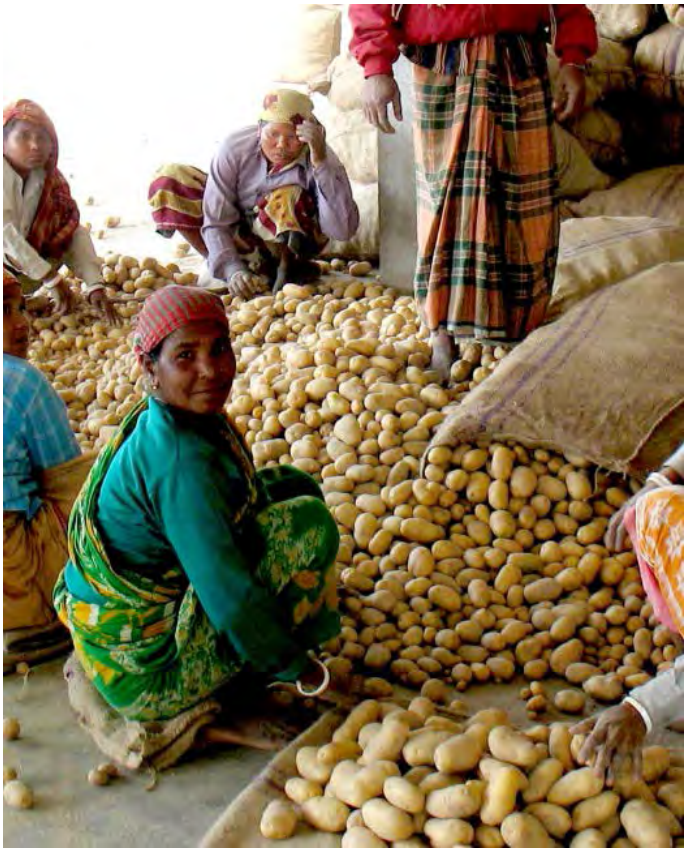
Tools & Methodologies for Collaborating with Lead Firms: *A Practitioner's Manual*



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TOOLS AND METHODOLOGIES FOR COLLABORATING WITH LEAD FIRMS: A PRACTITIONER'S MANUAL

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ACKNOWLEDGEMENTS

The information presented in this manual is based on the practical field experience of individuals who have implemented value chain development programs where they successfully collaborated with Lead Firms to generate positive impact for micro, small, and medium-scale enterprises (MSMEs). While the tools and methodologies presented are geared towards the nuts and bolts of program implementation, they also convey a strong conceptual case for collaborating with Lead Firms in an effort to generate sustainable economic impact for MSMEs.

Lead Firms have strong economic incentives to support and upgrade MSMEs that they source from or sell to, and it is in their self-interest. By harnessing these incentives, development programs can support Lead Firms to improve and expand the products, services, and market access they provide to MSMEs. This process also promotes sustainable impact as Lead Firms remain in relationships with MSMEs long after development programs have ended.

Action for Enterprise would like to thank the USAID FIELD-Support LWA program staff for their financial and technical support, without which this initiative would not have been possible. Action for Enterprise also would like to recognize all the individuals who contributed their time and energy to this initiative.

ABBREVIATIONS

DO	Development Organization
EOI	Expression of Interest
FGD	Focus Group Discussion
IFA	Invitation for Application
LF	Lead Firm
MBS	Market-Based Solution
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Scale Enterprise
R&D	Research and Development
TOT	Training of Trainers
VC	Value Chain

DEFINITIONS

Cross-Company Activity/Intervention—An activity that addresses the challenges or opportunities faced by multiple companies, and therefore multiple companies participate in; examples include staff trainings, exposure visits, and lateral learning events.

Development Organization (DO)—An organization, such as a consulting firm, nongovernmental organization, donor, project, etc., that receives donor funding to promote economic development.

Facilitator—An individual or organization that works to stimulate markets to evolve in a way that increasingly involves and benefits the poor but without becoming a part of the market. A facilitator seeks to catalyze ongoing pro-poor market improvement, while keeping ownership firmly among market actors and avoiding dependency. A facilitator promotes ownership of initiatives by market actors and avoids creating dependency on the DO.

Facilitation—The process of: 1) identifying market actors that have a commercial self-interest to champion the changes needed to close competitiveness gaps and to improve/expand the products, services, support, and market access they provide to MSMEs; and, 2) providing the market actors with strategic technical and financial support to enable them to do this.

Intervention/Initiative—In this manual, an intervention or initiative refers to an activity undertaken by a Lead Firm (LF) to improve its competitiveness and expand or develop the products, services, and support it provides to the MSMEs that it buys from or sells to. In many cases, LFs are unwilling or unable to undertake such initiatives in the short term (due to high risks, costs, lack of skills, etc.) without strategic technical and/or financial support from a DO facilitator.

Invitation for Applications—A tool that a DO uses to invite LFs to propose their initiatives to build competitiveness and upgrade MSMEs in their supply chain or distribution channel. The application provides the criteria and parameters of DO collaboration.

Lead Firm—Small, medium, or large firms that have forward or backward commercial linkages with a significant number of MSMEs (including farmers). Also known as an "Inclusive Businesses," they include processors, exporters, traders, input companies, service providers, etc. that play a critical role in moving their industry, and other value chain participants forward.

Leveraged Impact—The concept of achieving greater program impact by collaborating with a company (LF) that has existing commercial relationships with a larger number of target MSMEs

Market Actor (also known as value chain participant)—An individual or company participating in a market or value chain; market actors include producers, farmers, buyers, traders, input suppliers, service providers, exporters, processors, etc.

Market-Based Solution (MBS)—The MBS addresses constraints facing MSMEs in a sustainable manner through market relationships. LFs are MBS providers.

Memorandum of Understanding (MOU)—A negotiated agreement between a DO and an LF that establishes a broad understanding of the purpose and objectives of collaboration

MOU Addendum—Describes specific activities along with associated responsibilities and technical and financial support to be provided. There can be different addendums to an MOU, each for a specific initiative.

Question Guide—A tool that a development organization develops and uses to present the critical questions and decisions that a LF must address before engaging in a particular investment or intervention. Question guides are adapted to specific investments or interventions.

Value Chain—The full range of activities (functions) and associated market actors that are required to bring a product from its conception to its end use and beyond. Value chain functions include design, input supply, production/processing, wholesaling, retailing, etc. Value chain market actors conducting these functions include producers, input suppliers, processors, exporters, retailers, etc. The value chain can be defined by a particular finished product or service (wood furniture, green beans for export, and so on.)

INTRODUCTION

In value chain development, practitioners frequently come across dynamic firms that play a critical role in moving their industry and other value chain participants forward. This manual presents principles, tools, and strategies for working with such Lead Firms (LFs) in a value chain framework. It is designed to provide practitioners with guidelines, examples, and lessons learned that they can use in designing and implementing value chain development programs. The contents of this manual were generated from Action for Enterprise's experience implementing private sector development programs worldwide as well as from a working group (sponsored by the FIELD-Support LWA) that brought together practitioners from development organizations[1] with strong interest and experience working with LFs in a value chain context.

The manual is divided into the following five sections:

SECTION 1. OVERVIEW

Section I begins by defining LFs and discussing the rationale for working with them. It discusses different entry points for working with LFs, how working with them fits into value chain development programs, and presents a five-step process as an overall framework for selecting, identifying, and structuring collaboration with LFs.

SECTION 2. SELECTING LEAD FIRMS

Section 2 outlines criteria for selecting LFs, tools for identifying them, and factors to consider when determining the number of LFs with which to work.

SECTION 3. IDENTIFYING LEAD FIRM INTERVENTIONS

Section 3 describes tools and processes that can be used to facilitate the identification of LF interventions that will enable LFs to improve, develop, or expand the products, services, or support they provide to micro, small, and medium enterprises (MSMEs) that they buy from or sell to. It also includes a typology of typical LF interventions as well as factors to consider in the evaluation of proposed LF interventions (including suggestions on appropriate forms of technical and financial support).

SECTION 4. FACILITATING LEAD FIRM INTERVENTIONS

Section 4 presents additional tools and methodologies that can be used by DOs to facilitate the implementation of LF interventions (interventions that will increase their competitiveness and upgrade the producers that they buy from or sell to). It also presents typical mistakes that DOs make when working with LFs.

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[1] The FIELD-Support LWA Working Group was supported by USAID and included the following international development organizations: Action for Enterprise (AFE), CARE, MEDA (Mennonite Economic Development Associates), Academy for Educational Development (now FHI 360), ACDI/VOCA, Save the Children, TechnoServe, and the World Council of Credit Unions (WOCCU).

Section 5. Structuring and Managing Collaboration

This section describes the basic components and objectives of using Memorandums of Understanding (MOUs) as well as MOU addendums to structure collaboration with LFs. It also presents tools for monitoring agreements with LFs, and general principles and good practices for DOs when working with LFs.

Audience:

While the information in the manual will be useful to all development practitioners, the manual was designed with the more advanced practitioner in mind—an individual who is already familiar with value chain and market development concepts. The tools and strategies presented complement these concepts and begin to address many of the "nuts and bolts" issues of implementation. The manual is also designed so that practitioners can adapt and tailor the contents to the different sectors and beneficiaries that they are targeting.

SECTION 1: COLLABORATING WITH LEAD FIRMS

1. COLLABORATING WITH LEAD FIRMS

This section begins by defining LFs and discussing the rationale for working with them. It discusses different "entry points" for working with LFs, how working with LFs fits into value chain development programs, and presents a five-step process that serves as a framework for selecting, identifying, and structuring collaboration with LFs.

1.1 DEFINING LEAD FIRMS

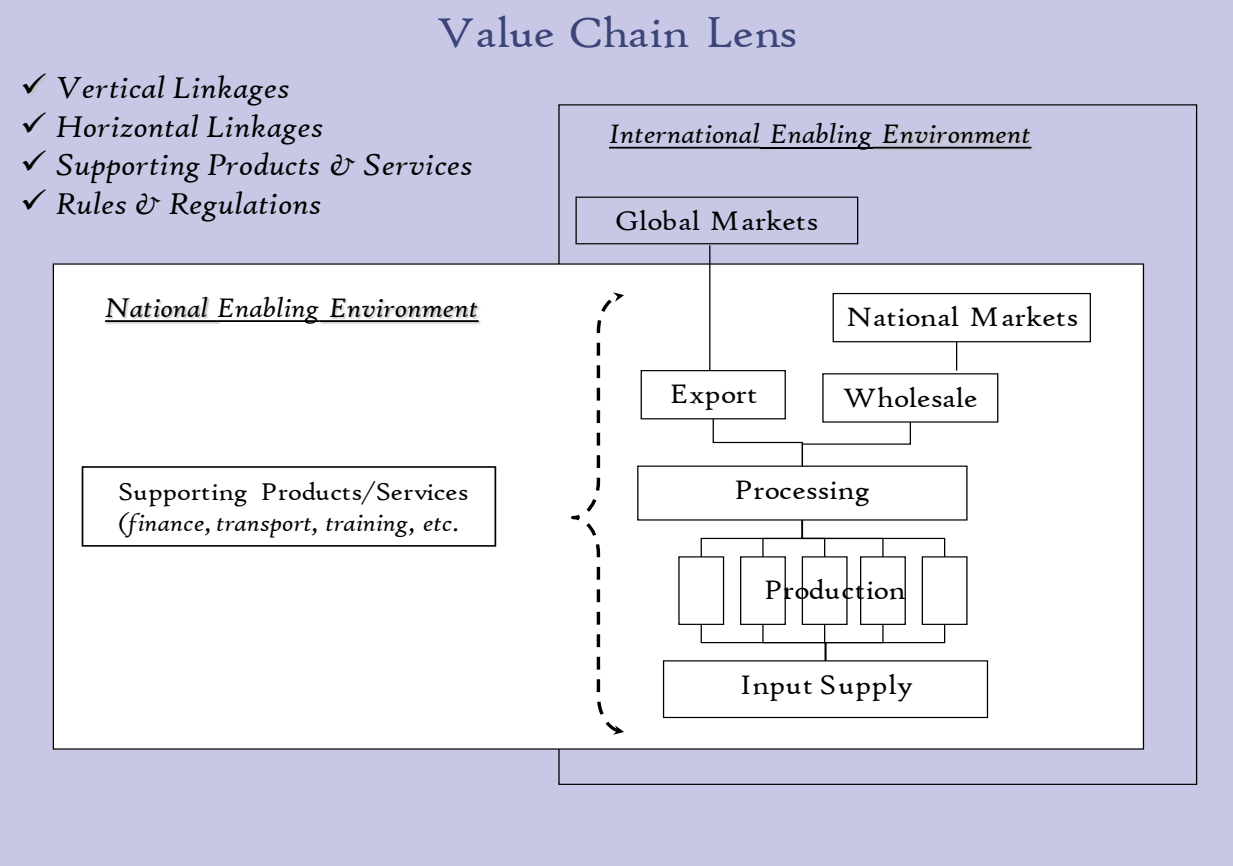
The following definition and list of LF attributes form the basis upon which subsequent sections of this manual are built. LFs are defined as:

1) Small, medium, and large firms that have **forward and backward commercial linkages** with targeted micro, small, and medium scale enterprises (including farmers). In this context, LFs have the following characteristics:
    - Are distinguished by the commercial incentives they have for supporting the MSMEs they transact with (not just corporate social responsibility) and the leverage potential they have to impact MSMEs
    - Have varying levels of formality in their relationship with targeted MSMEs, ranging from completely informal (market-based governance system) to formal, contract-based arrangements (directed governance systems)
    - Include buyers, traders, input suppliers, veterinarians, exporters, processors, etc.
    - Manage and control different phases of the value chain and are frequently engaged in aggregating production among producers
    - Vary significantly in size and may operate in the formal or informal economy

2) **Dynamic market actors** that can promote greater integration of MSMEs into value chains and provide MSMEs with needed products, services, market access and support. In this context, LFs frequently:
    - Provide MSMEs with training, technical assistance, inputs, and/or financing that is "embedded" as part of their business relationships with them
    - Add value to raw materials and products procured from MSMEs and provide linkages to final markets
    - Share a mutual interest with MSMEs they transact with and have a vision for incorporating them into the value chain (This characteristic helps ensure that the LFs can be a catalyst for MSME development)
    - Are "first movers" and innovators in new sectors
    - Have significant influence in tackling enabling environment issues
    - Serve as industry models, key innovators, and respected thought leaders in their industries

LFs are also referred to as inclusive businesses, anchor firms, market-driver firms, catalyst firms, supply chain champions, and change agents. The principles and tools presented in this manual are based on LFs operating within value chains. Value chains encompass the full range of activities and services of market actors required to bring a product or service from its conception to its end use and beyond (see Figure 1 below). See Section 1.4, below, for more information on how working with LFs fits into value chain development programs.

Figure 1. Value Chain Lens



1.2 Rationale for Collaborating with Lead Firms

Development organizations (DOs) implementing private sector and livelihood development programs choose to collaborate with LFs for many reasons, such as to achieve sustainable impact, improve the scale of impact, take advantage of embedded support among market actors, and boost industry competitiveness,[2] as described in more detail below.

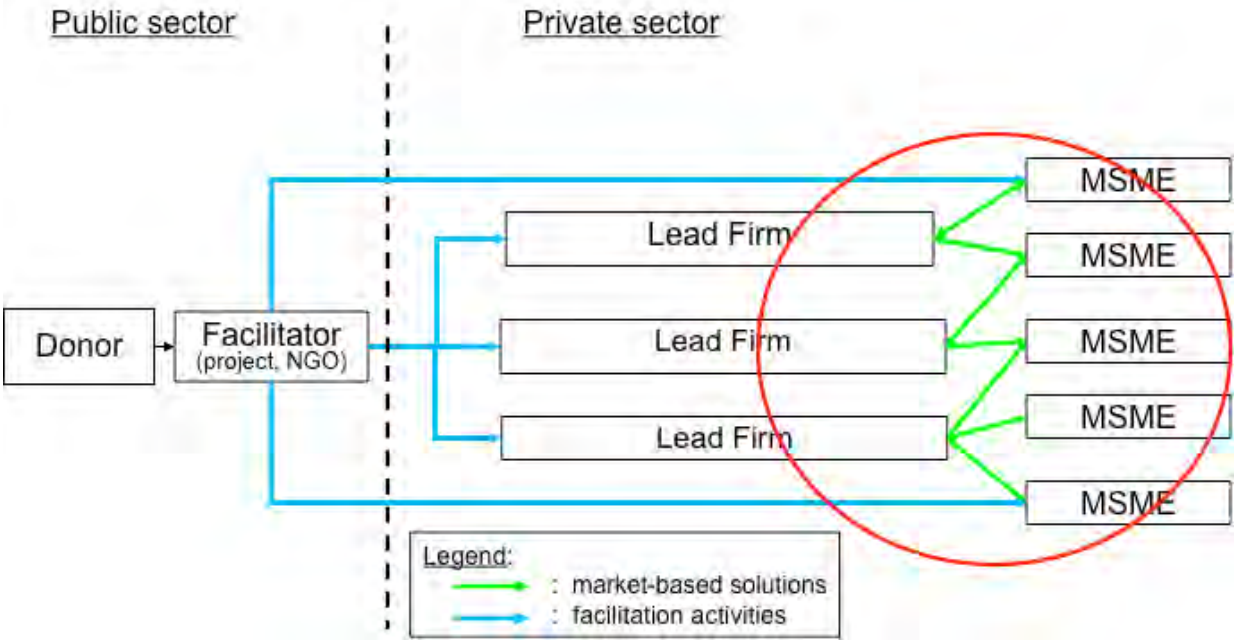
[2] For the purpose of this handbook, it is assumed that the development project has an objective of impacting a large number of MSMEs (including farmers) and that there are opportunities to do this through collaboration with LFs. The importance of companies that have few forward or backward linkages with MSMEs (and thus don't fit the definition of a LF) is not discounted, however, as they help increase employment, create foreign exchange, among other items, but there is a different rationale for working with and supporting such companies.

1. Improving Impact Sustainability

Working with LFs can help ensure the sustainability of a development program's impact since the LF, as a commercial enterprise, does not depend on a donor subsidy for its ongoing existence (as a development program or donor-subsidized organization does). If a LF has a commercial interest in buying from, or selling to, a large number of MSMEs—and can do this in a commercially viable manner—then it will continue to do so after the development program ends. It will, therefore, be able to sustain the relationship it has with MSMEs, along with the different kinds of support that entails.

