks:** We can use benchmarks from other contexts or countries to demonstrate the potential market size. For example, to estimate the unmet demand for fertiliser in Nigeria, another M4P program looked at the levels of fertiliser usage (volumes per hectare) in other countries and used that as a benchmark.

- **Understanding the partner better by finding out as much as possible:** We need to really understand their current operations and the incentives and risks at play. By uncovering their underlying interests, we will have a better idea of the factors which may be holding them back from expanding their operations and exploring new innovations. This can help us adapt our engagement strategy and allow for more productive negotiations.
- **Using the partner's context to shape the initial collaboration pitch and build shared value:** Instead of simply imposing our development agenda, put ourselves in the partner's position — if we were the private sector, what is our incentive? what can we give? what do we need? etc. As a starting point, understand what their agenda is and look at how we can integrate our goals into their vision and objectives. Use this perspective to frame our value proposition.



This is the space for dialogue & mutual benefits through a partnership

WHAT ARE THE MAIN COMPONENTS OF AN INITIAL PITCH?

As noted above, preparation is key for successful negotiations. A good initial collaboration pitch needs to build on the incentives of the partner and demonstrate the value of the relationship to them. This means that we need to start with a clear understanding of the business opportunity. When combined with a strong understanding of the partner's incentives and capacities, we can tailor our message and ensure that we articulate a compelling value proposition.

In short, a credible pitch will need to address four key questions:

- What is the business opportunity?
- Why should they be interested in this opportunity?
- What can they expect from the partnership?
- What do we expect in return?

See **Tool 3** for examples and suggestions of how to prepare for the questions above and frame the initial collaboration pitch

What are our value propositions?

While not always obvious to our prospective partners, there are numerous ways where we can add value to a partnership. Below is an illustrative list of the value propositions that we can bring to the table.

- Market intelligence capacity (an identified unmet demand or additional supply from the target group)
- Strong understanding of the farm level
- Readiness to stimulate target group awareness and demand for a change
- Capacity to think through, try out, and assess new and sustainable business models that deliver change to the target group
- Resources to build the capacity for their personnel to understand and deliver the new business model
- Cash to pilot test parts of the new business model or to reduce the short term risks associated with assessing the viability of the model
- Additional credibility with the partner's staff, public institutions, and public officials

When we make the initial collaboration pitch, we should not be going into the specifics of what support we will be offering them. However, we should be able to speak in broad terms about the types of support that we can provide or have provided in other partnerships.

Get management to approve the potential partner and review the initial collaboration pitch before presenting it to the private sector

WHO SHOULD WE ENGAGE WITH WHEN MAKING THE INITIAL PITCH?

Getting buy-in from high-level executives in the company is often important for ensuring a successful deal and for future sustainability of the changes we are trying to get them to adopt. However, it is not always easy or necessarily the best strategy to go straight to the top.

We should build off our initial contacts to identify the most relevant entry points in the organisations. These tend to be individuals within the organisation who are:

- receptive to engaging with us
- considered to be forward thinkers, innovation leaders, or visionaries
- highly influential over decisions made in the company or capable of mobilising support

These individuals will have the strongest incentives to engage with PRISMA and to champion the partnership opportunity.

We can draw on our initial analysis of leadership capacity **(Tool 1)** to help us identify potential champions. It will, however, not always be easy or apparent who has true strategic value in an organisation. As a result, patience and repeated interactions will often be necessary to identify an appropriate champion.

WHO SHOULD COMMUNICATE OUR INITIAL COLLABORATION PITCH?

Just as it is important to think through who to target within the company, we should also consider who will be the best communicator of our initial collaboration pitch to the firm. This will depend on part on the size of the organisation, as well as on the seniority of the individual we are engaging.

For example, when pitching to the director of a large firm or multinational company, we would typically want a member of the PRISMA management team to be present. We can also bring a sector expert with us during these deal making negotiations to bolster our credibility.

WHAT IS THE NEXT STEP AFTER THE INITIAL COLLABORATION PITCH?

We would want an indication from the potential partner (whether it is from the champion, mid-level management, or in the best case scenario the senior management) that they agree to proceed with further discussions around this partnership opportunity. This can be a simple verbal agreement to continue exploring the collaboration and to move into the next phase of discussing the business model and broader strategy. Depending on the potential partner, we may proceed directly into Stage 3 in the same meeting or choose to schedule a separate meeting to discuss the business model and broader strategy.