One problem with DOs is that they often establish themselves or other subsidized entities (such as DO created intermediary organizations, cooperatives, etc.) as value chain participants that buy from or sell to MSME producers, distribute subsidized or free products to producers, and/or provide direct technical support to producers. This action is often done based on a rationale that existing market actors are unable to perform these functions or are acting unfairly to MSMEs. The problem of sustainability arises, however, as once the donor funding ends, then the functions that the DO (or DO-funded entity) has been performing also end, leaving MSMEs in a difficult and sometimes worse off position. Working with LFs can help address this problem—as they can support themselves and their ongoing relationships with MSMEs in a sustainable manner through their commercial activities.

Figure 2. Facilitating Lead Firm Initiatives builds the relationships between the LFs and MSMEs without the DO inserting itself into the value chain



2. Increasing Scale of Impact

A DO can multiply the scale of its impact by working with many LFs in a value chain, each with commercial relationships with a substantial number of MSMEs. For example, if a DO is working with four LFs, each with linkages to 250 MSMEs, then by working with those four LFs the DO could facilitate impact for 1,000 MSMEs. This concept is also referred to as "leveraged impact."

LFs can be considered "points of leverage" in a value chain because by working with a modest number of LFs, many MSMEs can be impacted.

Leveraged impact through LFs can be achieved in different ways. If a DO can facilitate greater market access for LFs (that are purchasing from MSMEs), then those firms can source from more producers or source greater quantities from existing producers. Leveraged impact can also take place when LFs (with capacity building from a DO) provide the MSMEs they source from with improved production methodologies, designs, and technical support. It can also occur when a DO works with an input supply company to improve the quality, price, or availability of products sold to MSMEs.

In some cases there are only a limited number of LFs performing certain functions in a value chain. If a DO can work with most or all of these firms then there can be industry-wide impact. Even working with a smaller number of LFs can create a critical mass of firms that are demonstrating improved operations, business models, products, access to markets, and support services to the MSMEs that they transact with. If DOs can facilitate improvements in a number of individual LFs, they not only create leveraged impact on the MSMEs that transact with those firms, but can also promote (through the example of these LFs) broad industry impact. Creating such systemic impact may not always be possible, however, especially when working in more remote rural areas. Much depends on the scope of the DO's program.

3. Providing "Embedded" Support

As detailed above, LFs often provide products, services, markets, and support to the MSMEs they buy from or sell to, as part of their commercial relationships. Examples include the following:

- LF buyers that offer pre-financing, technical advice, and/or inputs to their MSME producers to ensure that a quality product results that meets market standards
- LF input suppliers that provide training, information, and/or technical advice to the MSMEs they sell to in order to ensure successful use of their products

In many cases, LFs provide products and services on a non-fee basis to the MSME, with the cost being absorbed in their operating margins. In some cases, the costs are not absorbed by the company's operating margins and are deducted from the MSME at the end of the procurement process. In either instance, it can be advantageous to MSMEs that lack the scale or financial stature to pay cash to third-party providers of these products and services. By working with LFs to improve or expand their capacity to provide these kinds of embedded support, DOs can generate a positive and leveraged sustainable impact on MSMEs.

4. Increasing Industry Competitiveness

LFs are often major market actors, innovators, and first adopters in their industries. Changes in the value chain or industry competitiveness are often driven by LF innovations and dynamic strategies in value chains. When one or more of the companies develops new products, creates operational efficiencies, succeeds in entering new markets, and so on, other companies may follow their lead (see box below). When the companies have commercial linkages to MSMEs, then their initiatives and success can lead to broader impact on a large number of participants in the value chain. Dynamic LFs often set a model for other firms to follow. They can also be

the drivers of growth for the MSMEs that they transact with and can play a key role in promoting change or improvements in value chains. DOs can assist LFs to overcome challenges and take advantage of opportunities that, in turn, can create benefits for the MSMEs they buy from or sell to and strengthen the overall industry competitiveness.

Following the Lead of Market Innovators in India and Bosnia

Over the past few years, LFs in **India** have begun to source directly from small-scale vegetable farmers and have set up dedicated and successful retail outlets for fresh vegetables. Now that these firms have demonstrated this business model, other firms are beginning to do the same thing.

In **Bosnia**, when exporters of natural herbs—that source from small-scale collectors—gained ISO certifications, they opened up new international markets. This market development encouraged other LFs to follow suit. In both examples, DOs were involved in supporting the LFs to develop their new and improved operations.

1.3 Entry Points to Working with Lead Firms

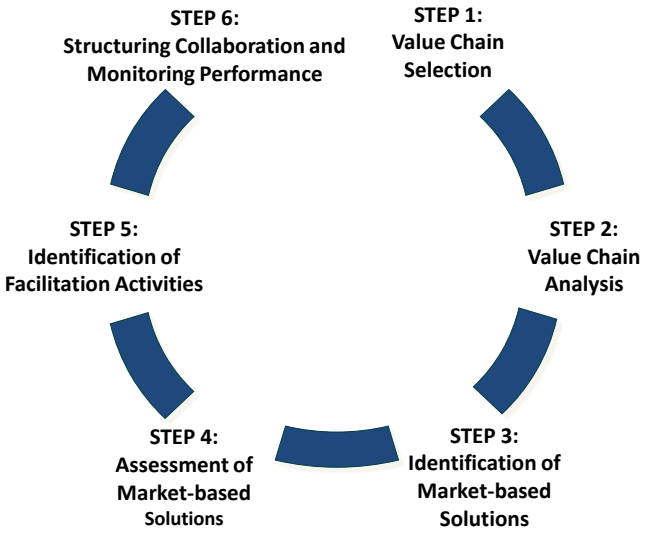
There are different entry points to working with LFs, as illustrated in the following scenarios:

1. The DO has conducted a value chain analysis and identified constraints facing MSMEs and market-based solutions that could address those constraints. During the analysis, LFs in the value chain are identified as companies with commercial incentives to provide the market-based solutions to MSMEs in a sustainable manner.
2. LFs approach a DO for support for their initiatives in conjunction with a matching grant program, an agribusiness market linkage program, or similar programs.
3. A donor has predetermined a sector, type of company, and/or type of LF initiative that they want to promote.
4. A DO has been providing direct support to farmers but later identifies buyers and/or input supply companies (LFs) with incentives to provide needed market access or technical support in a sustainable manner.
5. A DO has conducted a rapid market appraisal that has led to the identification of LFs that can provide needed products, services, market access and/or support to MSMEs they buy from or sell to.

1.4 Working with Lead Firms in Value Chain Programs

One of the most common entry points for working with LFs is through a value chain analysis and program design exercise that identifies LFs as a principle "source of leverage" in upgrading MSMEs that they buy from or sell to. Figure 3 below illustrates the steps in value chain program design. The subsequent narrative describes each step and how working with LFs fits into the program design process.

Figure 3. Value Chain Program Design Process



Step 1: Value Chain Selection—Selection criteria are used to compare and choose value chains. One criterion for selecting value chains is the presence of dynamic LFs with existing or potential linkages to large numbers of MSMEs.

Step 2: Value Chain Analysis—Research and interviews are conducted with market actors and key informants to gain a greater understanding of market trends and industry dynamics. A primary goal is to determine the key issues hindering MSME growth and competitiveness. LFs are among those interviewed to understand their buying and selling relationships, challenges, and incentives for investing in their supply chain or distribution network.

Step 3: Identification of Market-based Solutions (MBS)—Market-based solutions (activities that address value chain constraints in a sustainable manner) are identified and prioritized according to their ability to impact the greatest number of MSMEs and to increase the growth and competitiveness of the value chain. Typically, LFs are identified that are existing or potential providers of the targeted MBS in the value chains.

Step 4: Assessment of Market-based Solutions—MBS are assessed and information is collected regarding their supply, demand, existing/ potential providers and commercial feasibility. LFs are interviewed about the incentives and challenges they face in providing targeted MBS to MSMEs in the value chain.

Step 5: Identification of Program Facilitation Activities—The DO works to facilitate the sustainable and commercially-viable provision of the targeted MBS. This process entails inviting LFs to propose initiatives that they can undertake to help overcome the challenges they face in providing the targeted MBS to producers/MSMEs in a sustainable manner. The DO facilitates these initiatives through a combination of technical and financial support, either on an individual or cross-company basis.

Step 6: Structuring Collaboration and Monitoring Performance—The DO and LFs structure their collaboration through tools such as memorandum of understanding (MOUs) and associated technical/financial support agreements. Performance measurement systems are developed based on the LF interventions, benefits for MSMEs, and DO facilitation activities. Systems are established to collect information from LFs that are collaborating with the DO on both the firms' competitiveness and impact at the producer/MSME level.

Before collaborating with LFs, it is assumed that a value chain program design has taken place and it was determined that: 1) working with LFs in the value chain could result in sustainable solutions to value chain constraints, greater value chain competitiveness, and greater integration of/benefits to MSMEs; and 2) there are opportunities and a shared vision among the LFs and MSMEs they transact with for pursuing mutual benefit.

1.5 Process of Working with Lead Firms

Figure 4. A Five-Step Process of Working with LFs

1) **Select LFs:** To ensure desired impact and success, criteria are established to select LFs for collaboration. These criteria are applied when conducting interviews with LFs and in reviewing their expressions of interest and proposed initiatives to determine collaboration potential.
2) **Identify LF Interventions:** Once LFs are selected, DOs invite them to propose interventions (that the LFs will carry out) that will increase their competitiveness and build their capacity to provide needed products, services, and support to the MSMEs that they work with.
3) **Structure LF Collaboration:** After agreeing to the LF interventions that the DO can support, the DO and LFs structure their collaboration through tools such as memorandum of understanding (MOUs) and technical/financial support agreements. These tools define each party's roles, responsibilities, and financial obligations, and the implementation timelines.
4) **Facilitate LF Interventions:** The DO can then support LFs in the implementation of their initiatives/ interventions. As there are many kinds of LF interventions that DOs can facilitate and support, DOs keep in mind guiding principles and lessons learned for working with LFs (see section below).
5) **Monitor and Evaluate:** Once facilitation has begun, the DO monitors and evaluates its collaboration with the LFs. The monitoring and evaluation (M&E) results can be used to adjust both LF interventions and DO facilitation activities as needed over time to ensure continued improvement and success.

The following sections examine each of these steps in more depth.

SECTION 2: SELECTING LEAD FIRMS

2. SELECTING LEAD FIRMS

When conducting value chain program design exercises, it is important to identify MBS that can address value chain constraints and create sustainable impact for targeted MSMEs. Typically, LFs are the providers of targeted MBS. In designing and implementing their programs, DOs can identify and explore collaboration with LFs that have the requisite incentives and capacity to provide the targeted MBS in a commercially viable manner.

This section focuses on the processes and tools that are used to identify and select LFs that can provide sustainable MBS to MSMEs. It begins with an examination of criteria that can be applied in LF selection. Tools for identifying LFs using these criteria are then presented along with key points for conducting LF due diligence. A discussion follows on factors to consider when determining the number of LFs to work with, along with strategies for promoting LFs to take on missing functions in value chains.

2.1 CRITERIA TO APPLY IN SELECTING LEAD FIRMS

The box below presents illustrative criteria that can be used to identify and select LFs. Practitioners are advised to use the criteria that best meet their particular circumstances.

Illustrative LF Selection Criteria

1. The LFs have commercial linkages with a large number of MSMEs (i.e., the project's target group) as either a buyer or supplier of products and services.
2. The LFs have incentives and are willing to make investments in improved or expanded relations with MSMEs that may only show results over a longer period of time.
3. The LFs have sufficient financial strength to make investments or dedicate resources to business operations that will result in improved and/or expanded relations with MSMEs.
4. The LFs are able to compete successfully in end markets for their products or services.
5. The LFs have the potential to influence other LFs and actors in the value chain.
6. The LFs have an acceptable track record and reputation as businesses.

A more expansive presentation of each of these is presented in Table 1 below with rationale for the criteria and indicators to determine if the criteria are being met.

Table 1. Rationale and Indicators for Lead Firm Selection Criteria

RATIONALE	INDICATORS
Criterion 1: Commercial linkages with large number of MSMEs (i.e., the project's target group) as buyer and/or supplier of products and services	
• Project resources are used more cost-effectively and with greater leverage. • Greater potential for the DO to facilitate larger scale/broader impact and value chain behavior change	✓ # of MSMEs that LF buys from/sells to ✓ LF market share as buyer/supplier to MSMEs ✓ # of MSME employees. ✓ Nature of LF relationship with target MSMEs
Criterion 2: Willingness to make investments to improve or expand relations with MSMEs that may only show results over the long term	
• Many promising opportunities for value chains and their participants require longer timeframes (e.g., 2 to 5 years) for benefits to materialize (e.g., return on investments, increased market share, increased productivity, etc.). • LFs with longer term vision will be more realistic about allocating time and resources over the longer period required for benefits to materialize. • When behavioral and attitudinal changes in inter-relationships are impediments to improving competitiveness, longer timeframe may be needed.	✓ LF examples/experience in managing long-term capital investments or initiatives ✓ Degree of strategic fit between LF strategy and DO objectives ✓ Statements of LF willingness to pursue, and belief in, long-term investments ✓ Examples of LF commitment to long-term investment strategies ✓ Existing long-term relationships with MSMEs ✓ Profitability of LF and financial reserves ✓ Examples of recent investments in research and development (R&D) ✓ Track record of investing in capital projects
Criterion 3: Sufficient financial strength to make investments or dedicate resources to improve/expand relations with MSMEs	
• Investments required to build or expand relations with MSMEs and support their upgrading. • Ensuring LFs have the capacity to make such investments enhances the likelihood of sustainable change in the value chain and in resulting benefits for MSMEs.	✓ LF profitability ✓ Available working capital and strong cash flow ✓ Available capital or savings available for investments ✓ Evidence of R&D investments ✓ Track record of investing in capital projects
Criterion 4: Able to compete successfully in end markets for their products or services and strong demand for those products and services	
• If a LF is able to compete successfully in its end markets then it will need to continue (or expand) sourcing from or selling to MSMEs. • If there is strong demand for a LF's products, the LF will be less likely to cut	✓ LF sales trends and projections ✓ Existing LF market share ✓ Evidence of strong and/or unmet demand for LF products or services ✓ Strong linkages between LF and its buyers ✓ Dynamism and entrepreneurial spirit of LF

RATIONALE	INDICATORS
back or stop purchases from MSMEs and may be able to expand the purchases from MSMEs	senior management ✓ Credibility of LF business plan and strategy ✓ Demonstrated ability to adapt in response to changes in demand
Criterion 5: Potential to influence other LFs and actors in the value chain	
• For influential LFs that adopt new strategies and approaches, their success has the potential to reduce the risk for adopters that follow them, to create incentives for others to adopt similar practices, and to serve as a model for others firms to learn from and emulate. • Harnessing the influence of LFs and sharing their experiences with others is a cost-effective way to catalyze change throughout a market system.	✓ Plays leadership role in business forums, professional associations, and advocacy groups ✓ Commercial relationships with many different market actors in the value chain (input suppliers, processors, traders, etc.) ✓ Reputation as a successful innovator and first mover ✓ Practices respected by peers ✓ Plays anchor role in value chain as shown by capacity to set rules or command significant volume of value chain products
Criterion 6: Acceptable track record and business reputation	
• A LF with a shady or unreliable reputation will not gain the trust of other market actors, could discredit the development project, and poses a higher risk of failure to achieve sustainable impacts.	✓ Availability of audited financial statements demonstrates transparency ✓ Reputation for reliability in meeting contractual obligations with buyers and suppliers

2.2 Tools for Identifying and Selecting Lead Firms (Using Criteria)

Tools that can facilitate the identification and selection of LFs (and help ensure they meet established criteria) include: 1) value chain analysis; 2) public advertisements, and; 3) structured interview guides. These tools are discussed below.

1. Value Chain Analysis

During value chain analysis, DOs interview representatives from all the market actors involved in bringing the value chain product from its raw material to finished stage —and then beyond to its end markets. During this process, LFs are often identified with significant forward or backward linkages with producers and incentives to invest in their upgrading.

2. Public Advertisements

Public advertisements (in newspapers, through associations, etc.) can be used to identify LFs that fit the profile and criteria that the DO establishes. The ads help ensure that the DO is: a) providing an equal opportunity to all qualified LFs to participate in the program; and, b) maximizing the number of LF participants. Even if a value chain analysis has been conducted, there may be LFs that the DO has not yet discovered.

The goal of public advertisements is to invite LFs that fit the DO's criteria to submit an **expression of interest** (EOI) to collaborate with the DO's program. The DO can then review the EOIs submitted, compare the LFs with the identified selection criteria, and determine which of the LFs merit follow-up. When the DO reviews the EOIs, it compares the LFs' qualifications against the criteria, not against other LFs. Tool 1 below shows a sample public advertisement.

Tool 1. Sample Advertisement

The following sample advertisement can be tailored to the specific criteria and focus sector of a DO program.

Request for Expression of Interest from Input Supply Companies

An international development organization is inviting agricultural input supply companies to submit expressions of interest to build their capacity to provide greater access to quality inputs for small-scale farmers (less than 4 acres). The opportunity to benefit from technical support from the project is open to all agricultural input supply companies that meet the following criteria. To be eligible, the company must meet all five criteria, below:

1. Currently be selling products (either directly or through their distributors) to at least 500 small-scale farmers
2. Have been in operation for at least one year
3. Be selling products of acceptable quality that respond to the needs of small-scale farmers
4. Have policies in place to ensure that no dangerous or illegal products are sold to farmers
5. Have commercial interest and incentives to invest in the farmers they sell to through training, new products, field days and/or other forms of support
6. Investment in the proposed initiative must be at least 30% of the cost of the initiative

Note: Nongovernmental organizations (NGOs), consulting firms, and associations are not eligible to apply.

Interested companies are requested to send an email to [*insert email*] to request the application format. Phone inquiries can be directed to [*insert phone number*]. All expressions of interest are due by [*insert date*] to [*insert name/address to send EOI to*].

Thank you.

Tool 2. Lead Firm Interview Guide

See **Appendix I** for an illustrative LF interview guide. With this guide, interviews are conducted to evaluate LFs for selection and begin identifying initiatives that the LF deems relevant to its business objectives, while supporting the MSMEs it buys from or sells to.