At this point, we may also want to determine who the focal point(s) should be for on-going engagements. Depending on the firm, this may involve determining two separate focal points — one for decision making and one for day-to-day communications as we work together to define the business model, etc.

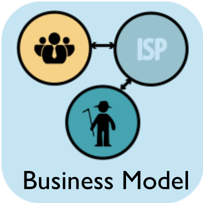
Tool 3: Framing the initial collaboration pitch

Question	Preparation	Generic examples
What is the business opportunity?	■ Understand the market, constraints, & opportunities ■ Prepare business calculations & a compelling business case (see box on business calculations)	Opportunities may be around: ■ Expanding coverage of existing pro-poor products or services (e.g. to another geography or commodity sector) ■ Adapting existing products or services ■ Developing or introducing new products or services ■ Re-orienting supply chains to respond to opportunities in lower income market segments
Why should the partner be interested in this opportunity?	■ Assess partner's willingness & capacity (use Tool 1/2)	■ Advances their company strategy ■ Provides additional profits, market share, recognition
What can they expect from the partnership?	■ Assess partner's willingness & capacity (use Tool 1/2)	■ Risk mitigation ■ Knowledge transfer ■ First mover advantage
What do we expect to get in return?		■ Evidence of benefits ■ Information for decision making ■ Outreach and impact (higher income for significant numbers of farmers in eastern Indonesia)

Stage 3: Agree the business model & broad strategy (high-level activity plan)

WHAT IS A BUSINESS MODEL?

The business model shows how different market actors can work together to sustainably deliver the change that we envision for the market system. We can visually summarise the business model with a simple diagram. A good model builds on the incentives and capacities of each market player in the model while also bringing about discernible benefits for the poor.



HOW DO WE DEVELOP AND AGREE ON A BUSINESS MODEL?

The process of developing and agreeing on a business model is highly iterative. It requires patience, continuous discussions with the partner, and time to strengthen understanding and confidence in the proposed model. The partner, along with other relevant market actors, will have a large influence on how the business model will function.

Partners will often have a good understanding of what will or will not work in their market. For example, they may have inputs as to which market actors may be more appropriate as intermediary service providers in the model. Their inputs can also be important for preventing costly mistakes or for ensuring large scale outreach.

In short, while we would have prepared an initial business model as part of the Intervention Concept Note (ICN), it is important to work closely with the partner to iterate on the business model. In order to do this effectively, we will need to ensure that we:

- Understand the existing business model of the partner
- Understand the incentives and capacities of each actor within the proposed model
- Remain open, flexible, and creative while also keeping our development goals in sight

Understanding the existing business model of the partner is an important starting point for developing and iterating on a new business model. We need to be aware of how our partner currently operates in order to play on the strengths of the partner and understand what changes are required. Are the changes we are proposing going to cannibalise their core business? Are we asking too much of them? Can we achieve our objectives through incremental steps or will it require significant changes?

Understanding the incentives and capacities of each actor within the proposed model is equally important since we are seeking to change the relationships between various market actors in the system. Not only do we need a clear sense of the incentives and capacity of our partner but also of each actor in the newly proposed model — farmers, intermediary service providers, etc. This understanding will help us make the business case to each of the main actors involved in the model.

> **Example:** Currently, collectors are buying maize from farmers, but in our proposed model, we believe that it would benefit the collector to go the extra mile to provide farmers with information. Why would the collector want to spend more time at each farm to do this? Perhaps they want to establish better relationships with farmers to reduce the chances they will sell to another collector. Our work is to understand what the business case is for the maize collector and to make sure we sell the idea to him as well

Remaining open, flexible, and creative while also keeping our goals in sight will be important for securing the buy-in of our partner in the proposed model while also generating the impacts we require. If we are driving the development of the business model, we risk reducing the partner's ownership of the change process and threatening the sustainability of the innovations. We should remain open minded and resist entering discussions with fixed views of the model. We should also be using creativity to expand the options for a solution.

Get management to review the draft business model before discussing with the partner

WHAT IS THE BROAD STRATEGY THAT WE NEED TO AGREE?