3. Structured Interview Guide

Once the DO has identified potential LFs through one of the above methods, the DO can conduct an in-depth interview to determine whether the LFs meet the selection criteria. The interviews may be in addition to those already conducted during the value chain analysis process. The objectives of the interviews are to:

1. Ascertain whether the LF meets selection criteria
2. Determine or validate the LF's interest and incentives in collaboration
3. Better understand the LF's relationship with and attitudes towards the project's target group
4. Begin discussions about proposed LF initiatives that can help the LF to build its competitiveness and improve the support they provide to MSMEs in its supply chain or distribution channel

Interviews can be facilitated using a pre-prepared **interview guide** that serves as a checklist to make sure all topics are covered in the interview. (Note: the guide should not be used as a questionnaire that the DO fills out line by line or asks the LF to fill out).

The DO can follow the interviews with reference checks from LF suppliers, buyers, or others.

Tool 3. Frequently Asked Questions by Prospective LFs

Prior to the interview or when introducing themselves to LFs, DOs should be able to answer basic questions about their project and goals. See below for examples of FAQs and illustrative answers from a DO applying a market development approach.

Frequently Asked Questions and Sample Answers for DOs
Q. *(from LF)* **What is the nature of your organization?**
A. *(from DO)* We are a development program that is promoting private sector development as a means of fighting poverty.

Q. Why are you interested in working with us?
A. We have identified your company as one that is currently (or potentially) providing needed products, services, and /or support to small-scale producers as part of your commercial relationships with them. Our program is targeting

these small-scale producers as beneficiaries, but we feel that the best way to benefit them in the long run (and in a sustainable manner) is to support companies like yours to develop, improve, or expand the products, services and support you provide them with.

Q. Are you running a commercial operation?
A. No, we are not engaged in any commercial operations in your industry. We receive our funding from donor organizations that support us to promote poverty alleviation through the private sector and enterprise development.

Q. How will you benefit from collaborating with us? (i.e. what's in it for you/why are you doing this?)
A. Through our collaboration with you, if small-scale producers are able to gain new skills, information, income, market access, etc., and if this impact continues into the future based on your commercial relationships with the producers, then our development objectives will be met and our donors will also be happy.

Q. Do we need to pay for the support you offer?
A. There is no charge for the services and support that we provide. However, we do require that your company invest your own time and resources in whatever interventions you propose.

Q. Can you identify and organize farmers to supply us with the products we need?
A. We do not organize farmers on behalf of companies as we feel it is important that companies that wish to source directly from producers develop a personal relationship with them from the beginning. Our experience shows that the involvement of Dos in this process can create dependency relationships and all parties are less committed.

Q. Are you able to finance our operations?
A. We don't provide finance but we can assist to provide linkages to financial institutions. In addition, we can provide technical support to assist you in implementing your proposed initiatives.

Q. What is your experience working with companies like ours? Do you have some success stories?
A. [The answer will depend on the DO, but be prepared. Your answer can also demonstrate knowledge of their value chain and/or examples of success from other DOs.]

2.3 Conducting Initial Due Diligence of Lead Firms

After reviewing EOIs and/or conducting interviews, DOs should conduct basic due diligence of potential LFs to determine if they warrant follow-up. Initially, the DOs should validate whether the LF is a registered company and whether the LF is receiving support from other donors.

Additional due diligence should be conducted to determine whether the information presented in the EOI and interviews is accurate, and to determine whether further follow up is needed. Important information to validate may include information about the LF operations, producers they transact with, or other information relevant to the DO. To conduct due diligence, DOs can talk with LF buyers/suppliers, conduct site visits, hire a consultant to investigate, and so on.

2.4 Determining the Number of Lead Firms to Work With

DOs need to think about how many LFs they can and should work with (given their staff and budget). While working with only one LF might be simpler and cost less, it is not a good idea for several reasons. Disadvantages of working with a single LF include:

1. Giving the LF an unfair advantage *vis-à-vis* competitors
2. Increasing the risk of not achieving project objectives should the LF drop out or fail to fulfill its commitments
3. Limiting competition by supporting only one LF
4. Limiting DO program outreach and impact
5. Reducing options for MSMEs transacting with the LF in the value chain
6. Resulting lack of contrasting approaches and lateral learning opportunities

Therefore, DOs should work with as many LFs as possible in a targeted value chain to promote competition, increase outreach, promote greater options for MSMEs, create lateral learning opportunities, and reduce the risk of not achieving desired program results.

In working with multiple LFs, however, the DO must be aware of, and be sensitive to, situations that could create conflict. For example, if an LF that is collaborating with a DO invests in training and extension, and in providing inputs to farmers as part of contract farming arrangements in a particular geographic area, they would not appreciate if a DO then supports other LFs to work with those same farmers (as those LFs have not made the same investment in training, relationship building, etc.). In such cases, the DO could adopt a strategy of supporting LFs with operations in different locations or procuring different crops. The DO can make it clear to the LF from the onset that they will not promote a competing LF to work with the same farmers.

The availability of project resources and the timeframe for achieving results might limit the number of LFs that a DO can work with—or the kind of LF interventions that can be supported. In some cases, projects might need to limit their support to "cross-company" interventions (supporting several LFs, for example, with a single training or informational activity that they participate in as a group) that can be less costly and less time consuming. It should be kept in mind, however, that institutional changes within LFs (to build or expand their capacity to provide needed products, services and support to the MSMEs they transact with) as well as competitive innovations usually take place only with DO firm-level support.

2.5 Encouraging Lead Firms to Take on Missing Functions in Value Chains

Value chain development practitioners sometimes find that there are missing functions (and missing LFs exercising those functions) in a targeted value chain. The lack of these functions/

LFs can constrain the value chain growth and competitiveness as well as limit benefits for MSMEs. Missing functions and LFs can include:

- Certification bodies (e.g., HACCP certifiers, laboratories, etc.)
- Firms selling or leasing needed equipment (e.g., tractors, drills, irrigation equipment, etc.)
- MSME product wholesalers or exporters connected to growing markets
- Operators of critical infrastructure (e.g., cold chain facilities, transport, etc.)
- Processors of raw materials that MSMEs produce
- Providers of critical raw materials or inputs (e.g., wood, metals, seeds, etc.)
- Technical specialists (e.g., craft designers, veterinarians, etc.)

When critical market functions are missing, DOs can support LFs to take them on. Examples of this support include:

1. Work with existing LFs that are already providing the market function to some degree, to expand or adapt their activities to new areas. Circumstances exist in which LF market actors may already be providing the needed market function to a limited extent. In these situations, the DO can encourage these LFs to: a) expand coverage of their current product or service into new geographical areas; b) adapt their current product or service to new sectors; and, c) improve their current product or service to better meet the needs of MSMEs.
2. Work with existing LFs that are not currently providing the needed market functions, to integrate the new function into their activities. In situations where there are no LFs providing the needed market function, a DO can approach existing LF market actors that are already operating in the value chain to explore their interest and willingness to integrate the needed functions into their existing operations.
3. **Promote new LFs to take on the new market function.** If existing LF market actors are not interested in expanding or adapting their current operations, or in taking on new market functions, then it may be appropriate for DOs to promote the emergence of completely new LFs to fulfill the missing functions.

In **Zambia**, famers in the Eastern Province had limited access to agricultural inputs. AFE invited existing input supply companies to propose initiatives for expanding their operations there (with AFE facilitation support) which ultimately resulted in sustainable access to needed inputs for several thousand farmers.

SECTION 3: IDENTIFYING LEAD FIRM INTERVENTIONS

3. IDENTIFYING LEAD FIRM INTERVENTIONS

Section 3 describes tools and processes that can be used to facilitate the identification of LF interventions (initiatives) that will enable LFs to increase their competiveness and to improve, develop, or expand the products, services, or support they provide to the MSMEs that they transact with. First, different categories of LF interventions are presented and defined, with examples provided. Next, descriptions of tools and processes are listed that the DO can use to facilitate the identification of LF interventions. These tools include an "invitation for applications" (IFA) and strategies for providing incentives and cost share of new initiatives. Finally, the importance of conducting due diligence of the LF's proposed interventions (prior to DO support and approval) is presented.

3.1 WHAT ARE LEAD FIRM INTERVENTIONS?

LF interventions are initiatives undertaken by LFs to improve their competitiveness and expand or develop products, services, and support they provide to MSMEs they buy from or sell to. These typically are interventions that the LF would not otherwise undertake in the near term due to risk, cost, and lack of technical support. **LFs take responsibility for organizing and implementing these activities** and they must be activities that the DO can justify supporting based on the impact that they will generate for targeted MSMEs.

This section presents examples of common LF interventions according to the following typology:

1. Access to finance
2. Access to markets
3. LF procurement from MSMEs
4. Management and organization
5. Resolution of policy and regulatory issues
6. Sales of products or services to MSMEs
7. Technology/operations/product development

By providing strategic support and facilitating these LF initiatives, DOs can play an important role in improving competitiveness, inter-firm relationships, and benefits to all value chain participants. Examples from each category are presented below.

1. Access to Finance

LFs conduct these interventions in order to access finance for procurement activities with MSMEs, to invest in capital development (equipment, infrastructure, etc.), and for other end goals that will make them more competitive. Interventions can include:

- Creating crop insurance schemes with insurance companies
- Creating linkages with financial institutions
- Developing business plans

- Developing tripartite arrangements between the LF, banks, and MSME producers they source from
- Working with financial institutions to adapt their lending products to LF needs

2. Access to Markets

LFs conduct access to market interventions/initiatives to break into new markets or to expand sales in existing markets. The results are increased sales and benefits for both the LFs and the MSMEs that they source from. LF interventions and initiatives can include:

- Conducting market assessments and develop marketing strategies
- Developing websites and promotional materials
- Gaining certifications (i.e., organic, ISO, HACCP, etc.)
- Organizing visits from potential buyers
- Participation in trade shows or exhibitions (see Appendix 2, LF intervention brief)
- Visits to potential buyers

3. Lead Firm Procurement from MSMEs

LFs conduct interventions to improve the quality and quantity of products that they source from MSMEs, resulting in increased competitiveness for the LF and increased learning, benefits, and value chain integration for MSMEs. LF interventions to develop or expand procurement from MSMEs can include:

- Building the capacity of MSME suppliers through training, technical assistance, demonstrations, field days, etc.
- Developing aggregation/procurement models that promote economies of scale
- Developing and formalizing outgrowing operations
- Developing credit programs for producers that they work with
- Developing seed multiplication programs and introducing higher yielding varieties to their MSME suppliers
- Expanding network of MSME suppliers

4. Management and Organization

LFs conduct management and organizational interventions to increase efficiencies and overcome value chain bottlenecks, which can, in turn, result in increased benefits for MSMEs. Examples include the following:

- Building staff technical and managerial capacity (through training, mentorship, etc.)
- Developing business and strategic plans (for new investments, expanded operations, outgrowing operations with producers, etc.)
- Developing improved management information systems
- Developing management systems (financial, inventory, field personnel, etc.)
- Developing quality management (QM) and traceability systems

5. Resolution of Policy and Regulatory Issues

LFs conduct these initiatives to address and resolve policy and regulatory issues and improve their enabling environments. The initiatives can, in turn, improve competitiveness and create greater opportunities both for LFs and the MSMEs in their supply chains and distribution channels. Examples include the following:

- Creating or strengthening coalitions or associations to conduct industry-wide assessments, research, and advocate for specific changes in policy or regulation, etc.
- Establishing or revising industry codes of conduct or industry standards for products or services

6. Sales of Products or Services to MSMEs

LFs conduct interventions to develop and expand the distribution of products and services they sell to MSMEs that can then result in improved ability of MSMEs' to compete successfully in value chains. LFs with incentives for offering these products and services include agricultural input supply companies, transportation firms, packaging companies, consultants, training organizations, veterinarians, and many others. LF interventions may include:

- Adapting LF products or services to the specific needs of targeted MSMEs
- Conducting market research for MSME markets that they sell to
- Developing alternative financing or payment mechanisms that promote easier MSME access to LF products and services
- Developing demand for MSME products or services
- Developing/improving LF distribution networks through retailer training
- Developing networks of rural agents to represent the LFs in remote rural areas

7. Technology/Product Development

LFs conduct initiatives to improve their products, technology, and/or operations to develop improved competitiveness and market access, which, in turn, can result in positive benefits for MSMEs that they source from or sell to. Examples include:

- Accessing technical specialists such as in product design, processing, storage, etc.
- Conducting learning or exposure visits to companies with exemplary operations
- Conducting strategic reviews of product portfolios
- Conducting visits to suppliers of needed equipment and inputs
- Developing improved information technology skills and applications
- Developing R&D capacity
- Improving quality management systems

3.2 Tools and Processes for Identifying Lead Firm Interventions

Once DOs have selected LFs that meet the basic collaboration criteria, they can move forward and invite the LFs to propose specific interventions (such as those described earlier) that will support the LFs to improve their competitiveness and overcome challenges to developing, improving, or expanding the products, services and support that they provide to MSMEs.

Invitations for Application (IFAs)

The Invitation for Applications (IFA) is a key tool that development organizations can employ to facilitate identification of LF initiatives.

Different IFAs can be developed to target different kinds of value chain market actors, including agribusiness companies that source local crops, agricultural input supply companies, tour operators/lodges, and craft production/export companies.

The IFA process is not a competitive "winner take all" exercise. All LFs that submit an application with proposed initiatives that meet the DO's established criteria should be eligible for support. The IFAs provide LFs with the criteria and parameters for collaboration with the DO and provide examples of the kind of initiatives that the DO is willing to support. Initiatives can include a variety of activities including staff capacity building, pilot training for new producers, development of outgrowing operations, new product development, introduction of information communication technologies, exposure visits, and exploration of new markets. Initiatives should contribute to both the LF's competitiveness and its ability to provide needed products, services, and market access to producers it works with in the value chain. These are initiatives that the LF might not otherwise conduct on its own in the near term due to risk, research and development costs, or lack of technical skills. By offering strategic technical and financial support, the DO provides incentives for the LFs to undertake these investments and initiatives. The process helps to "buy down the risk" and encourages LFs to move forward.

The IFAs also clarify that the DO will not fund fixed assets (as these are fungible and can be more easily used for activities that are not part of the LF agreement) or recurrent operational costs such as personnel (as cost share for these can lead to dependency).

Once the applications are received, the DO conducts a careful review and invites the LFs to participate in discussions to clarify and improve the proposed initiatives. Next steps could entail supporting the LF to develop a strategic or business plan for their initiative or to develop a well-crafted timetable. These discussions allow the DO and LF to better understand and agree on the full scope of the proposed initiatives, as well as the appropriate technical and cost-share support that the DO can provide.

In some cases, it can be useful for the DO to assist the LF to complete their application, though it is important that the proposed initiatives originate from the LF and not the DO (in order to promote LF ownership and sustainability). In reality, LF owners and managers are very busy and often do not have time (or the expertise) to elaborate a carefully written plan. In these cases the DO can assist the LF in clarifying and planning their initiatives. An LF application should not be judged based on the writing style, but rather on its contents. Working with LFs to elaborate and clarify their plans should be seen as a form of technical support and the beginning of a collaborative process.

Tool 4. Invitation for Applications (IFA)

Invitation for Applications (IFAs) can assist LFs to identify and propose interventions that they will be responsible for organizing and managing and which can be facilitated with DO strategic support. The components of an IFA are outlined below. **Note: See Appendix 3 for a sample IFA.**

1) **DO objectives:** Describes the DO's program objectives.
2) **Eligibility requirements:** Provides the LF criteria that are required to participate in the DO program. The criteria typically include a minimum number of MSMEs that the LF buys from or sells to, minimum age of the enterprise, etc.
3) **Potential support amounts (optional):** Establishes the range or maximum amount of financial support that the DO is willing to provide to the LF to support its initiatives. It is helpful to stipulate support amounts as either a percentage or fixed value so LFs know what amounts are acceptable.
4) **Illustrative LF initiatives/interventions:** Provides examples of initiatives that the DO could support.
5) **Percent of LF activities that must involve direct interaction with MSMEs (optional):** Stipulates the percentage of the proposed intervention budget that must be allocated towards direct interaction with MSMEs in the DO's target group (such as producer trainings).
6) **Cost share rules:** Sets the limitations of what financial support can and can't be used for. Typically financial support cannot be used towards the purchase of fixed assets or for working capital such as rent or salaries. This section also clarifies that a significant LF investment is required.
7) **Description of approval/implementation process:** Describes the process that will take place before the DO gives final approval for technical and financial support. This section can also include a presentation of factors that will be considered in evaluating the application, applicable contact information, and so on.
8) **Instructions and format for completing application:** Provides a detailed explanation of the expected format for the application submission, including the technical narrative and budget.
9) **Conditions and confidentiality:** Explains legal issues, often including an explanation that a submitted application does not constitute a commitment by the DO and that company application information will be kept confidential.

LF applications can also result in identifying "cross-company" interventions that can benefit several LFs in the value chain. Such interventions could include exposure visits, training activities, addressing policy issues, and so on. After reviewing several applications from different LFs, the DO might see such cross-cutting opportunities and then propose to the LFs that they be undertaken as a group.

1. Technical Support of LF Interventions

DOs can provide a variety of technical support activities to help facilitate the success of LF interventions. As discussed, this support begins during discussions and negotiations about the LF's application during which time the DO helps to clarify and plan the proposed initiatives.

Examples of additional DO technical support include assisting LFs to:

- Access technical specialists with specialized knowledge and skills
- Conform with industry standards and buyer requirements
- Develop and expand distribution networks
- Develop business and marketing plans for new initiatives
- Develop management systems
- Develop strategies for outgrowing operations
- Identify and adopt information communication technologies
- Improve information flows between management and field agents, etc.
- Link with financial institutions and input supply companies
- Organize training of trainers for company staff
- Plan and organize field days and demonstration plots
- Prepare, conduct, and improve producer training and extension programs
- Prepare for trade shows and exposure visits
- Prepare job descriptions for staff positions related to new initiatives
- Test new varieties and production techniques.

See Section 5 on Facilitating Lead Firm Interventions for a more detailed discussion of tools and methodologies that DOs can use to support LFs in planning and implementing their initiatives.

2. Financial Support for LF Interventions

In addition to technical support, collaboration between DOs and LFs often includes financial support (cost share) where the DO helps to offset some costs and mitigate risks that the LF faces in making new investments (investments that will benefit the producers that they buy from or sell to). Sharing the costs of new initiatives with LFs can provide incentives for them to move forward with an activity that otherwise they might not be willing or able to do in the near term. As DOs begin to negotiate LF-proposed interventions, it is important to understand principles and good practice of sharing costs. This section includes guidance on determining justifiable and unjustifiable financial support.