The broad strategy (or high-level activity plan) builds off the proposed business model and involves defining the:

Stage 3: Agree the business model & broad strategy (high-level activity plan)

- headline activities
- desired outreach target
- timeframe of the partnership
- overall roles and responsibilities of the partner and PRISMA

A preliminary results chain is an important tool to guide our negotiations around the broad strategy

The results chain captures the causal logic of the intervention, including what we want to achieve through the intervention, what we would want the partner to do, and what support we intend to offer.

We should have already prepared a *simple* results chain as part of the ICN and should use it as the basis for our negotiations in this stage. This simple results chain will likely change based on inputs from the negotiation process. Nevertheless, it provides an important starting point to give us an idea of how we expect the intervention to unfold as we move from activities to impact.

The **headline activities** needed to implement the business model will vary from one intervention to another. Below is an illustrative list of the types of activities that PRISMA could conduct when working with firms to expand product outreach, improve current products, and/or develop new products.

SUPPLY GENERATION

- **Market research & studies**: Cost-benefit analysis of consumer, consumer behaviour studies, market segmentation, feasibility study, supplier study, ISP identification study
- **Strategies/plans:** Procurement strategy, distribution plan, ISP engagement plan, product packaging design briefs, strategies for outgrowing operations
- Technology transfer/new product development: TA, learning visits
- Capacity building for systems or processes of partner, intermediary service provider, or input supplier: TA, training modules
- Linkage facilitation

DEMAND STIMULATION: PRODUCT MARKETING AND SOCIAL MARKETING

- **Strategies/plans**: marketing plan, consumer education strategy
- Education & promotional materials: radio, print
- **Education & promotional events**: demonstrations, farmer expo, field day, farmer exchange visit, farmer competition, farmer forums, farmer meetings, consumer education campaign
- Capacity building of farmer: learning centre, training

The **outreach target** will depend on various factors including the number of farmers in the target area, the capacity of our partner (production capacity, reach of their distribution network, etc.), and willingness of the partner to rapidly expand. Agreeing on an outreach target can be challenging. PRISMA typically wants to reach more farmers in a short timeframe and usually has more ambitious targets than private sector partners, who often prefer more incremental steps.

As a result, we will likely have to negotiate with partners on the outreach targets. As we push for higher outreach numbers, we need to make sure these targets match the company's capacity. We can also look at starting with smaller pilots but building in higher outreach through the scale-up phase.

Rule of thumb: Aim to reach 20% of farmers in the intervention target area by the end of PRISMA. This percent is based on the idea that a critical mass of adopters is needed to ensure the diffusion of the innovation.

The **overall timeframe** will depend on the sector, as well as the culture, mindset, and education levels of beneficiaries and other market actors involved in the model. In general, most interventions will have at least 1-2 seasons for piloting and at least 1 season for scale-up.

We may need to have a longer pilot phase if the innovation is untested or where farmers are unreceptive to change. For example, the widespread emergency mindset in provinces like Papua might mean that it would take longer for an innovation to take hold there.

Stage 3: Agree the business model & broad strategy (high-level activity plan)

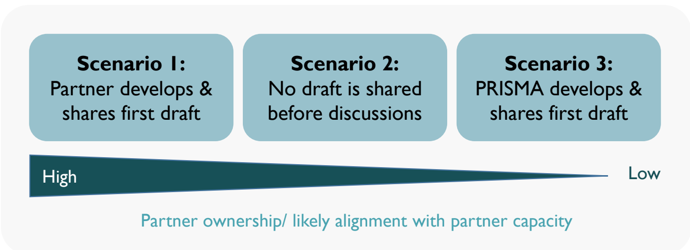
Overall roles and responsibilities between PRISMA and the partner must be agreed around each of the headline activities. Just as we assessed our partner's overall capacity and willingness to engage in a partnership, we also need to be aware of their capacity and willingness to lead on the various headline activities. In some cases, we may find that the natural home of an activity would be better placed with PRISMA. These tend to be one-off activities which PRISMA could be responsible for leading and implementing without threatening the future sustainability of the business model.

Use **Tool 4** on who does and who pays during the project and in the future to determine whether we have considered all the necessary headline activities and who will have overall responsibility of leading these activities.

WHO SHOULD TAKE THE LEAD ON PREPARING THE BROAD STRATEGY?

This can happen in parallel or after our discussions around the business model and is often a fluid on-going process. There are three basic scenarios that could happen before we have joint discussions on the high-level activity plan:

- **Scenario 1:** Partner takes the lead to develop and share a first draft
- **Scenario 2:** No draft is shared between PRISMA and the partner in advance of discussions
- **Scenario 3:** PRISMA takes the lead to develop and share a first draft



We should encourage the partner to be more active and lead the process of developing the high-level activity plan if they are interested to do so. This can ensure greater buy-in from the partner and that the proposed strategy is better matched to their capacity. This can also reveal whether our understanding of the business model is aligned.

Once the partner has developed and shared a first draft, we can then have joint discussions to iterate on the draft. This is when we can ensure that our outreach goals are met and that we have sufficiently taken into account issues around sustainability. While mindful of the partner's capacity and willingness, we should also encourage them to take on more responsibility where possible.

The second best alternative is to have the joint discussions around the high-level activity without having shared a draft activity plan in advance. This requires good preparation and strong facilitation skills to ensure that the discussion results in a clear plan.

Whether or not the partner takes the lead and shares a first draft or if no draft is shared in advance of discussions, we should always be well prepared. This means taking the time to develop our own draft which we can use as a tool to guide negotiations.

Get management to (1) review the draft high-level activity plan before discussing with the partner and (2) approve the final business model/high-level activity plan before getting agreement from the senior management of the firm.

WHAT IS THE NEXT STEP?

We would want agreement from the senior management of the partner before proceeding to negotiate the specifics around the detailed activity plan and budget.

Tool 4: Who does? Who pays? during the project & in the future

This tool can be used to support both Stage 3 (agree the business model and broad strategy) and Stage 4 (agree the detailed activity plan and budget). In Stage 3, it can help us think through whether we have considered all the necessary headline activities and who will have overall responsibility to lead these activities. In Stage 4, we can also use this to help us develop the detailed activity plan and determine how costs will be shared.

PRESENT				
Activities (or Tasks)	Doing	Paying		If the activities are required more than once in the project, will it be on the same term? (During stage 4 also make note of which Activities or Tasks are best paid through agreed output based payments and which should be reimbursed?
	Who will do this during the project/	What costs are attached to this activity during the project?		
		To be paid by PRISMA	To be paid by partner	
	■			
	■			
	■			

FUTURE						
Activity (or Tasks)	Doing			Paying		What do we have to do during the intervention to make this happen?
	Does this activity need to be done in the future?	If yes, who will do this activity in the future?	What are their incentives to do this in the future?	Who will pay for this in the future?	What are their incentives to pay for this in the future?	
	■	■	■			
	■	■	■			
	■	■	■			

Adapted from Swisscontact Indonesia & The Springfield Centre

WHAT IS THE DETAILED ACTIVITY PLAN?

Once the business model and the high-level activities are agreed, the next step is to break down each of these broad activities into smaller, more actionable steps. This forms the basis of the detailed activity work plan, which provides the specifics around what needs to be done and how it should be done in the implementation phase. We can visually represent this in a Gantt chart.

As with all plans, this is a detailed map of how to proceed given the information that we currently have, and this is likely to change during the implementation phase as we integrate learnings from our activities and adapt to dynamic market conditions. For example, at present, we might think SMS blasts are the best promotional tool to reach our target group, but in the future, there may be evidence that other techniques work better.

A detailed activity plan typically maps out

- **Tasks:** What are the detailed tasks necessary to execute each activity?
- **Timeframe:** How much time is required for each activity or task?
- **Sequence:** Which activities or tasks should be prioritised? How should activities or tasks be sequenced?
- **Timelines:** When does each activity or task begin and end? Have we taken into account the crop calendar?
- **Responsibilities:** Who will be leading (doing) the activity or individual tasks? Who will be paying for the activity or individual tasks?

In addition to the questions above, we need to think through the details around each proposed activity. Illustrative questions are provided below for common activities such as trainings or demo plots.