In general, while there are no financial support practices or mechanisms that can be deemed "good" across the board and under all circumstances, some will generally be more attractive and less problematic. Judgment, prudence, transparency, and negotiation are always called for when identifying and implementing technical and financial support agreements. The purpose of the subsidy (cost share) is to mitigate risk and build capacity, thereby supporting innovation and change. There are no limited hard and fast rules. There are, however, some general rules of thumb based on best practices and principles of sustainability, as noted below:

3. Justifiable Financial Support to LFs

- Activities to link LFs to new markets, buyers, equipment/input suppliers, etc.
- Initial training and demonstration activities conducted by LF for MSMEs they buy from/sell to
- LF capacity-building activities
- Market research and feasibility studies
- Technical assistance for R&D and new product development.

Unjustifiable Financial Support to LFs

(Deemed as such due to risks of creating dependency, distorting markets, reducing LF commitment, creating an unfair advantage, etc.)

- Providing finance or loans
- Providing physical assets
- Supporting recurring LF operational or working capital costs
- Supporting LF personnel

These rules of thumb provide general guidance regarding financial support to LFs. The particular context of each proposed intervention and the LFs involved must also be taken into account. Also, a DO's decision not to support the costs of a specific budget line item in a proposed LF intervention does not downgrade that item's importance to the intervention's success. In such a case, if the LF deems the item important to the intervention's success, the LF should fund the costs and may need to examine outside funding options. In these situations the DO may be able to assist in linking the LF to a financial institution.

3.3 Due Diligence in Evaluating Proposed Lead Firm Interventions

In evaluating a LF application, the DO should conduct due diligence. The box below includes **Tool 5: the Due Diligence Checklist** to be used by the DO to research and verify the accuracy of information provided in a LF's application. A DO manager may wish to review such a checklist before approving a support agreement with the LF.

Tool 5. Due Diligence Checklist

1. Has a LF interview write-up (based on a structured interview guide) been completed? If yes, please attach.
2. Has a site visit been conducted? If yes, please describe.
3. Describe additional due diligence that has been conducted to ensure that the LF is reputable:
    a. Who was contacted?
    b. Has is the determination being made?
4. Describe any planning sessions that were held with the LF to refine their application and budget.
5. Did any strategic planning sessions take place (outgrowing, business planning, etc.) prior to the agreement? If yes, please describe and attach.

1. Conducting Site Visits

An important part of due diligence is conducting site visits to the LF premises and to the areas that the LFs propose for interventions. A site visit can assist the DO to validate the following:

- Ensuring that the MSMEs targeted by the proposed LF interventions meet DO program criteria (e.g., poverty level, geographic location, gender, etc.)
- Ensuring that the LF has conducted its own due diligence of the area proposed in the application
- Interest among MSMEs that will be selling to or purchasing from the LF
- Statements presented in the LF application.

2. Reviewing LF Applications

When reviewing applications, a DO should consider using a checklist as shown in the box below, and examine several factors, such as the following:

- Conformance with the IFA criteria
- Conformance with the program's cost-share rules
- DO capacity to monitor and provide the LF with technical and financial support
- Potential impact of the LF interventions on the MSME target group

Tool 6. Checklist for Review of LF Applications

1. Is there a strong end market for the LF's product of service?
2. What are the LF's incentives to conduct the initiative?
3. How many MSMEs will benefit? (Who are they, where are they and how will they benefit)
4. What is the relationship between the LF and the targeted MSMEs? Is this relationship sustainable?
5. Has the LF met all criteria stipulated in the IFA?
6. Is the proposed initiative clear and logical?
   - What will happen and who will do what?
   - Is there a scope for a cross-company activity with existing LFs?
   - Is this a distinctly new activity for the LF?
   - Is this activity likely to take place without DO support?
   - What are limiting factors for the LF to do this activity on their own?
   - Is the purpose of each activity clear?
   - Is there conformity with cost share rules?
7. If consultants are mentioned, who will they be? Are they independent of the LF?

3. Cross-Company versus Company-Specific Interventions

If several LFs request similar interventions that can be done as a group, the DO may consider organizing them into a single intervention. Examples of "cross-company interventions" include exposure visits, market studies that benefit all LFs in the industry, and policy research.

SECTION 4: STRUCTURING COLLABORATION WITH LEAD FIRMS

4. STRUCTURING COLLABORATION WITH LEAD FIRMS

After LF interventions have been identified and due diligence is conducted, the ensuing collaboration should be carefully structured. This section describes how memorandums of understanding (MOU) and MOU addendums (i.e., technical and financial support agreements) can be structured to provide clarity and benefits to both the DO and LF. In addition, this section presents guidelines for cost-share financial support as well as lessons learned in negotiating and managing agreements with LFs.

4.1 MEMORANDUM OF UNDERSTANDING

If a DO plans to collaborate with a LF, it is advised to develop an MOU that provides an overview of the activities to be promoted, along with general legal provisions, but does not make firm commitments from the DO for technical and financial support. By signing a general MOU, a DO shows commitment without allocating resources. In addition, MOUs can show progress to donors while LF interventions are developing.

MOU addendums can then be added, as needed, to describe specific LF interventions and the corresponding DO technical and financial support. An MOU addendum is tailored to a specific LF intervention, building on the MOU foundation (see Figure below). The creation of an MOU and addendums should be a collaborative effort—as the LF and DO will have specific requirements and requests that need to be negotiated and discussed. Addendums allow and encourage flexibility through an "incremental approach" in which learning takes place and trust develops with the LF as collaboration progresses.

Figure 5. MOU Umbrella with Addendums

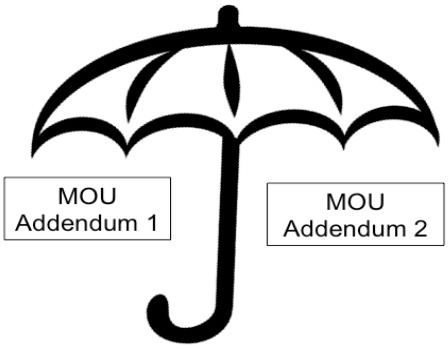


Table 2 includes common components in MOU agreements between a DO and an LF.

Table 2. Common Components in MOU Agreements

Component	Description
Objective	Statement of purpose for entering into the MOU
General Terms	Agreement duration as well as termination, communication, and extension procedures
Confidentiality	Non-disclosure agreement between parties
Legal liabilities	Jurisdiction, guiding law, and language for enforcement of agreement, mediation process for dispute resolution, and intellectual property rights
Addendums/ Supplements	Clarifications that specific activities and support agreements will be presented in MOU addendums
Additional Provisions	Specific clauses related to local laws, donor restrictions, or other provisions not included elsewhere

The MOU includes some standard contractual type language. As a legal document, there may be some awkwardness between the LF and DO initially in wading through some of these matters, but done correctly the MOU will demonstrate the DO's professional approach to business and its collaboration with the LF. (Note: See Appendix 4 for a sample MOU.)

4.2 MOU Addendums

Once an MOU is finalized, addendums can be added to define specific collaborative activities between the DO and LF. An addendum describes the LF's intervention activities and the responsibilities of both the DO and the LF. The table below lists the addendum components. (Note: See Appendix 5 for a sample MOU addendum.)

Table 3. Components in MOU Addendums

Component	Description
LF initiatives to be undertaken	Describes all activities, outputs, and reporting requirements covered under the addendum
Relationships among parties	States the role and responsibilities for: a) LF in implementing the initiative; and b) DO in supporting the LF to implement the initiative
Financial Responsibilities	Detailed description of financial obligations
Timeframe of events/ work plan	Timeframe of initiative with clearly established milestones
Monitoring and evaluation procedures	Provides description of reporting procedures and establishes the DO's right to collect information and report on LF activities with MSMEs
Payment Modalities	Detailed description of cost-share agreement and payment modalities

While it takes some effort to develop and communicate all the details that are included in an MOU addendum, it is important that the addendum be written correctly and comprehensively so as to avoid any misunderstandings later in the collaboration. The LF should also be familiar

with the indicators that the DO will be responsible for *vis-à-vis* its donor, so that both organizations understand the importance of their reporting requirements under the agreement.

Tool 7. MOU Addendum

An Memorandum of Understanding (MOU) addendum is a technical and financial support agreement that describes how a DO will contribute to and share costs of an LF initiative. The LF initiative will contribute to the firm's competitiveness and its ability to expand its provision of needed products/services/support to the MSMEs that it buys from or sells to. (Note: See Appendix 5 for a sample MOU addendum.)

4.3 Guidelines on Structuring of Financial Support to Lead Firms

The information in Table 4, below, illustrates how financial support to LFs can be structured to reduce the risk of creating dependencies and to promote sustainability. Principles and guidelines are presented in four categories: 1) timing and duration of financial support; 2) cost-share percentages; 3) setting limits on financial support; and 4) miscellaneous.

Table 4. Suggested Financial Support Guidelines

Component	Suggested Guidelines
Timing and Duration of Financial Support	• Provide financial support to get the activity going and the LF on board—but only share costs for the first few interventions or activities • Ensure financial support has a limited duration to establish needed systems and capacity • Transition financial support out over time • Ensure the LF takes full ownership of the initiative
Cost-Share Percentages	• Keep the cost-share percentage as low as possible to encourage LF ownership (while still providing incentives and helping to mitigate risks) • Put financial support into context that shows a time when subsidies will be removed (e.g., year 1 = 100% subsidy, year 2 =50%, etc.)
Setting Limits on Financial Support	• Communicate (in the IFA) the maximum amount of funds that will be made available for cost share financial support of the LF's initiatives. For example, the DO may stipulate in the IFA that they are willing to expend "up to $5,000" for agreed upon cost share activities. The advantage of this is that the LFs understand that there is "real" money involved and it will also prevent them from proposing very high amounts of financial support that the DO will not be able to support. • Some feel that by announcing a financial support amount that the LFs will automatically propose interventions for those amounts—even if they are not required. This could happen, but the DO will always be in a position to scrutinize LF proposals and cut them back or decide not to fund them.

Component	Suggested Guidelines
Miscellaneous	• The DO and LF can reduce the financial support needed for capacity building by identifying providers of products and services that have an incentive to develop commercial relationships with the targeted LFs and the producers they buy from or sell to. These providers—such as input supply companies, consultants, etc.—will oftentimes provide free or "embedded" technical support, information, training services, etc. as part of their commercial relationship with the LF and producers. • Assist LFs to look at leasing or alternative financing mechanisms that might be cheaper or offer more flexibility than traditional loans • Build in conditions for LFs that implement initiatives such as study tours and exposure visits to share that information and promote wider dissemination with other LFs upon their return.

DO projects should develop financial support guidelines and policies for different kinds of LF-proposed initiatives. For example, guidelines for supporting an LF training activity will be different than those for supporting an exposure visit. The DO financial support policies will depend on a variety of factors and will need to be tailored to specific situations. In general, they should be established in such a way as to encourage only serious LFs that are committed to the initiative. Illustrative policies are presented in the box below.

Illustrative Financial Support Policies for LF Initiatives

- New Producer Training:
  - First year: 70% for venue, participant meals/snacks, a non-company trainer, and company transportation. Second season 50%, third season 30%
  - No financial support for company trainers, company staff costs, samples of existing company products used for demonstration
- Procurement of New Machinery and Equipment:
  - Transportation and installation of machinery up to (a set amount) per machine
  - Staff training to operate/ maintain the machinery
  - No financial support for the cost of the machinery or equipment
- Short-Term Product Development Specialists:
  - 70% of fees and airfare for a designer who the company has not used before or 30% for a designer who the company has used before.
  - No financial support for designer's local lodging, meals, and transportation
- Trade Show Participation:
  - One airline ticket and booth costs.
  - No financial support for shipping samples, lodging, food, shelves/decorations for booth

4.4 Negotiating and Managing Technical and Financial Support Agreements with Lead Firms

Below are some lessons learned in negotiating and managing LF technical and financial support agreements:

1. When providing financial support to LF initiatives, the DO should think carefully about the potential consequences (in terms of sustainability, a level playing field, impact on other market actors, support to market development, competition, etc.).
2. DO technical and financial support to an LF can be contingent upon the LF carrying out a specific action such as hiring staff, making specific investments, undertaking initial activities, and so on. In this manner, LFs "self-select" for DO collaboration, which can enhance their chance of success and the sustainability of impact. Once an LF has undertaken the prerequisite action, DO technical and financial support can be considered a "smart subsidy" as the chances of it leading to sustainable impact are greatly increased.[3]
3. In negotiating MOUs and related technical and financial support agreements, DOs should not accept to "organize producers" on behalf of the LFs, as this can foster dependencies and hinder the development of sustainable relationships between LFs and producers.
4. DOs should carefully vet LF capacity, as some LFs may require greater capacity building than others before they are able to make needed investments with producers.
5. In developing agreements, DOs should be cognizant of risk management from the perspective of producers that are interacting with targeted LFs. For example, if an LF is a producer's only buyer, then the producer will face higher risks in expanding its production. In such cases, DO agreements with LFs can include measures to mitigate producer risk.

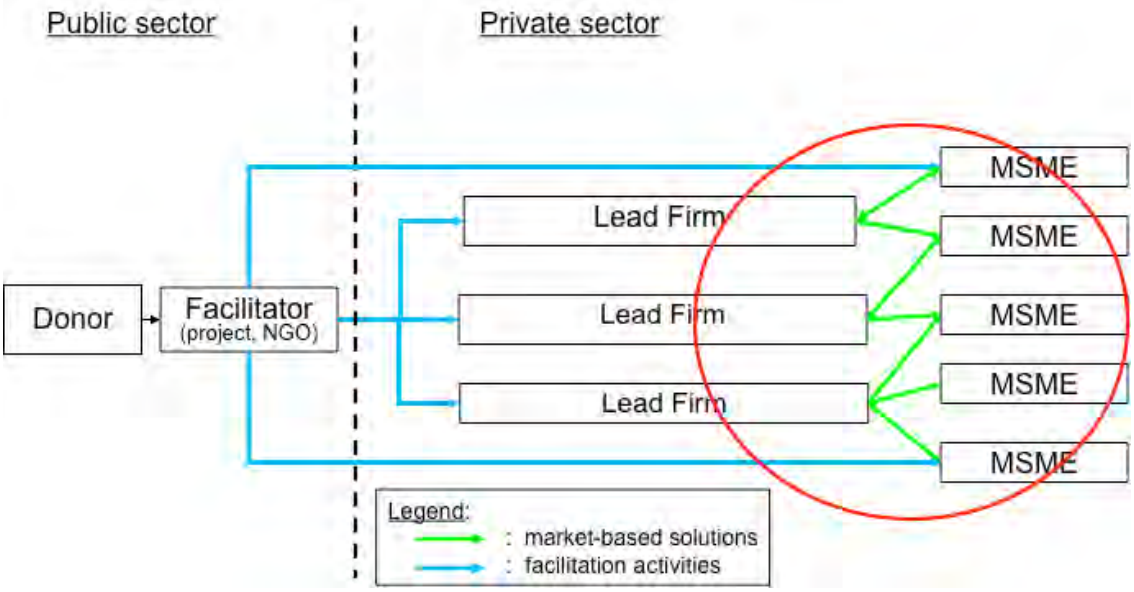
[3] Smart subsidies can be defined as those that encourage LFs to do something they probably would not be doing on their own, at least not in the immediate future because they see it as too risky. DO value is in buying down that risk to a reasonable level with a reasonable degree of subsidy, without doing the work for them or creating dependency on the DO to drive the process.

SECTION 5: FACILITATING LEAD FIRM INTERVENTIONS

5. FACILITATING LEAD FIRM INTERVENTIONS

When collaborating with LFs, the DO's role is to "facilitate" activities that will contribute to greater LF competitiveness and greater LF capacity to provide needed products, services and market access to MSME producers—typically the DO target group. Successful facilitation is exemplified by the circle in the diagram below—where there are sustainable and mutually beneficial market relationships between LFs and MSMEs.

Figure 6. Facilitation Process



This section provides a variety of tools and guidelines that can assist DOs to be successful facilitators. Tools include the use of question guides, checklists, focus group discussions, and guidelines to help DOs avoid typical mistakes made in working with LFs.

5.1 FACILITATION EXAMPLES

DO facilitation begins with the review of a LF's application and continues with support for the planning, implementation, and evaluation of the LF's initiatives. DO facilitators should see themselves in a supportive role—providing useful technical support to LFs in a way that leaves the LF with ownership and responsibility for their initiative. DOs may be able to provide this support with their own staff but frequently need to bring in both local and international specialists to assist. Examples of DO technical support and facilitation activities are listed below:

1. Support in Planning and Organizing Initiatives

- Help the company determine an intervention's feasibility (including the projected costs) by helping them to carefully review and plan for their initiative, including a review and rationalization of all costs involved

2. Build LF Staff Training Capacity

- Assist the company to prepare training modules for producer training activities
- Assist the companies to assemble training/coaching teams of company staff and expert farmers or artisans
- Facilitate the organization of training of trainers (TOTs) for company training/coaching teams in which they review and then practice delivering the training modules. TOTs can include both technical elements and participatory adult learning methodologies
- Monitor the company training/coaching team's activities during the first few training sessions and provide detailed feedback.

3. Increase LF Linkages with Financial Institutions

- Assess the feasibility of insurance companies to provide crop insurance to producers and facilitate arrangements with LFs to insure producers
- Collect information on loan products, lending practices, and branch locations of local financial institutions and prepare a shortlist of potential institutions for further exploration with the LFs (options might include forming tripartite arrangements or facilitating direct financing between a financial institution and the LFs)
- Facilitate visits to other LFs and/or financial institutions currently engaged in tripartite arrangements to learn how they are organized

4. Improve Company Operations

- Assist LFs to establish systems and procedures that ensure adequate feedback to producers regarding grade, quality, and rejection of their produce
- Assist LFs to develop transparent payment systems that allow timely payment to producers
- Assist LFs to develop special products or packaging designed to meet the needs and purchasing power of the rural poor (bottom of the pyramid markets)
- Build agribusiness LF capacity to use trial plots to test new varieties and production techniques
- Expose LFs to best practices and methods of communicating with farmers, including transparent negotiation of contract agreements.
- Expose LFs to industry standards and applicable buyer requirements as well as information needed to comply with these standards.
- Organize LF exposure visits to successful domestic or international operations (see also box below)
- Support LFs to conduct international visits to potential suppliers (new seed varieties, equipment, packaging materials, etc.)
- Support LFs to develop and expand product distribution networks to rural producers
- Support LFs to develop training programs for their network of retailers and stockists on how best to advise farmers on the correct use of inputs
- Work with the company to collect information on different input supply companies (e.g., inputs offered, prices, location, and distribution network organization, etc.) and prepare a shortlist of potential suppliers for further exploration with the company

5. Internal Management

- Assist LFs to develop job descriptions for staff positions related to new initiatives
- Work with LFs to develop appropriate management tools for monitoring production, producers, procurement, and field staff
- Work with the LFs to improve information flows between management and field agents

Tool 8. Facilitating Exposure Visits for Lead Firms

Exposure visits are typically one-time activities that serve to build company knowledge and capacity. DOs can play a key role in researching and organizing exposure visits for LFs and can support them to carry out the following tasks:

1. Define the purpose and objectives of the exposure visit
2. Research potential sites and exemplary companies or organizations to visit
3. Contact companies/organizations to arrange visits
4. Determine a cost-effective and appropriate educational itinerary
5. Draft a contract, if necessary, with the hosting companies/ organizations
6. Coordinate travel logistics
7. Ask questions during the exposure visit to ensure objectives are being met
8. Evaluate the exposure visit and establish a follow-up work plan for implementing new ideas triggered by the visit

In many cases, particularly when several companies participate in an exposure visit, it makes sense for a DO representative to accompany them, helping facilitate the visit and act as a guide.