Examples of questions to ask when developing the detailed activity plan around the following types of activities	
Note: We may not have all the answers initially (e.g. where exactly to set up the demos), but since we will eventually need to know these answers, we may want to build this into our activities (e.g. include an activity to identify demo plot areas).	
Training	■ **Objective:** What is the objective and content of the training? ■ **Content development & delivery:** Who will develop the training material? Who will deliver the training? Will the content be the same in each training or will the content build off the previous training? ■ **Number and size of trainings:** How many trainings will there be relative to the number of beneficiaries that are being targeted? What is the average size of each training? Will there be multiple cohorts (e.g. if each training session delivers the same content) or one cohort? ■ **Target group & demography:** Is the training for farmers, ISPs, etc.? Is it for males, females or both? Is it for actors belonging to a particular geography/farmer group/etc.? How many potential beneficiaries are you intending to reach through the trainings? ■ **Communications about the training:** How will actors be informed about the training opportunity? ■ **Logistics around training:** Where will the training be held? Is this location accessible? When will it be held? Who will organise the training?
Demo Plot	■ **Objective:** What is the objective of the demo plot? ■ **Number and size of demo plots:** How many demo plots will there be relative to the number of farmers that are being targeted? What is the average size of each demo plot? ■ **Logistics around the demo plot:** Where will the demo plots be located? Are the locations accessible? When will the demo plots be established? Who will organise the demo plots? ■ **Events associated with demonstration plot:** Will we have farmer field days, farmer meetings, etc.? If so, how frequent and how many participants are we targeting through these events? When will the events be held? Who will organise them? ■ **Target group & demography:** Is it for male farmers, female farmers, or both? Is it for farmers belonging to a particular geography/farmer group/etc.? ■ **Communications about the demo plot & events:** How will farmers be informed about the demo plots & associated events (leaflets, village announcements, etc.)?

Use **Tool 4** on who does and who pays to think through some of the aspects of the detailed activity plan. It can be particularly helpful for thinking through issues of sustainability and whether additional support is needed to ensure the capacity and willingness to continue activities that are required for the future functioning of the market system.

WHO SHOULD LEAD ON PREPARING THE DETAILED ACTIVITY PLAN?

If the partner is eager to prepare an initial draft, we should not hesitate to let them take the lead. Where we are leading the process, we need to ensure that we are open and flexible when discussing the details with the partner. In either case, we should have prepared our own draft of the detailed activity plan and obtained management approval of the draft before organising a workshop with the partner to finalise the detailed activity plan.

Whether a partner is likely to take the lead will depend largely on the capacity of the partner. For larger companies, they may be more interested or able to develop the detailed activity plan. For smaller companies, we would typically take the lead in preparing the detailed activity plan as this can be an intensive activity that requires significant thought and planning.

Get management to review the draft detailed activity plan before costing the activities or sharing with the partner

WHAT IS THE BUDGET & WHY WOULD WE COST-SHARE ACTIVITIES?

The budget estimates costs as accurately as possible for each of the activities set out in the detailed workplan. It is essential that there is an agreed budget and that both PRISMA and the partner are clear on their respective areas of investment.

Cost sharing refers to when PRISMA partially covers the costs of activities in order to facilitate market actors to change their behaviour. This could involve:

- Incentivising partners to try something new
- Reducing their risk of doing something new
- Temporarily reducing their investment (but not their recurrent costs) for doing something new
- Developing their competence to do something new and sustainable

Each cost-sharing agreement is unique and is reached through consultation and negotiation with our partner.

Determining the type of written agreement and basis of payments

This can be discussed in earlier stages of the deal making process, but it needs to be agreed before we move into discussions around budgets and cost-sharing.

Refer to the Partnership Guidelines on the available options. Also make sure to speak with the contracting team when developing the milestones.

There are several parameters that we should be aware of:

- PRISMA contributions can either be made through direct payments to vendors, by reimbursing partners for agreed costs or agreeing to output based payments for some pre-agreed activities/tasks.
- No advances (to the Partner) are allowed.
- Milestones will be used for all outputs based payments and reimbursable costs may be invoiced on a regular (e.g. monthly) basis depending on the financial capacity of our partner.

WHAT CAN PRISMA FUNDS BE USED TOWARDS?

Ultimately, our goal is for the partner to lead and fund the change as part of their own revised business model.

As a result, we do not want to subsidise their transaction costs with the target group or use our funds towards things they would have done anyways. We want to avoid paying (and performing) activities that are part of their current day-to-day operations or activities that will be central to continuing the behaviour change in the future. Our support should instead focus on transformational one-off activities or activities that provide an initial big push to encourage partners to continue performing and investing in the new way of working.