5.2 Using Question Guides as a Facilitation Tool

DO staff can use question guides to ask the LFs critical questions and help the LFs make decisions before engaging in a particular investment or intervention. DOs can use the questions to guide a company through the thinking that needs to take place, the decisions that need to be made, and the tasks that need to be done to help ensure the successful preparation and implementation of their initiatives.

Question guides have been developed and used successfully to assist LFs to:

- Develop strategies and operation manuals for outgrowing operations (for example question guides, see Tool 8 below, Appendix 7, and "Facilitating the Development of Outgrowing Operations, A Manual" which is available online at www.actionforenterprise.org)
- Develop business plans for different kinds of investments that will improve their competitiveness and help them improve the products, services, and support they provide to MSMEs (See Appendix 6 for a sample business plan question guide that is designed for input supply companies)

- Develop marketing plans to address the challenges they face in product promotion and sales
- Plan the necessary steps and tasks to organize **field days, demonstration plots, training activities**, and other interventions

DOs need to make sure that question guides are carefully adapted to the specific LF activity being promoted. This requires research into the proposed activity to make sure that the questions are appropriate.

With question guides, DOs act as facilitators and allow the LF to develop, define, and take ownership for its initiatives. In these cases "the process is as important as the end product." The time that the DO will need to spend with the LF will depend on the nature of the LF's initiative. For a business plan, marketing plan, or outgrowing strategic plan, the DO will need to spend at least several days working with the LF so the LF can complete its plan. The amount of time will depend on the company's level of preparedness and available staff. It is preferable that the owners or principal decision makers from the companies be present, or at least check in from time to time to provide their feedback. The company should also have staff available who are in a position to answer production, finance, and marketing questions.

Tool 9. Question Guide to Assist LFs Assess the Risks and Rewards of an Outgrowing (Contract Farming) Operation with Producers

The following questions can be used when working with an LF to help them decide whether or not to establish an outgrowing operation:

- What advantages would an outgrowing operation provide your company with compared to the way you now source raw materials and products?
- What are the immediate and long-term prospects for your end-market (i.e., the market to which you intend to sell products you procure from outgrowers, either in raw or processed form)? Does an outgrowing operation make sense given this scenario?
- What risks and challenges would you face in developing an outgrowing operation?
- Why would farmers be interested in participating in your outgrowing operation?
- What risks would farmers participating in your outgrowing operation face?
- Which outgrowing organization model do you want to use?
- What are the projected costs of your outgrowing operation?
- In what geographic areas will you conduct your outgrowing operations?

See Appendix 7 for a more detailed question guide for the provision of technical assistance to outgrowers.

1. Facilitation Tips When Using Question Guides

- **Be prepared**: The DO facilitator(s) should thoroughly review the question guide to become familiar with the content and intent of each question before using it with the LF.

- **Review spreadsheets**. If a spreadsheet is being used in conjunction with a question guide (for example, in supporting the LF to prepare profit and loss projections for a business plan) the facilitators should enter sample data into the spreadsheet prior to the meeting to ensure that things will go smoothly during the planning session.
- **Share question guide with the LF**: The facilitator should send the question guide to the company prior to the meetings to ensure that the LF has a chance to gather and prepare relevant information.
- **Let the LF answer the questions**: During the planning sessions, the DO facilitators should make sure that the company representatives answer the questions themselves, as it is the company that will be responsible for implementation. That being said, the DO can assist in documenting the answers that the company representatives provide and can fill in spreadsheet data based on company-provided information.
- **Document the process**: The DO facilitator should make sure that the questions, responses, and any spreadsheets developed during the planning sessions are well documented for the LF.

5.3 Checklists to Support Lead Firm interventions

Checklists are another tool that DO facilitators can use to support LFs with the implementation of their initiatives. Checklists can be developed and used for any kind of LF activity, including:

- Demonstration activities, trial plots, and field days
- Exposure and learning visits, etc.
- Preparation of producer training modules
- Producer training programs

The table below is an illustrative checklist for supporting LFs that are organizing demonstration plots for producers **(Note: see Appendix 8 for the complete checklist).** Checklists require careful preparation by people that are very familiar and experienced in the targeted activity. Once developed, both the DO and the LF can use the checklist.

Tool 10. Illustrative Short Checklist for Demonstration Plot

Questions	Yes	No	Remarks
Is the demo plot managed by the farmer who owns the land?			
Is the demo plot adjacent to the road side and/or clearly visible from the road?			
Who is the person responsible from the company to supervise and/or monitor the demonstration plot activities? Does he/ she maintain regular communication with the farmer and monitor the demo plot activities?			
Did the demonstration plot have a sign board?			
Do other farmers visit the demo plot? How frequently? Do they ask any question related to			

Questions	Yes	No	Remarks
demonstration to the concern person?			
Was land prepared properly?			
Were fertilizers applied based on soil test and recommendation? Were fertilizers applied properly (time, dose, method, etc.)?			
Was irrigation done properly?			
Was the land free from weeds?			
Was the planting (plant-to-plant and row-to-row) distance followed properly?			
Was the growth status of the crop in accordance with acceptable norms?			
Is any disease evident in the plot?			
Was timely action taken to control diseases? (specify)			
Was the predetermined spraying schedule of pesticides maintained properly?			
Was the crop harvested on time? Was crop matured during harvesting?			
What was the yield? What was the quality of the yield?			

5.4 Focus Group Discussions

DOs can organize focus group discussions (FGDs) with targeted LFs that can be used to share the findings of value chain analysis and to discuss the following:

- Incentives and challenges that LFs face in providing needed products, services, and support to the MSMEs in their value chain
- Activities that LFs can undertake to overcome these challenges and how the DO can support them to do so
- Both company-specific and cross-company interventions (that can be conducted jointly with several companies at the same time)

FGDs are typically one-half to one day in length. The box below provides information on a FGD Discussion Planning Guide.

Tool 11. Tool: Focus Group Discussion Planning Guide

The **"Focus Group Discussion (FGD) Planning Guide"** provides a step-by-step process to planning out a meeting with targeted LFs. The meeting's primary objective is to discuss activities that LFs can undertake to overcome challenges to providing targeted MBS and how the DO can help the LFs in this process. FGDs can include representatives of the DO target group (producers, farmers, etc.) who will be either selling to, or buying from, the LFs.

See Appendix 9 for a sample FGD session plan.

5.5 Mistakes that Can Detract from Sustainable Impact

As DOs increase their collaboration with private sector LFs implementation mistakes can result. Table 5 below describes some typical mistakes that Facilitators make. It is important that Facilitators become aware of these issues and strive to avoid them, as they can create unintended consequences and detract from sustainable impact. Appendix 10 contains a more comprehensive list of these typical mistakes.

Table 5. Typical DO Facilitation Mistakes and Resulting Problems (Summary)

Typical Facilitation Mistakes of DOs	Resulting Problems
Exposure Visits/Trade Shows • DO allows LF to send participants to visits or trade shows who are not key decision-makers. • DO requires too little or no cost-sharing by LF.	• Participants may be unable to follow through with implementing new ideas learned during visit.
Design • DO hires design consultants that focus on artistic creations rather than market realities. • DO fails to engage LF in product design process and fails to solicit input from LF buyers.	• Lack of sales
Pricing of products that LF purchases from/sells to MSMEs • DO is involved in price negotiations between LF and MSME producers.	• Creates unrealistic expectations for all parties that are difficult to achieve. • Pricing is critical in the process of building relationships and trust between LF and MSME producers and should take place between those two parties.
Training and Technical Assistance to MSME Producers • DO staff and technical consultants directly train MSME producers. • DO organizes and manages LF training activities for producers.	• Does not build LF capacity to conduct training and technical support • Training is often inappropriate
Procurement from MSME Producers • DO becomes directly involved in procuring, collecting, and transporting produce from remotely located MSME producers to LF collection points.	• Unsustainable activity that prevents LF and producers from developing relationships and systems that can continue once DO departs
Selection and Organization of MSME Producers with which the LF will transact • DO serves as intermediary between LF and MSME producers by forming producer groups, negotiating with LF on behalf of	• Fosters dependency on DO, hindering development of relationships between MSME producers and LF, etc.

Typical Facilitation Mistakes of DOs	Resulting Problems
MSME producers, etc. • DO mobilizes and even pre-selects MSME producers to propose to LF. • DO encourages LF to use particular model or system of producer organization (such as cooperatives).	• Creates unrealistic expectations of DO by both LF and MSME producers, reducing LF's sense of ownership of relationship with producers, etc. • Cooperatives may be problematic—LFs can use alternative systems (such as Lead Farmers serving as commissioned agents) to create economies of scale with farmers.
Development of Agricultural Demonstration or Trial Plots • DO becomes overly involved in direct management of LF trial plots • DO manages demo plots on behalf of LF • DO insists on particular production package that may not be feasible	• Hinders ability of LF to manage plots sustainably on its own • Inappropriate production packages
Promoting Access to Inputs (including seeds) • DO takes on intermediary or negotiation role between LF and input suppliers • DO distributes inputs to MSME producers on behalf of LF • DO subsidizes provision of inputs to farmers • DO provides inappropriate agronomic advice to LF, sometimes by staff that lack expertise	• Can result in problems of sustainability, weak relationships between MSME producers and input suppliers • Inputs go to the wrong farmers • LF blames the DO for problems, etc.

1. Appropriate Terminology

Sometimes there are questions as to the appropriate terminology to use when referring to collaboration between a DO and LFs. Two important considerations are to:

- **Avoid referring to LFs as "partners" or "partner organizations":** LFs are not the same as NGO or project partner organizations that assist DOs to implement projects. They therefore should not be seen as subcontractors for project implementation—but rather as market actors that are playing a key role in the value chain, providing market access, products, finance, and/or other forms of support to the MSMEs they buy from or sell to (as part of their commercial relations with them).
- **Avoid referring to MOUs and addendums as "contracts":** A contract has a legal connotation that refers to hiring a person or an organization to do something. This could lead DO staff to think that the LF is providing a service for "their project." The spirit of the agreement should be that the DO is providing support to the LFs to develop capacity and implement initiatives that otherwise would be difficult for the LFs to do on their own (and that will result in positive and sustainable impact for both the LFs and the MSMEs they transact with).

5.6 Guiding Principles and Good Practices for Working with Lead Firms

Below are some general principles and good practices for DOs when collaborating with LFs.

1. Promote Relationships between LFs and other Market Actors in the Value Chain

- Allow LFs and producers to work out the most appropriate structures for buying or selling without imposing preconceived organizational structures
- Present LFs with alternatives to formal contracts with producers (unless formal contracts are the best option)
- Respect the LF's experience and knowledge and support them to identify and implement initiatives that address value chain constraints
- Stay out of commercial, intermediary, or negotiation roles in the value chain/do not negotiate with market actors on behalf of producers
- Understand the needs of all market actors and ensure that they have requisite incentives and interest to work together

2. Establish Collaboration with LFs

- Be prepared for some handholding in supporting the LFs to launch their initiatives as they may have different systems and ways of operating
- Don't overdesign or overpromise—start smart and get it right to build trust, then expand
- Make it clear that the DO has limited funds to support LF activities (otherwise LFs might resist investing their own funds)
- Recognize that it takes time for LFs to become aware of the DO's credibility as they probably want to experience it firsthand
- Share experiences on the benefits of LFs investing in improved or expanded relationships with MSMEs/share examples of viable business models and how they profit from improved and expanded relationships among LFs and MSMEs

3. Professionalism

- Be professional in negotiating and developing MOUs and addendums
- Communicate to LFs that the DO program seeks to promote their success (commercial viability, growth, etc.) as well as that of the producers that they transact with
- Deliver what is promised
- Manage collaboration by moving forward with LFs in a businesslike fashion (try to avoid managing collaboration from a bureaucratic perspective)
- Provide quick responses (within day or two) to questions that LF might ask during initial discussions

4. Confidentiality

- Ensure that LF secrets are kept confidential (i.e., do not share confidential information with others)—this process may require special staff training and development of confidentiality or conflict of interest statements

- Make it clear that sensitive business information will not be shared with others

5. Understand Private Sector and Business Principles

- Consistently explain the vision for collaboration with LFs and for value chain development (focusing not only on producers but on creating benefits for everyone in the value chain)
- Demonstrate an understanding of business principles with LFs
- Demonstrate an understanding of the important role that all value chain actors play and recognize the importance of LFs as innovators and economic drivers
- Demonstrate an understanding of the private sector including the reality (and implications) of the LF's competitive and operating environment
- Differentiate your approach from those of other DOs that only interact with producers or that do not approach collaboration in a professional manner
- Hire the right people who have business experience, understanding, and good attitudes
- Invest in building your knowledge of the value chain(s) that the LFs are operating in

6. Demonstrate DO Track Record with LFs

- Build a track record of success working in value chains with LFs
- Demonstrate a track record with examples of concrete results working with LFs
- Demonstrate experience that goes beyond "mobilizing communities"

7. Transparency/Neutrality

- Act in an impartial manner by recognizing the important role that all market actors have in the value chain and not having a bias in favor of one type of market actor (or organizational structure) over another. This strategy can be achieved by adopting the general goal of promoting value chain competitiveness
- Be transparent from the beginning about the DO's role and its own motivations and incentives (including that DO seeks to work with all LFs that meet their criteria)
- Demonstrate neutrality regarding the role of different market actors (i.e., do not hold bias towards small-scale producers)
- Participate in stakeholder forums that include LFs and other stakeholders, so that DO is not seen to be taking sides

8. Understand LFs and their Business, Including their Business Risks

- Demonstrate an understanding of the commercial nature of the LFs and how they must be cost conscious and disciplined in all their activities
- Demonstrate empathy for the challenges the LF faces/recognize the positive contributions it is making to the economy, small producers, etc.
- Recognize the reality that some DOs (past and present) with large funding do not produce tangible results (and that some LFs may have become cynical because of this)
- Understand and appreciate the risks (reputation, financial, etc.) that LFs are undertaking in making new investments and developing more proactive relationships with producers

9. Establish Appropriate Criteria for LF Selection

- LFs should be chosen based on a set of criteria that includes the number of commercial linkages they have with MSMEs and the firm's demonstrated commitment to building these relationships over the long term
- LFs should be operating in a market with strong demand and have the financial strength to see the initiative through, while also possessing a reputable track record.

10. Structure Collaboration with LFs in an Appropriate Way

- Collaboration between the DO and LFs should be structured with clearly defined roles that establish each party's responsibilities and financial obligations through the use of professional documents such as MOUs and technical and financial support agreements (MOU addendums)
- Ensure that proposed LF interventions: 1) will build or expand their capacity to provide commercially viable, market-based solutions to the MSME producers they buy from or sell to; 2) are part of their strategic vision; and, 3) will not require excessive monitoring and evaluation.

11. Ensure the Sustainability of Impact

- Ensure that by the end of program, market relationships and linkages between LFs and producers are "complete" and commercially viable (sustainable)/help to ensure this by developing good monitoring systems and exit strategies

SECTION 6: MONITORING COLLABORATION WITH LEAD FIRMS

6. MONITORING COLLABORATION WITH LEAD FIRMS

DOs can use a variety of tools to monitor the implementation of agreed-upon LF interventions and provide the LFs with feedback. These tools include financial reporting formats and checklists for monitoring different kinds of LF interventions.

Figure 5 below depicts the causal model (cause and effect assumptions) of working with LFs. The model begins with DO facilitation activities that improve or expand the LF's competitiveness and ability to support MSMEs in its supply chain or distribution channel. This form of support to MSMEs is also referred to as a market-based solution (MBS) as it addresses constraints facing MSMEs in a sustainable manner through market relationships. MBSs result in improved MSME performance and benefits that, in turn, contribute to poverty reduction.

Figure 7. Causal Model of Working with Lead Firms

When implementing a program that collaborates with LFs, the DO should have a rigorous system for collecting data from the LFs and then incorporating the data into reports submitted to their donors. DOs can collect information from LFs relative to "purchases from MSMEs" (in the case of LF buyers) or "sales to MSMEs" (in the case of LF input suppliers) which can be used to determine benefits and results that MSMEs are accruing. Data collection can be complemented by sampling MSMEs to collect qualitative information.

Such a monitoring system can be implemented with the following eight steps:

1. Review and define DO program indicators
2. Discuss DO program indicators with LFs
3. Sign agreements with LFs
4. Conduct baseline data collection with LFs
5. Baseline data entry
6. Semi-annual data collection from all LFs
7. Semi-annual data consolidation and entry (information from all LFs)
8. Reporting

LF Technical Reports: Agreements with LFs should include a requirement for them to submit regular status reports to the DO. The reports should include updates on the progress of LF initiatives as defined in their MOUs and addendums. If a financial support component is involved, information on expenditures in relation to an agreed-upon budget should also be included.

1. Financial Reporting

If the DO is providing financial support to a LF, it is important to closely monitor the costs associated with the LF's interventions. To do this, all financial reports submitted by LFs should include the following:

- **Invoices** that present (by budget line item) expenditures made by LF for activities, amount of cost sharing from the DO, and total amount approved for cost-share reimbursement
- **Supporting documentation** with a cover sheet that summarizes costs incurred by line item and include relevant receipts and documentation

Financial reporting guidelines should be made clear to LFs to avoid implementation problems. To make this easier, the DO can provide them with a reporting template and then support them in preparing complete and detailed reports. Appendix 11 contains LF reporting guidelines and a template.

On its side, the DO needs to maintain accurate records of the LF's actual costs with the date for each line item, agreed-upon amounts of financial support, and current balances for each budgeted line item. See Appendix 12 for an illustrative spreadsheet for DO monitoring of LF financial support.

2. Monitoring Checklists

When a DO provides LFs with technical and/or financial support for their initiatives, it is important to have adequate field monitoring. A monitoring checklist helps DO staff ask appropriate questions and make observations that will enable them to evaluate the success of the LF intervention, as well as to provide constructive feedback to the LF. The DO can develop such monitoring checklists according to the type of LF intervention. The box below contains a sample monitoring checklist.

Tool 12. Sample Monitoring Checklist for Supported LF Training or Coaching Activity

- Training description (as per our agreement)—what type of training was to be provided?
- Description of the actual training (as it took place)—what type of training was actually provided?
- Was the training in conformance with what we described in our agreement? If not, what were the differences?
- Who were the trainers?
- Who were the participants? How many participants were there?
- Were attendance records kept? If so, please attach them.
- What were the topics covered?
- What was the duration of each training session?
- Was training style was used (lecture, question/answer, demonstrations, field visits, etc.)? Did they have a training module or session plan? Did the DO support the LF with any of the training preparation? If so, were the training plans respected?
- What kinds of handouts were given?
- Where was the training held? Was the venue a suitable location for the training?
- Were there any refreshments or food? If so, how was the quality of the refreshments or food?
- Was any kind of evaluation done? If so, what were the evaluation results?
- What feedback, if any, did we give to the trainers? What feedback/recommendations should we give to the trainers/company to improve for next time?
- Other comments

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Appendix 1: Interview Guides for Lead Firms, and MSMEs transacting with the LFs

Interview Guide for Lead Firms

(Providers of the targeted market-based solution (MBS))

Introduction

We represent the _____ project. We have conducted research into the _____ industry and have found that *[name of market-based solution]* is a constraint facing many *[targeted MSMEs]*. We are here to follow up with this issue and try to understand what the problems are and what can be done to address them. We are hoping you can help us to do this. The _____ project will be developing a program of support to the *[name of Value Chain]* sector and this information will be useful in developing this program. Depending on the results of the program design, firms like yours could be invited to participate.

This illustrative guide should serve as checklist to ensure that questions are addressed in interviews with LFs. It **should not be used as a questionnaire**. It will need to be adapted to the specific context or entry point that the Development Organization has for working with LFs.

Part I: General company information, position in value chain, competitive advantage, etc.

[Company Name and Contact Information]
Description of products or services they sell
Description of market trends and demand for their products or services
Geographic coverage where they sell their products or services
Company size and number of staff
Years in business
What differentiates your firm from your competition? What is your unique selling point or strength?
Are you participating in/or a member of any professional associations? Do you participate in any industry forums?
Have you made any recent investments to develop or expand your company?
Description of how and where the company sources raw materials
Supply/distribution map (showing how products or services are sourced and distributed)

[Company Name and Contact Information]
What types of investments have you made (or are you planning to make) to "upgrade" or strengthen the MSMEs that you buy from or sell to?
Description of major constraints affecting your overall business
Please list any other companies similar to yours that are in your industry? Which ones have the largest market share? Which are most innovative?
Are you currently working with any donors or development organizations?

Part II: Specific Information on Product, Service, or Support (Market-Based Solution) that LF Provides (or could provide) to MSMEs they Buy from or Sell to

[Market-Based Solution #1]	Questions
General Information	• How many MSMEs do you currently carry out *[market-based solution]*[4] with and where? • Describe the size of these MSMEs and the scale of your transactions with them.
Incentives/Risks/ Constraints	• What incentives do you have for carrying out *[market-based solution]* to *[targeted MSMEs]*? • What challenges or risks do you face in carrying out *[market-based solution]* to *[targeted MSMEs]*? • What support do you need to reduce risks or develop capacity to address these challenges?
Description (diversity of production, features/ benefits, cost recovery, etc.)	• Describe how you conduct *[market-based solution]* to *[targeted MSMEs]*. • How do you cover your costs of carrying out *[direct procurement, sales of inputs, technical support, etc.]* to *[targeted MSMEs]*? • What are the features and benefits (e.g., transport, after sale market solutions, warranties, etc.) that you provide to make *[market-based solution]* more appealing to [*targeted MSMEs*]? • How many firms carry out *[market-based solution]* to [*targeted MSMEs*]? (get contact info)
Users /Trends	• How many *[targeted MSMEs]* do you carry out *[market-based solution]* for? • How frequently do you carry out *[market-based solution]*? What is the volume or scale of your *[market-based solution]* per year? • How many [*targeted MSMEs*] do you think can use (and

[4] Insert MBS such as procurement (access to markets), sale of seeds, provision of technical support, etc.

[Market-Based Solution #1]	Questions
	acquire/pay for) the *[market-based solution]*? • Do you see the need for *[market-based solution]* growing in the future? • How do/will you obtain information on what *[targeted MSMEs]* want? • How do/will you let *[targeted MSMEs]* know that you carry out *[market-based solution]?*

Part III: Describe any initiatives you would like to carry out to improve or expand your capacity to provide *[market-based solution]* to the *[type of MSMEs]* you buy from or sell to

INTERVIEW GUIDE FOR MSMES TRANSACTING WITH LEAD FIRMS

(Users/Beneficiaries of the Targeted Market-based Solution (MBS))

Name of Market-based Solution:
Respondent:
Contact information:
Type of company:
Position/title in business:
Location:
Number of employees:
How long in business:
Interviewed by:
Date/Time:

Introduction

We represent the _____ project. We have conducted research into the _____ industry and have found that the lack of *[name of market-based solution #1]* and *[name of market based solution #2]* are constraints facing many *[type of MSME]*. We are here to follow up with these issues and try to understand what the problems are and what can be done to address them. We are hoping you can help us to do this.

Incentives/Risks/Satisfaction

1. What incentives do you have for using/purchasing *[market-based solution[5]]?*
2. What are the risks/constraints you face in using *[market-based solution]?*
3. Are you satisfied (do you have problems) with the *[market-based solution]* that you are currently using? Explain.
4. What could be done to solve these problems?
5. What could the providers of *[market-based solution]* do to improve the *[market-based solution]* they provide?

Usage/Transaction/Relationship

1. Have you acquired *[market-based solution]?* If yes, from whom?
2. How often? Has your purchase/acquisition of *[market-based solution]* been increasing?
3. What are the features and qualities of good *[market-based solution]* that are important to you?
4. Describe how you acquire / pay for *[market-based solution]* (fee/ embedded /etc.)? Explain the nature of the business relation.
5. If for fee, what price was paid? How much have you spent for *[market-based solution]* over the past twelve months? Do you feel that this is a fair price given what you received?
6. Have you moved to better quality *[market-based solution]?* Explain. If you haven't acquired *[name of market solution]* explain why.

[5] Insert MBS such as procurement (access to markets), sale of seeds, provision of technical support, etc.

Awareness

1. How did you learn about the provider you receive *[market-based solution]* from and why did you choose this provider?
2. Who else do you know who provides *[market-based solution]?* (Ask them to describe these providers and provide their contact information)
3. Describe the type of *[market-based solution]* they provide.
4. What percentage of businesses like yours are aware of *[market-based solution]*?

Questions Specific to [name of market solution]

1. *(Example)* How do you determine whether improved *[market-based solution]* is worth the price?

APPENDIX 2: SAMPLE LEAD FIRM INTERVENTION BRIEF

Intervention briefs can be developed by DOs to document their strategies and lessons learned for supporting LFs to carry out specific types of initiatives / interventions.

INTERVENTION BRIEF

Assisting/Supporting/Building Capacity of Lead Firms (LFs) to:
PARTICIPATE IN TRADE SHOWS OR EXHIBITIONS

Description of LF initiative that DO is supporting (and impact on MSMEs):

This initiative involves LF preparation for, and participation in trade shows or exhibitions that will enable them to increase their sales and market access. This process will, in turn, result in additional purchases from the MSMEs they source from.

Outline of project facilitation activities to support the LF[6]

Assist/support/build capacity of LFs to:

- Conduct research into potential shows
- Develop objectives and strategy for the show
- Develop pricing and shipping information
- Develop presentation materials (catalogues, websites, banners, etc.)
- Develop good design for the stand
- Promote their participation with show attendees before the show (mailings, emails, etc.)
- Understand the critical success factors that buyers consider when sourcing products

Financial support (cost share) options include: (many variations might exist)

- DO pays airline ticket and booth cost for LF exporter (exporter pays to ship samples to the show, hotel/meals, shelves/decorations for the stand, and any other local expenses)
- DO can limit the number of participating export companies (and increase chances of ownership and sustainability) by reducing the amount of their cost share

Lessons learned and DO challenges:

- Make sure all details are mentioned in the MOU addendum (including details such as who will pay the costs of shipping back unsold goods)
- Make sure the exporter has the capacity to respond to potential orders before supporting them in this initiative.
- Promoting export firms that are not yet ready can harm the reputation of the firm and the country.
- Make sure that export companies have their own stands, or if they are sharing a stand make sure that the booth is divided into sections (per exporter) and that there are no competing products in the same stand.

[6] It is important to note that the LF should take responsibility for the tasks listed here while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

APPENDIX 3: SAMPLE INVITATION FOR APPLICATIONS (IFA)

INVITATION FOR APPLICATIONS

PROGRAM TO SUPPORT AGRICULTURAL VALUE CHAINS IN KUMAR

AFE Kumar is a donor-funded program working to develop and expand the capacity of agricultural value chains in Kumar to compete with increasing effectiveness in domestic and global marketplaces and generate greater income and benefits for small-scale farmers. AFE is inviting selected **agribusiness companies** (buyers, processors, exporters, input suppliers, etc.) in Kumar to submit applications to:

1. *(for buyers)* build their capacity to provide products, services, support and market access to producers they buy from
2. *(for input supply companies)* build their capacity to expand distribution networks, provide useful information and training to producers, and offer a greater variety of quality inputs adapted to producer needs
3. improve their competitiveness, and/or;
4. expand the number of producers they buy from or sell to

Technical and financial support agreements (with cost-share components ranging from US$3000 to US$5000) will be negotiated with selected companies based on the criteria described below. This support must contribute to a significant investment (in cash or in-kind) that the companies will make. The AFE program will also provide technical support as needed to build the capacity of successful applicants to implementation their proposed initiatives.

Applications must be submitted in accordance with the format described and received no later than ***December 31st, 2013.***

Background

The objective of the AFE program in Kumar is to promote mutually beneficial (win-win) relationships between market actors in the agribusiness industry. AFE realizes the importance of private sector companies to drive change and provide technical support, inputs, and market access to the producers they transact with. AFE is therefore seeking to collaborate with selected companies to support initiatives that will improve their competitiveness and build their capacity to provide improved or expanded products, services and support to producers they buy from or sell to. Such companies may include exporters, processors, input supply companies, and wholesale buyers who: a) employ or engage small-scale farmers in growing the crops that they need, or, b) sell needed inputs or services to farmers.

Illustrative Areas for Support

Proposed activities should contribute to the company's ability to improve, expand or develop the products, services, support and/or market access they provide to producers. Examples of activities that could be supported include, **but are not limited to**, the following *(company is responsible for organizing and managing these activities with technical and/or financial support from AFE)*

Producer training/extension activities

a. Development of training modules
b. Company-led training/coaching of new or existing producers in improved production and post-harvest handling techniques
c. Organization of demonstration plots to expose producers to improved production practices and/or new varieties
d. Capacity building of company staff / lead farmers to provide improved extension and training services to producers
e. Introduction of sustainable production methods

Introduction of new varieties

a. Identification and testing of new crop or product varieties
b. Seed development programs / trials

Procurement

a. Development of new / innovative procurement models in rural areas
b. Development, improvement, or expansion of outgrowing (contract farming) operations
c. Investigation into new areas where products can be produced and sourced from farmers

Technology

a. Introduction of new or improved tools/equipment for producers
b. Technical support in developing post harvesting techniques that will benefit producers company is sourcing from
c. Technical support for company to develop or improve its final products (quality, packaging, labeling, product diversification, etc.)
d. Introduction of new methods for post-harvest storage, and/or methods to preserve product freshness and value.

Exposure Visits / Business to Business meetings

a. Learning visits in Kumar or to other countries to identify:
    - Sources of tools or equipment
    - Sources of raw materials
    - New production technologies
    - Innovative ways of organizing procurement between producers and buyers
    - New techniques for achieving high productivity/quality/lower costs from farmgate through to retail
    - Techniques to identify and eliminate plant diseases

Market access

a. Technical support to meet requirements of new markets
b. "Buyer-Seller Meets" (meetings in Kumar or another country where companies meet with potential buyers in person – mostly for exports)
c. Company conducts meetings to inform producers about the products they are interested in buying from, or selling to them.
d. Technical support to improve decoration/organization of trade show stands
e. Development of promotional materials, catalogues, web pages, etc.
f. Trade show participation

Management Systems

a. Development of business plans
b. Strategic planning exercises
c. Improving quality management (QM) systems at different levels of supply chain—from producers through to companies (assess quality gaps at different stages of production, develop guidelines for QM systems, develop QM checklists, disseminate QM standards with producers, safety regulations, etc.)

Policy/Regulation

a. Organization of a coalition of market actors to lobby for specific government policies that will support the growth in agribusiness sectors

For Input Supply Companies

a. Company-led training, coaching or field days to expose producers to improved use of agricultural inputs (seeds, tools, feed, equipment, etc.)
b. Organizing demonstration plots to expose producers to new varieties and/or improved use of agricultural inputs
c. Capacity building of company staff to provide improved information and training to producers and distributors
d. Training and capacity building of company distributors (retailers, commissioned agents, etc.) to enable them to better inform producers on the correct use the products that the company is offering (seeds, inputs, feed, tools, etc.)
e. Developing posters, brochures or other materials to assist in dissemination of good use of agricultural inputs for small-scale farmers
f. Expanding the company's rural distribution network through the identification and training of individuals that can serve as commissioned agents
g. Identifying and testing new crop varieties and other agricultural input products to meet the needs of consumers
h. Developing programs to produce inputs that will be sold to farmers (seed, feed, etc.);
i. Developing or improving products to make them more attractive to producers (better packaging, lower cost, etc.)
j. Conducting exposure visits to identify new sources of seed, tools, equipment, or other inputs
k. Conducting strategic planning exercises/ developing business plans to expand distribution networks

This list is non-exhaustive. It is simply to provide examples of company initiatives that could be supported by the AFE program. Any combination of these activities is encouraged. All supported activities must show how they will create sustainable impact for the producers that the company buys from or sells to.

AFE financial support funds cannot be used for:

- Working capital (day-to-day operations for purchasing, rent, salaries, etc.)
- Direct payment to producers
- Fixed assets (computers, vehicles, equipment, etc.)

General Criteria:
Eligible applicants for this program must:

- Have existing commercial (buying or selling) relationships with at least 50 producers (includes laborers working for those producers).
- Have a fully developed and marketable product and should have been in operation for at least the past two years. They must have commercial interest and incentives to invest in the producers they buy from or sell to.
- Must provide an investment in the proposed initiative of at least 30% of the cost of the initiative (in cash or in-kind).
- Design the initiative so that at least 60% of proposed activities/budget should be for activities that involve direct support to producers (training, introduction of new products, technologies, quality management, etc.)

Note: NGOs, consulting firms, or associations are not eligible to participate in the program.

After our review of the applications, AFE may determine that some of the proposed initiatives (such as exposure visits) might be best pursued as "cross-company" interventions, with several companies participating (an example could be an exposure visit to identify new kinds of packaging). This action could have the effect of reducing costs and promoting lateral learning among the participating companies. This assessment (as well as discussions with the Applicants) will take place once Applicants have submitted their applications.

Expected Results: While it is expected that participating companies will benefit from these activities, it is also expected that supported activities will demonstrate a clear linkage to expanding the number of producers the companies are transacting with, skills upgrading, and/or improved revenues for producers.

Preparation of Applications
AFE support may be given to many different companies. AFE will evaluate all applications based on the criteria above, and in the table below. ***All applicants that meet the criteria will be considered for technical and financial support.*** Applicants are invited to discuss their ideas and request advice from AFE in the preparation of their applications.

INSTRUCTIONS AND FORMAT

Cover Page Name and Address of Applicant (address, phone, fax, email) Date of Submission Lead Person to Contact Reference: AFE Agribusiness Sector Application
Proposed Initiatives and Impact (up to 2 pages): Clear description of proposed initiatives including how they will contribute to improved competitiveness of the Company and how they will support producers they source from or sell to.
Personnel (up to 1/2 page): Describe the name and qualifications of the company staff who will be responsible for implementing the activities.

Experience (up to 1/2 page): Brief description of past or current initiatives that company has conducted similar to those proposed, or why the company feels it is qualified to successfully conduct the proposed activities
Sustainability (up to ½ page): A clear description of how the proposed initiatives will result in increased and sustainable commercial relationships between the company and producers, and how the company will be able to continue these relationships and support to the producers once the program ends.

Applications will be accepted in English and must be no more than four pages in length (not including the budget or budget notes). AFE will select applicants that meet criteria by January 15, 2014. At that time, more detailed activity planning will take place between AFE and the applicants. This planning will include:

- Detailed discussions and agreement on strategy, budget and timing for different activities.
- Discussions on how technical support from AFE staff and consultants can be provided to support the agreed upon activities.
- Discussions on how combined technical support or "cross-company activities" might be organized with several companies.

Technical and financial support activities will begin in February 2014. All supported initiatives must be completed by October 31, 2014.

Please submit an electronic copy of the application by December 31st, 2013 to the AFE representative at email _____. Please include the name of the lead contact person who will be involved with the application process as well as telephone and email contact information.

Conditions: Issuance of this invitation for application in no way constitutes a commitment by AFE or [donor agency] to execute any agreement or to pay any costs incurred by any applicant in submitting an application.

Please note that AFE **will fully respect the confidentiality** of all companies involved in the program. If selected, AFE will establish a memorandum of understanding (MOU) (and subsequent addendums to the MOU) with the Company that describes the objective of collaboration and that clearly defines each party's respective responsibilities, roles, and obligations. Successful applicants must be willing to share information with AFE regarding their purchases from or sales to targeted producers. AFE (on a sample basis) will conduct interviews with these producers to gather information on impact and to monitor progress.

INSTRUCTIONS FOR COMPLETING THE BUDGET

Each applicant will prepare a budget using the format below. If possible (though not mandatory) applicant should prepare and send this budget as an additional file in Microsoft Excel format. ***Applicant must contribute at least 30% to proposed costs***.