The following table outlines a number of items which we cannot pay or which are difficult to justify under PRISMA.

Difficult to justify	Never justifiable
■ Recurring operational and working capital costs of partner, including personnel ■ Physical assets, e.g., buildings, machines, or infrastructure	■ Management fee ■ Free discounted samples ■ Inputs manufactured by the partner for use on demo plots

Examples of what PRISMA can cost-share on demo plots

Not allowed
■ Inputs manufactured by partner company ■ Partner logistic/field costs
Preferably not
■ Agronomist/Supervisor (only cost-share if there is a clear exit strategy for PRISMA and the partner commits to taking this up in the future)
Allowed
■ Farmer gatherings ■ Promotional materials ■ Specialised TA to organise demo ■ Farmer logistics ■ Inputs not manufactured by the partner company

Use **Tool 5** along with the tables above to determine what we can fund and under what circumstances we may fully fund, cost-share, or cost-share on a sliding scale.

HOW DO WE ENSURE WE RIGHT-SIZE OUR CONTRIBUTIONS?

Key factors affecting the absolute or relative value of our contributions

There is no formula to determine how much we should contribute, but there are a number of factors we should consider:

- **Partner's financial capacity:** A start-up or small company will likely have less financial resources for additional investments.
- **Risk profile of partner:** The business track record, age of the company, reputation, legal status, etc. might give us an indication of whether we would be comfortable entrusting them with more funds.
- **Perceived risk of the intervention:** This depends on the type of intervention, whether the concept is tested or untested, and the current capacities of the partner. If we are expanding the geographic coverage of the firm's existing product, this may be less risky for the partner than asking them to introduce a new product that is outside their current core competence.
- **Anticipated impact/outreach:** This relates to the potential development benefits that we can expect from the partnership.
- **Sustainability:** If many of the activities are one-off activities and not required in the future, we can justify a higher intensity of support. We can also justify higher contributions if our contributions are diminishing over the lifetime of

It is important to right-size our contribution because too little support could result in a failure to change behaviours in the market system while too much support may undermine sustainability — for example, if the intervention is seen as being owned by PRISMA. When determining when and how much to contribute we should:

- **Aim to keep contributions minimal:** The best deal is when our partner takes the ideas that we have presented and decides to finance it themselves. We should be complimenting rather than substituting partner contributions.
- **Be strategic:** Be clear about the objectives of our contributions and determine who will pay and undertake services when our contributions end.
- **Do no harm:** Be wary of giving unfair advantages to one player over the other, eroding ownership, creating dependency, or diminishing incentives to pursue change independently.

Rule of thumb: Start by trying to get 100% partner contribution but if it goes below 50% speak to management.

WHAT CAN BE COUNTED AS PARTNER CONTRIBUTIONS?

When calculating the partner's contribution, we should include only investments — or in other words, additional resources spent by the partner towards achieving the goals of the partnership. The table below summarises some of the key costs that can and cannot be counted by the partner.

Allowed: can be counted towards partner contributions

- New personnel for the partnership
- Existing personnel that have been *fully* reallocated to the partnership
- Assets purchased or rented for the partnership
- Consultants for partnership activities
- Operation costs towards the partnership (all costs related to the new personnel, travel, etc.)
- Raw materials (including samples provided to farmers) for partnership activities
- Loans from the partner to farmers or ISPs for partnership activities
- Direct activity costs

Not allowed: cannot be counted towards partner contribution

- Management fees
- Staff & management commitment from existing personnel (except if the staff or manager has been fully reallocated to the partnership)

Refer to Tool 6 for a more detailed breakdown on the precise cost items that can be included as part of the partner's contribution

WHO SHOULD LEAD ON PREPARING THE BUDGET?

We can take the lead in preparing the draft budget but should encourage the partner if they are willing to do this.