	Line Item	Budget Notes (describes line item in more detail)	Cost/ Unit	Days/ Unit	People/ Number	Total Cost	Company Investment	AFE Cost Share
1								
2								
3								
5								
6								
7								
8								
9								
10								
11								
	Total AFE cost share (up to 70%)							
	Total Company investment (at least 30%)							

* Please contact AFE for any assistance or questions you may have.

APPENDIX 4: SAMPLE MEMORANDUM OF UNDERSTANDING (MOU)

MEMORANDUM OF UNDERSTANDING (MOU)
between
ACTION FOR ENTERPRISE KUMAR
and
ALPHA COMPANY

This document constitutes an agreement between ***AFE Kumar,*** an international development project promoting economic development in *Kumar,* and ***ALPHA Company***, a private, agribusiness company, with in Kumar with head office at _____.

1. Objective

The objective of this MOU is to express the willingness of both parties to engage in an effort to promote the competitiveness of ALPHA COMPANY as well as it's activities to develop and expand relationships with producers of herbs and spices that they source from (these producers are also referred to an micro, small and medium scale enterprises or "MSMEs").

Specific activities under this MOU will be identified through consultation between the two parties.

AFE Kumar agrees to provide technical assistance to improve ALPHA Company's competitiveness and to assist ALPHA Company to conduct activities that will improve or expand the support they provide to herb and spice producers they source from. As a preliminary activity, AFE will conduct a strategic planning exercise with ALPHA to review its outgrowing operations. The exercise results will assist ALPHA with the implementation of its operations and will help identify areas where AFE can provide capacity-building support. After finalizing the strategic planning session, technical and financial support agreements for specific activities will be developed through a participatory process. These agreements will be detailed in subsequent Addendums to this MOU.

ALPHA Company agrees to work with and coordinate with *AFE Kumar* in the development of their initiatives to improve and expand support to the MSMEs they transact with. They also agree to allow *AFE Kumar* to conduct monitoring and evaluation activities to assess the impact of these activities on participating producers.

2. General Terms of MOU

2.1 Duration of MOU: This MOU shall be operational upon signing and will have an initial duration of one year. All activities conducted before this date within the vision of the joint collaboration will be deemed to fall under this MOU.

2.2 Coordination: In order to carry out and fulfill the aims of this agreement, each party will appoint an appropriate person(s) to represent its organization and to coordinate the implementation of activities. ALPHA Company and *AFE Kumar* staff will meet regularly (preferably with two days' notice) to discuss progress and plan activities.

2.3 Technical and Financial Support: MOU Addendums will be developed for specific technical and financial support activities. The Addendums will provide a detailed description of each party's role, responsibility, and financial contribution. Work plans and reporting requirements will be clearly outlined in the Addendums.

2.4 Confidentiality: Each party agrees that it shall not, at any time, after executing the activities of this MOU, disclose any information in relation to these activities or the affairs of business or method of carrying on the business of the other without consent of both parties.

2.5 Termination of MOU: The partnership covered by this MOU shall terminate upon completion of the agreed-upon period. The agreement may also be terminated with a written one month notice from either side. In the event of non-compliance or breach by one of the parties of the obligations binding upon it, the other party may terminate the agreement with immediate effect.

2.6 Extension of Agreement: The MOU may be extended provided the parties agree upon and can provide the necessary resources.

2.7 Communications: All notice, demands. and other communication under this agreement in connection herewith shall be written in English language and shall be sent to the last known address, e-mail, or fax of the concerned party. Any notice shall be effective from the date on which it reaches the other party.

2.8 Addendum: Any Addendum to this MOU shall be in writing and signed by both parties.

2.9 Insurance: It is the responsibility of ALPHA Company to insure themselves against any casualties. *AFE Kumar* will not bear any responsibility for costs of sickness, accidents or any other liability.

3. Other Provisions

3.1 *AFE Kumar* retains the right to withhold cost-share payments for failure to comply with terms and conditions stipulated in this MOU and subsequent Addendums.

3.2 ALPHA Company shall immediately inform *AFE Kumar* of any event, which could have a negative influence on or endanger the successful accomplishment of the tasks described in the agreement.

3.3 ALPHA Company shall not use the name of *AFE Kumar* in any promotional literature or information without the prior written approval of *AFE Kumar*.

3.4 *AFE Kumar* shall pay the costs of its staff and any fees associated with the participation of its staff (e.g., transportation, communications, lodging, etc.) in the support of this activity, unless transportation can be provided by ALPHA Company.

3.5 Beside the agreed-upon technical support and cost-share payment(s) to be stipulated in the Addendums to this MOU, *AFE Kumar* has no other legal and financial obligations.

3.6 Income tax and VAT, if any arises due to cost share payments to ALPHA Company, shall be deducted at source at the applicable rates by *AFE Kumar* and will be deposited to the exchequer.

3.7 Both parties assume that this agreement does not go against the rules and regulations of the Government of *Kumar.*

3.8 ALPHA Company is reminded that U.S. Executive Orders and U.S law prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the legal responsibility of ALPHA Company to ensure compliance with these Executive Orders and Laws.

3.9 This agreement will be administered in accordance with prevailing standard provisions and certifications for *AFE Kumar* including those contained in ADS Chapter 303, "Grants and Cooperative Agreements to non- governmental organizations" and within the terms of the USAID standard provisions applicable to non-US, non-governmental recipients. Information on these provisions can be accessed through the USAID external website at www.info.usaid.gov "Business & Procurement" section.

The terms and provisions in this MOU also apply to any subsequent Addendum to this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this MOU on the __ day of ___, ___ [Date].

[Name]
AFE Kumar
Country Director
Signature and date:

_____

[Name]
Managing Director
ALPHA Company
Signature and date:

_____

APPENDIX 5: SAMPLE ADDENDUM TO A MEMORANDUM OF UNDERSTANDING (MOU)

ADDENDUM #1 TO MEMORANDUM OF UNDERSTANDING (MOU)
between

Action for Enterprise (AFE Kumar)
&
Alpha Company Ltd.

This document constitutes an Addendum to the agreement between ***AFE Kumar*** and ***Alpha Company Ltd.*** signed on _____.

1. Objective

The objective of this Addendum is to describe the role and responsibilities of each party relative to the implementation of the following Alpha Company Ltd. initiative:

Training of producers to increase and diversify the production of herbs and spices needed by the company for its final products

The advantage of this initiative for Alpha is that it will enable it to diversify its product range and receive improved quantity and quality of herbs for processing into dried herbs from the farmers it sources from. The advantages for Alpha Company contract farmers include: (i) increased income from crop diversification and improved herb and spice production, and, (ii) access to extension and crop support for herbs and spices.

Under this initiative, Alpha Company will:

1. Develop/refine its strategic plan for sourcing from producers through an outgrowing operation (this exercise will be facilitated by AFE staff)
2. Carry out awareness meetings and select farmers interested in being outgrowers of herbs and spices.
3. Develop a training module for herb and spice production (to be used by Alpha Company staff and lead farmers to train other farmers);
4. Conduct a two-day training of trainers workshop for three (3) of its staff and ten (10) lead farmers to prepare them to train farmers using the materials developed above;
5. Develop a producer manual explaining in detail about herb and spice production from conception to point of sale
6. Conduct five (5) two-day trainings in improved herb and spice production (using the materials developed above) for farmers in the ____, ____, _____, _____ and _____ districts. Alpha Company will train a total of 100 farmers (20 farmers per training) who will grow under contract with Alpha Company after they received the training. These

farmers will receive technical support during the season from Alpha Company, who will also purchase their herb and spice production.

A more detailed description of these activities follows:

Review of outgrowing strategy and operations: Alpha Company will undertake a thorough strategic review of its planned procurement operations with farmers. This review will be facilitated by AFE staff using "question guides" that will assist Alpha Company management to review all aspects of their outgrowing/procurement operations with farmers.

Awareness-raising: Alpha Company will organize mobilization meetings in the target communities to explain the operations of the herb and spice outgrower scheme and formal business arrangements in order to select committed farmers interested in being outgrowers. Alpha Company will conduct five (5) awareness sessions using one (1) member of its staff and will prepare the presentation that they will make to producers before the awareness meetings begin.

Development of producers' training module (curricula): Alpha Company will develop a detailed producers' training module (with support of an external consultant), which will be used by the company trainers during the training of the producers. The final draft module will be ready before the training of trainers (TOT) starts. It will include all steps that the trainers will follow, describe any practical demonstrations and exercises that will be conducted, and present visual aids that will be used. It will incorporate practical training and adult learning methodologies and will also include the technical content of herb and spice production to be presented *(AFE can provide examples of good training modules and work with Alpha Company in developing this module.)*

Development of a producers' manual: A production manual explaining all important details of herbal and spice growing, from land preparation stage up to the point of sale, will be developed, printed and distributed to farmers participating in the outgrower scheme. A total of 105 production guides will be produced. The manual will be developed before the training of trainers (TOT), printed before the producer trainings, and distributed to producers after the trainings.

Training of trainers (TOT): Three (3) Alpha Company staff and ten (10) lead farmers will participate in a TOT workshop that will prepare them to train herb and spice producers. The training will be for two days and be supported by the same consultant that assisted Alpha in the training module and producer manual development. The objective will be to familiarize trainers with the training module and producers' manual, and allow them to conduct practice training sessions using adult learning methodologies.

Training of producers: Alpha Company will organize a training program for targeted farmers. The training program will help the farmers to increase understanding of herb growing and production and will enable the company to access the quality and quantity of herbs and spices it needs for its production. In each area 20 farmers will be trained. The trainings will be conducted for two days in five areas of the _____ region. Alpha Company personnel (together with lead farmers) will conduct the training using the training module mentioned

above and employing the skills they learned during the TOT. The Alpha consultant will monitor the trainings. Enrollment of farmers in the outgrowing operation will take place at the time of awareness raising,

2. Roles and Responsibilities

AFE Kumar agrees to:

- Provide up to 70% of the total cost of the above described activities as per the attached budget and up to a maximum of KMS 23,643,900 *(approximately $4,700)*
- Provide technical support in the development of Alpha Company's training program for herb and spice producers. In doing so, AFE Kumar shall:
  - Review the profile of the consultant that will support Alpha Company in the development of the training module, producers manual, TOT and training programs as well as the contract, salary history and terms of reference
  - Assist Alpha Company to develop the producers' training module, the producers' manual, and an evaluation form for completion by participants following the conclusion of the trainings
  - Review and provide feedback/suggestions on the training module (including any handouts) and producers manual prior to their use in the training sessions
  - Monitor the mobilization and training events and provide feedback as needed for their improvement
  - Facilitate the development / review of Alpha's strategic plan for contract growing of herbs and spices using AFE's "Facilitation Guide for Outgrowing Operations"

Alpha Company agrees to:

- Provide at least 30% of the total costs of the above-described activities as per the attached budget. Any costs in excess of the attached budget will be the sole responsibility of Alpha Company
- Pay all expenses up front (using the advance from AFE Kumar to begin with) and then submit invoices periodically for cost share reimbursement
- Select and organize the participants
- Select and organize resource persons and trainers for the development of the training module and producers manual
- Organize all logistics of the proposed activities including selecting the training venues, arranging meals, lodging, printing of training materials, and transport
- Share with AFE the proposed technical consultant's contract, terms of reference, profile/CV, and earnings history before signing an agreement with the consultant
- Share with AFE the contents and schedule of the awareness meetings before they begin
- Coordinate the development of the training module, producers' manual, and TOT with AFE Kumar
- Keep daily attendance records of participants at all training sessions (including records on the gender of the participants)
- Work with AFE Kumar to prepare an evaluation form for the producer training programs and have participants complete the forms upon the conclusion of each training activity
- Have its management monitor the all activities under the agreement

- Allow AFE Kumar staff to interview selected participants both during and after the trainings to assess impact
- Participate in a review (facilitated by AFE using its "Facilitation Guide for Outgrowing Operations") of its strategic plan for contract growing of herbs with targeted farmers
- Share a copy of its contract agreement with targeted farmers for herb and spice production and quantities of herbs purchased from contracted farmers

3. Reporting

Alpha Company agrees to provide the following information and reports to AFE Kumar:

- **At least one week before the mobilization activity begins:**
  - Dates, schedule, and contents of the mobilization meetings
- **At least one week before the TOT session begins:**
  - Profile, contract, and terms of reference for the proposed technical consultant.
  - Training module (to be used by the company trainers and selected lead farmers in the training of farmers), producers' manual, TOT plan, and evaluation form (for producer trainings)
- **At least one week before the training sessions for the herb and spice farmers begin:**
  - Schedule of trainings including locations and training teams
  - Hard copy of printed producers' manual
  - Report of financial expenditures to date along with copy of all receipts (according to the budget line items)
- **Final activity and financial report** (not more than 4 pages, excluding annexes) will include:
  - A description of each training session conducted including:
    - Activities/ training session conducted, dates, topics covered, etc.
    - Names of consultant and resource persons hired
    - Copy of daily attendance log book for each activity
    - Difficulties faced, lessons learned and suggestions for improvement
    - Completed evaluation forms
  - Financial Report - AFE Kumar will propose a format for this report that will include a description of all expenditures (according to the agreed-upon budget), support documentation and copies of all receipts

4. Financial Support & Payment Modalities

AFE Kumar will make cost-share payments to Alpha Company according to the table below (and based on the receipt of an invoice, with copies of receipts or support documentation showing actual expenditures incurred, for each requested cost share advance or payment):

Activity	AFE Kumar Contribution Amount
Signing of Addendum, schedule for mobilization meetings, presentation of participants and	KMS 4,500,000

schedule for TOT, and presentation of information on proposed consultant	
After mobilization, development of training module, development of producers' manual, conducting of TOT and submission of financial report	Reimbursement of cost share for these activities (based on actual expenditure and receipts and up to agreed-upon financial support budget amounts)
Completion of all remaining activities (printing of manuals and producer trainings), and submission of the final activity and financial report (including financial details)	Reimbursement of cost share for remaining activities (based on actual expenditure and receipts and up to agreed-upon financial support budget amounts) upon budget amounts
Maximum AFE Kumar financial support amount	KMS 23,643,900 (approximately $4,700)

AFE reserves the right to confirm the validity of actual receipts, on a sample basis. Appropriate contact information for vendors used by Alpha Company should be shown on receipts submitted with each invoice.

If there is a significant reduction in expenditures due to a shortened training, fewer participants than planned for, etc., then an adjustment will be made to the cost-share payment. Remaining costs (in excess of budget) are the sole responsibility of Alpha Company.

AFE Kumar's contribution to these activities will not exceed KMS 23,643,900 *(approximately $4,700)*

Alpha Company assures that: 1) hired consultant /trainers are NOT salaried employees of Alpha Company, and, 2) it is not receiving support from other donors for the activities financially supported in this agreement.

5. Work Plan

Month	Activities
November	• Schedule of the mobilization activity • Submission of proposed technical consultant's profile, financial history, TOR, and contract • *AFE Kumar* feedback to profile, financial history, TOR, and contract of consultant • Disbursement of advance • Mobilization of the producers • Development of producers' training module (curriculum) for use by trainers (including handouts and materials) • Preparation of producers' manual • Preparation of the evaluation forms • *AFE Kumar* feedback on training module, producers' manual and evaluation form • Preparation and delivery of TOT

	• Logistical preparations for training
December	• Preparation of farmer trainings • Commencement of farmer training sessions • Conclusion of trainings • Final evaluations
January	• Submission of final progress reports • Final cost-share reimbursement

All terms and provisions from the original MOU also apply to this Addendum.
IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the ____ day of _____, ____.

[Name]
AFE Kumar
Country Director
Signature and date:

_____

[Name]
Managing Director
ALPHA Company
Signature and date:

_____

Alpha Company Budget for Proposed Initiatives

	Item	Budget Note	Unit Cost	Day/ Liters	No. Of People /Times	Total Cost	AFE Cost Share Per Budget Line Max 70%
1	**Producer mobilization and awareness activities**						
1.1	Transport cost	The fuel cost for conducting awareness activities A total 38 liters will be required to conduct the awareness activities (see the fuel calculation work sheet). The cost of fuel is KMS 8,000/Liter.	8,000	40	1	320,000	224,000
Subtotal						320,000	224,000
2	**Training of Trainers (TOT)**						
2.1	Hiring a consultant	The cost of hiring a consultant to support ALPHA to develop producers' training module and producers' manual. The consultant will be engaged for four (4) days at a rate of KMS 750,000/day.	750,000	4	1	3,000,000	2,100,000
		The cost of hiring a consultant, for 5 days, to conduct the TOT at a rate of KMS 500,000/day	500,000	5	1	2,500,000	1,750,000
2.2	Lodging and meals	The cost of accommodation and meals for 14 people (i.e., 3 Alpha staff; 10 lead farmers and 1 consultant) for five (5) days at a rate of KMS 150,000/per day.	150,000	5	14	10,500,000	7,350,000
2.3	Venue hire	The cost of hiring a venue for five (5) days at a rate of KMS 500,000/day	500,000	5	1	2,500,000	1,750,000
2.4	Stationary	The cost of books for 12 people at a rate of KMS5,000/book	5,000	1	12	60,000	42,000
		The cost of pens for 12 people at a rate of KMS1,000/book	1,000	1	12	12,000	8,400
		The cost of two (2) reams of paper at a rate of KMS 35,000/ream of paper.	35,000	1	2	70,000	49,000
		The cost of printing and binding 15 session plans at a rate of KMS 21,000/session Plan.	21,000	1	15	315,000	220,500
2.5	Transport cost	The cost of transporting 10 lead farmer trainers to and from the training site, at a rate of KMS 50,000/lead farmer.	50,000	1	10	500,000	350,000
Subtotal						19,457,000	13,619,900

	Item	Budget Note	Unit Cost	Day/ Liters	No. Of People /Times	Total Cost	AFE Cost Share Per Budget Line Max 70%
3	**Training of producers**						
3.1	Transport cost	The fuel cost for transporting 4 people (i.e., 3 Alpha staff and 1 consultant) to conduct the producers' trainings A total 40 liters will be required to conduct the awareness activities (see the fuel calculation work sheet). The cost of fuel is KMS 8,000/Liter.	8,000	40	1	320,000	224,000
3.2	Hiring a consultant	The cost of hiring a consultant to monitor the producer training that will be conducted by Alpha extension staff and lead farmers. The consultant will be hired for 2 days for 5 training sessions, at a rate of KMS250,000/training session	250,000	2	5	2,500,000	1,750,000
3.3	Meals	The cost of meals for conducting the producers' training. The duration for all the trainings will be 10 days (i.e., each training session will be 2 days and be redone 5 times), and each targeting 24 people (i.e., 20 farmers, 3 Alpha staff and 1 consultant). The rate of meals is KMS40,000/person	40,000	10	24	9,600,000	6,720,000
3.4	Training materials	The printing cost of 105 copies of the producers' manual at KMS 10,000/copy	10,000	1	105	1,050,000	735,000
		The cost of 110 books at KMS 1000/book	1,000	1	110	110,000	77,000
		The cost of 110 pens at KMS 500/pen	500	1	110	55,000	38,500
		The cost of 5 flip charts at KMS 45,000/flip chat	45,000	1	5	225,000	157,500
		the cost of 4 reams of papers at KMS 35,000/ream	35,000	1	4	140,000	98,000
Subtotal						**14,000,000**	**9,800,000**
Grand Total						**33,777,000**	**23,643,900**

* $1 = ~KMS 5000

AFE financial contributions will not exceed KMS 23,643,900. Please be aware that AFE will only pay 70% per budget line. Expenditures in excess of these amounts are the responsibility of Alpha. Any proposed changes in the budget must be approved by AFE Kumar.	23,643,900.00
Alpha (30%)	10,133,100.00

APPENDIX 6: SAMPLE BUSINESS PLAN QUESTION GUIDE

(For Investing in Vegetable Seed Mini-Packet Production)

This question guide is used in conjunction with an Excel spreadsheet that enables the DO assist the LF in the generation of projected profit and loss statements

I. Description of the new product

1.1 What is the new product you are marketing?
1.2 Why did you choose this type of product (e.g. crop variety, size of packet, etc.)?
1.3 How does the new product differ from your existing product/services?
1.4 What "unmet" needs among your target market does this new product service?
1.5 Are there existing products like this in the market today? If so, how are these products perceived by the end users?
1.6 What are the short- and long-term business goals for the new product?