General rules for budgeting & costing

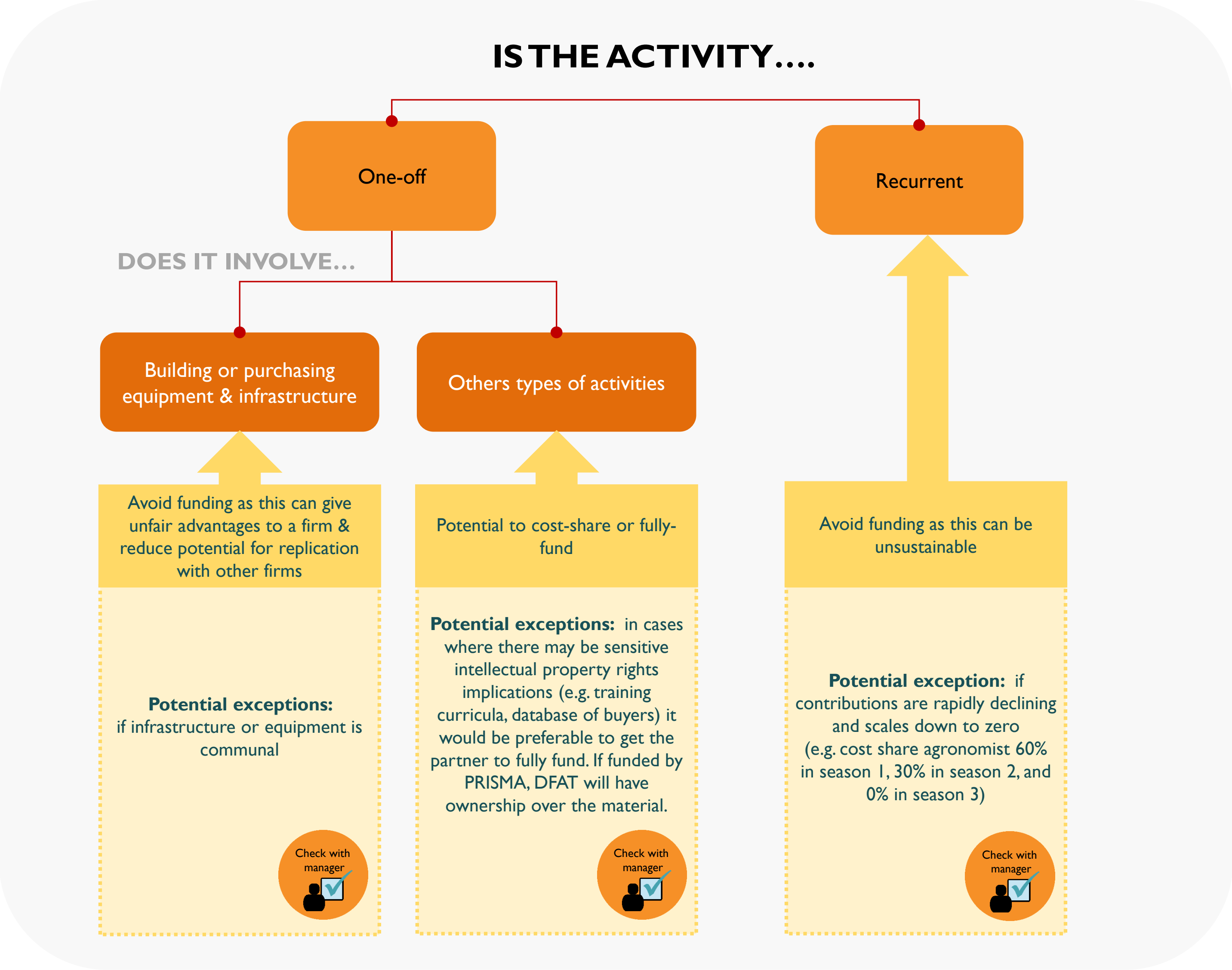
- **Currency:** Budget should be in IDR (discuss with Head of Operations and Finance for any exceptions).
- **Valuing assets:** Use the market value of the asset. There's no need to account for depreciation, write-off, or re-sale.
- **Tax:** Incorporate taxes in partner's contributions.
- **Valuing goods manufactured by partner:** These should be valued at cost. This figure may be difficult to obtain, in which case we should take the retail cost and deduct a reasonable margin.
- **Keep contributions separate:** Avoid splitting single transactions between the partner and PRISMA. Instead reallocate across budget lines so that each receipt corresponds to either PRISMA or the partner.

If the partner is not going to be involved in making the budget, get management to (1) review the draft budget before sharing with the partners and (2) approve the final budget and detailed activity plan

WHAT IS THE NEXT STEP?

Once the PRISMA approved budget and detailed activity plan is agreed with the partner the deal making process is complete. The post-deal phase involves preparing and signing a written agreement.

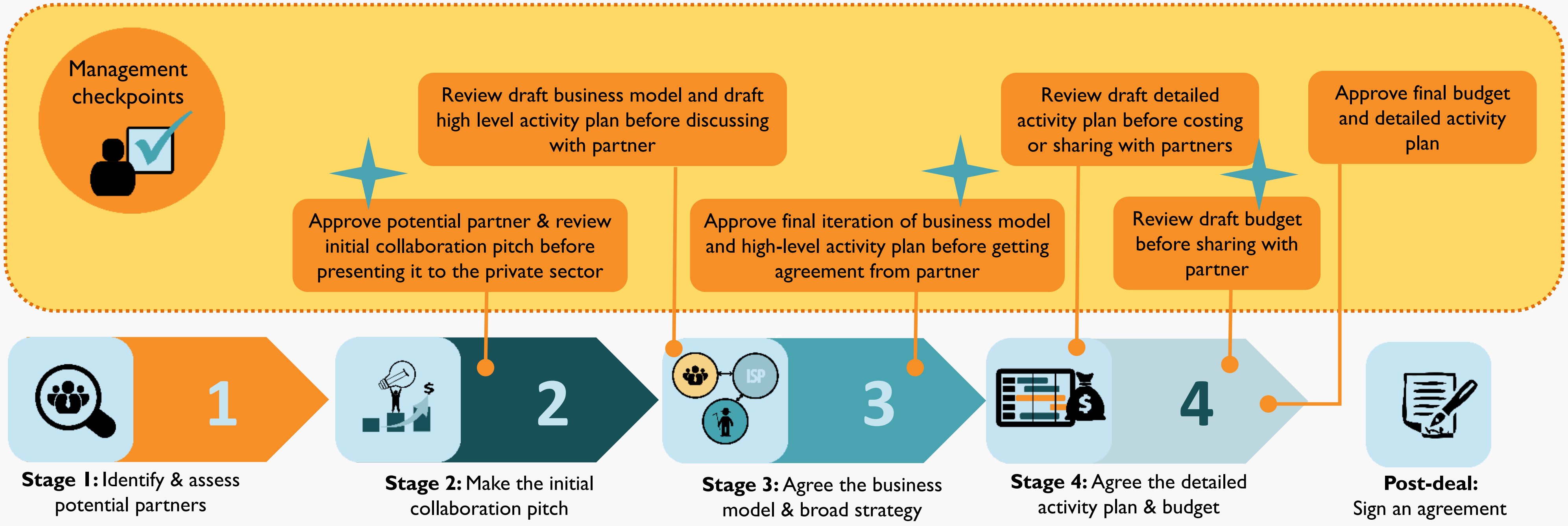
Tool 5: Decision tree for when & how to use PRISMA funds



Tool 6: Allowable & non-allowable partner contributions

	CAN PARTNERS COUNT THIS TOWARDS THEIR CONTRIBUTION?	
Items	Existing partner resources	New partner resources for partnership activities
Personnel (staff or management)	No- except if they can prove that the personnel has been 100% reallocated to the partnership	Yes
Assets owned, purchased, or rented	No	Yes
Promotional materials	No	Yes
Workshop/Events (related meals, venue, entertainment, security, transport for participants)	No	Yes
Consultants/Speakers (including per diems, accommodation, travel costs)	No	Yes
Logistics for Personnel (accommodation, meal, travel costs)	No	Yes
Loans to farmers or ISPs	No	Yes- as per guidance from DFAT the full loan value can be counted
Research & Development	No	Yes
Distribution cost of products, services, inputs, etc.	No	Yes
Packaging, branding, or certification costs of product	No	Yes
Inputs provided to outgrower schemes or promotional demo plots (seed, fertiliser, etc.)	Yes- can count inputs that are already in stock as long as they are used towards the partnership	Yes- this can include free or discounted samples to farmers on demo plots

Schedule of management & team leader checkpoints



Team Leader input/checkpoints
Present the following at the Portfolio Meetings (1) selected partner, (2) last iteration of business model before finalising with partner, and (3) draft detailed activity plan & budget

[1] Adapted from the Practical Action's Participatory Market Systems Development (PMSD) Roadmap