Example of short-term objective: "Our seed packets will capture 60% of market share by 2015."
Example of long-term objective: "Our seed packets will come to be recognized as the leader in the field of small-scale farming."

II. Market perceptions

2.1 How is your company perceived by your target market today?
2.2 How are you currently perceived against your competitors?
2.3 How do you want to be perceived in the future?
2.4 If one of your business goals is to change your image, how and why do you expect to achieve this change?
2.5 If the image change requires operational changes, what are they and what impact will they have on your day-to-day operations?

III. Target Market

3.1 What are the general characteristics of the customers that have an immediate need for your new seed packet product?
3.2 Describe your target market segment(s) in terms of location, purchasing power, farm size, etc.
3.3 How many potential customers are there? If necessary break these into market segments according to size, amount of your product they need annually, etc.
3.4 What do you estimate they are spending (total) on vegetable seeds?
3.5 What is your company's market share for vegetable seed?
3.6 Who are your regular customers of existing products, and can they provide you with a consistent source of revenue?
3.7 What kind of incentives (e.g. embedded service, etc.) will you offer to purchase the new product?
3.8 How do customers currently buy vegetable seeds and why would they want to change the way they buy them?

3.9 What are the differences between your existing customers and your target customers?
3.10 What is the projected annual quantity of packets sold for the new product?
3.11 What will be the realistic projection of revenues and expenses for this new product for the next three years?
   a. What is the expected annual growth rate of sales quantity?
   b. What is the expected annual growth rate of price?
   c. What is the expected annual growth rate of costs?

IV. Pricing

4.1 How will you set the price for your new product?
4.2 What is the rationale for the pricing strategy?
4.3 Is this a "loss leader" or do you expect to make a profit?
4.4 If you do not see this product making an immediate profit then how are you justifying it (to get market share, to encourage farmers to buy larger quantities, to gain loyalty and increase prices once producers see the value, etc.)?
4.5 If you expect to lose money initially, how much of your marketing budget can you justify spending on the losses?
4.6 How does the pricing strategy compare to the competition?
4.7 Do you expect customers to pay more or less for the new product than they currently pay for vegetable seeds? Explain.
4.8 Are there any special prices, volume discounts, or incentives that will be offered to either retailers or final customers?
4.9 What is your projected price at which you will sell the product to your distributors (i.e. wholesale price)?
4.10 What is the VAT rate for the product you are marketing?
4.11 What is your projected per-packet cost for raw materials?
4.12 What is your projected per-packet cost for packing materials?

V. Publicity and Advertising

5.1 Who will be responsible for marketing activities?
5.2 What is your action plan for implementation of start-up marketing campaigns?
5.3 What are the relevant costs for implementing the start-up marketing campaign?
5.4 How and when will you promote and market your new product? (e.g., product launching ceremonies, community meeting, press conferences, endorsements from buyers or experts, trade fairs/shows, local news, loyalty/incentive programs, etc.)
5.5 What are the expected costs and quantities for each of these types of publicity?

VI. Organization and Personnel

6.1 Will there be new division/personnel to manage the marketing of the new product? If so, where will the new division fit into your company organigram/organizational chart?
6.2 Who will be the key personnel involved in producing and marketing the product? What will their positions, responsibilities, and qualifications?
6.3 What are the key positions that need to be filled within the next 12 months?

6.4 What are the attributes/skills required of the personnel desired to fill these positions?
6.5 How will you monitor your sales and distribution channels?
6.6 Do you need to make any changes based on your marketing strategy for this new product?
6.7 Are your sales personnel adequately trained to produce and market the product?
6.8 What kind of training (if any) will staff need to produce and market the new product?
6.9 How many total staff will you need in your factory, office, and in the field, and what are their projected salaries?

VII. Depreciation Costs

7.1 Will you need to acquire land for setting up new production line?
7.2 If so, how much will acquiring land cost?
7.3 Will new buildings or adjustments to existing buildings need to be made?
7.4 Will you need to procure new machines and/or equipment? How much will these cost?
7.5 What other fixed assets will you need to acquire and what will be the cost (e.g., vehicles, new furniture and fixtures, utility connections)?

VIII. Indirect Costs [An indirect cost is any cost that cannot be traced directly to the making of the final product, but is still necessary for the company to run.]

8.1 What day-to-day operational expenses do you incur (e.g., office expenses, maintenance expenses, expenses for supplies, entertaining customers, utilities)?
8.2 What percentage of these indirect costs will be applied to the production and marketing of the vegetable seed mini packets?
8.3 How can you reduce overall costs?

IX. Customer Preferences

9.1 How will the new seed packets improve the farmers' operations (e.g., increase yields, decrease duration, decrease costs, etc.)?
9.2 Why will farmers want to purchase these new products?
9.3 Will customers require a wide variety of vegetable seeds?
9.4 What are the qualities that buyers want to see in your product (e.g., high germination, short duration, affordability, disease resistance, etc.)?
9.5 Who in the household will make the decision to use the seed mini packets?
9.6 What are the buyer's alternatives to using your product and why will they choose yours?
9.7 What is the estimated amount of vegetable seeds (by type) that the average customer in your target market(s) will purchase annually?
9.8 What is the estimated amount that your targeted customers currently pay annually for vegetable seeds?

X. The Competition

10.1 Who is the main competition facing your company (those currently selling vegetable seed to customers in your target market)?
10.2 What are their competitive advantages / disadvantages (e.g., market reach, pricing, technical support, existing distribution network, etc.)?
10.3 What are your competitive advantages / disadvantages (e.g., marketing, staffing, distribution networks, pricing, technical support, etc.)?
10.4 What will differentiate your new product from your competitors?
10.5 What is their share in your target market?
10.6 What is your target market share within one year? Within five years? What are your strategies to achieve these targets?
10.7 What are the products and services that these competitors offer?
10.8 Which of your competitors' products directly compete against this new product?

XI. Enabling Environment

11.1 What are the major external factors that could potentially affect your new product? Be specific as to how these factors will potentially have an impact on your company (e.g., new or potential government regulations, changes in commodity prices, changes in population/demographics, changes in consumer preferences such as trends or conceptual shifts like greater health consciousness, etc.)?
11.2 Are there any new technological developments that can impact your company? If so, how will they impact your company (e.g., mobile phone technology, increase in use of power tillers, pheromone traps, etc.)?
11.3 What is the impact of changing social values (e.g., concerns over food quality, environmental impacts, etc.)?
11.4 Will there be an impact from taxes on the sale of vegetable seed mini packets?
11.5 Will changing demographics (e.g., population growth, changes in rural vs. urban populations, increase in technology use) affect the sales of your new product?
11.6 Will government subsidies/price controls/import quotas affect the sales of the new product?
11.7 Are there any licensing or regulatory requirements for selling your new products (e.g., is it a government requirement to include the MRP on the packets, etc.)?

APPENDIX 7: QUESTION GUIDE FOR PROVIDING TECHNICAL ASSISTANCE AND TRAINING TO OUTGROWERS

(Excerpt from AFE's "Facilitating the Development of Outgrowing Operations: A Manual." Following each question is information and sample responses that the Facilitator can review and use as a reference when discussing the questions with the LF)

What kind of technical assistance and training will you provide to your outgrowers?
Along with good quality seeds, outgrowers tend to value company technical assistance (TA) more than anything else. The TA can include training/ coaching sessions, field-based technical advice and demonstrations. Technical assistance helps outgrowers produce according to company specifications and realize yields and quality that benefit both outgrower and company. Technical assistance also can increase outgrower productivity; make company operations more cost effective; and improve farmer profitability, all of which builds mutual trust and loyalty. TA also encourages and motivates outgrowers.

The following questions can assist the company to determine the types of TA to provide outgrowers.

Field-Based Technical Support (Extension)

1) What are field agent tasks and objectives when providing technical advice and extension services to outgrowers during field visits?
   - Give instant, on-the-spot advice
   - Respond quickly to crop disease
   - Answer specific questions and concerns
   - Monitor the correct application of and adherence to prescribed production packages
   - Plan production schedules and progress towards harvest
   - Plan for procurement
   - Provide farmers with feedback on rejections, poor production, etc.
   - Advise on post-harvest practices (drying, storage, etc.)
   - Provide farmers with written prescriptions for the necessary chemicals that they can take to input suppliers
   - Take digital pictures and share with experts (including international experts).

Company field agents can use outgrower record books to monitor the technical information provided to farmers. These books become part of the management information system (see Question Guide #14 -Management Information Systems) that the company uses to track outgrower performance, review recommendations, etc.

Training/Coaching

2) What topics and activities will you cover in outgrower training / coaching sessions?
   - Recommended agronomic practices
   - Post-harvest issues
   - Issues related to outgrowing operations, planting schedules, etc.
   - Distribution of seeds or other inputs
   - Introductions to higher level people in the company
   - Expert assistance in input supply, production and financial services by specialists in those and other relevant areas
   - Past season results and adjusting practices for the upcoming season
   - Discussion on procurement plans.

3) How will you develop training / coaching session content?
   - The company training / coaching team can develop a training module or session plan that details the session approach and content and ensures the same message is delivered during multiple sessions with different trainers
   - Experience shows that training programs including practical field visits provide better learning opportunities for outgrowers than those limited to classroom learning.

4) Who will be part of your training / coaching team?
   - Company field staff
   - Lead farmers
   - Expert farmers, recruited as trainers, with the following qualifications:
     - Extensive experience growing the targeted crop
     - Basic education
     - Good communication skills and speaking voice
     - Sufficient time to devote to coaching
     - Self-confidence
   - Selected resource people.

5) Where and when will you organize outgrower training / coaching sessions?
   - There are advantages to arranging training sites near demonstration plots to facilitate field demonstrations.
   - They should fit within the crop calendar (before planting, harvesting, etc.).
   - Common options include:
     - Three sessions—one prior to planting, one during the growing season, and the last before harvesting
     - Two sessions—one prior to planting and the other before harvesting.

6) How can you make your training / coaching sessions cost effective?
   - Engage input suppliers and other service providers who have a commercial interest in contributing to the training

- Include local *expert farmers* on the training team; outgrowers can relate to them and they are less expensive than high level resource persons.
- Limit duration and use a low-cost training site
- There is a trade-off between larger and smaller groups—large groups may be more cost effective, but small groups offer better learning opportunities.

7) How will you develop your training / coaching team capacity?
   - Organize a training of trainers (TOT) workshop for the training / coaching teams to:
     - Make sure that trainers are familiar with the training modules (including all technical issues)
     - Introduce adult learning methodologies
     - Allow them to practice the training before giving it to farmers
   - Invite expert farmer candidates to the TOT, evaluate them, and select the best ones.

8) How can you motivate field agents to provide training and technical support to outgrowers?
   - Provide professional development opportunities such as training, exposure visits, etc.
   - Offer awards and recognition for good work
   - Develop performance-based remuneration packages to improve their commitment to and the effectiveness of their technical support

9) What techniques can you use to promote good production practices and motivate outgrowers?
   - Guided visits for outgrowers to selected farmers' fields to observe good practices
   - Visits by company managers to farmers' fields lets managers see reality on the ground and motivates farmers by making them feel part of and valued by the company
   - Visits to farmers by company buyers also can motivate the outgrowers
   - Visits by outgrowers to company factories and offices
   - Give recognition such as "Best Outgrower of the Year," "Best Lead Farmer of the Year," etc.

Appendix 8: Illustrative Checklist for Demonstration Plot

	What to look for	Yes	No	Remarks
1	Is the demo plot managed by the farmer who owns the land?			
2	Is the farmer available/ present in the plot during visit?			
3	Is the demo plot adjacent to the road side and/or clearly visible from the road?			
4	Is the demo plot located at near the middle and/or close to the production area / block?			
5	Is the demo plot record sheet maintained on regular basis?			
6	Who is responsible for keeping the record sheet?			
7	Are all demo plot data recorded in the record sheet properly?			
8	Who is the person responsible from the company to supervise and/or monitor the demonstration plot activities? Does he/she maintain regular communication with the farmer and monitor the demo plot activities?			
9	Did the demonstration plot have a sign board?			
10	Was the size of the sign board appropriate?			
11	Were the messages of the sign board concise, visible and clear?			
12	Was all relevant information (title, crop and variety name, land size, planting date, etc.) included on the sign board?			
13	Do other farmers visit the demo plot? How frequently? Do they ask any question related to demonstration to the concern person?			
14	Was land and soil selection appropriate?			
15	Was land prepared properly?			
16	Were fertilizers applied based on soil test and recommendation? Were fertilizers applied properly (time, dose, method, etc.)?			
17	Was irrigation done properly?			
18	Was the land free from weeds?			
19	Were seeds collected from a good source and class?			
20	Were seeds treated and cut properly?			
21	Was planting done on time? What was the planting date? At what time of day was planting done (morning / noon / evening)?			
22	Was the planting (plant-to-plant and row-to-row) distance followed properly?			
23	Was the growth status of the crop in accordance with acceptable norms? (Height, canopy, number of stem per plant, plant height, etc.)			
24	Is any disease evident in the plot? (What percentage of the crop was affected by what types of disease?)			
25	Was timely action taken to control diseases? (specify)			

	What to look for	Yes	No	Remarks
26	Was any insect or evidence of insect attack found in the field?			
27	Was the predetermined spraying schedule of pesticides maintained properly?			
28	Was earthing up done properly? How many times?			
29	What was the number of tubers per plant?			
30	What were the size, grade, and weight of tubers?			
31	Were any diseased tubers found (%)?			
32	Was haulm pulling done? When (DAP)?			
33	Was the crop harvested on time (DAP)? Was crop matured during harvesting?			
34	What was the yield? What was the quality of the yield?			
35	Were the results compared and/or shared (or is there a plan to share the results) with other farmers?			

APPENDIX 9: SAMPLE FOCUS GROUP DISCUSSION (FGD) SESSION PLAN

Focus Group Discussion with Lead Firms To Assess Market-Based Solutions
Time: 3 hours 15 minutes

Steps	Time	Materials
Step 1: Ice-Break After having greeted the participants the facilitator asks participants to: a) interview the person next to them (someone they don't know) in order to find out their name, profession, professional activities, and something unique about their experiences, and: b) present the participant they interviewed to the rest of the group.	15min	Key points of ice-break interview on PPT or flip chart.
Step 2 Program The facilitator presents the FGD program to participants indicating the major points in the day	5min	
Step 3. Context of the workshop A representative of the Team makes a short presentation to situate the workshop within the program strategy.	5 min	PPT
Step 4: Presentation of goals The facilitator describes the work done by the field team up to present (number of interviews, type of people interviewed, etc.) He/she then presents the goals of the FGD: 1. Participants will validate information collected related to the provision and use of *[name of MBS]* in the *[name of value chain]* value chain 2. Participants will propose initiatives that they (as Lead Firms/ Providers of the targeted MBS) can undertake to address the challenges they face in providing *[name of MBS]* to *[name of targeted MSMEs]*. 3. Discussion of how the Development Program can support them in implementing their proposed initiatives	5 min	PPT or flipchart
Step 5: Discussions of targeted MBS 1) **Validation of proposed MBS and related value chain constraint** The facilitator presents a description of the *[name of MBS]* and the value chain constraints that the MBS addresses. He/she asks participants to validate. 2) **Validation of incentives to provide the MBS** The facilitator asks participants to validate the incentives they have for providing the MBS (to MSMEs targeted by the program)	2h30	PPT (or flip chart) presentations of: • value chain constraint • proposed MBS • LF incentives to provide MBS • challenges to MBS

Steps	Time	Materials
3) **<u>Validation of challenges to provision of the MBS</u>** The facilitator presents the first challenge (identified through interviews with Lead Firms) that Lead Firms face in providing the targeted MBS to targeted MSMEs, and asks participants to validate. 4) **<u>Proposal of initiatives/ interventions that participants (LFs/ Providers of MBS) can undertake to address the challenges they face in providing the MBS to targeted MSMEs.</u>** After validating the information of the first challenge the facilitator explains the goal now is to identify initiatives/ interventions that the participants (MBS Providers/Lead Firms) can undertake to address this challenge. A discussion will then follow on how the Development Program might be able to support them in implementing their proposed initiatives. After providing one or two examples the Facilitator asks participants to propose initiatives / interventions that they could undertake **(either as an individual company or as a "cross-company" initiative)** to address the identified challenge. While one facilitator is managing the discussion, the co-facilitators formulate the wording of the LFs' proposed initiatives/ interventions taking into account what they hear from the participants. Once the initiatives / interventions are formulated, they present them back to the participants for validation. 5) **<u>Discussion on what the Development Program might be able to do to support the LFs in implementing their proposed initiatives.</u>** The facilitator leads a discussion to: a. **Introduce the Development Program** policies on providing technical and financial support for LF initiatives (either company specific or cross-company) that address the challenges they face in providing targeted MBSs to targeted MSMEs* • types of technical support • types of financial support (with cost share rules) • examples from past programs *refer to AFE VC Program Design paper or manual on Working with LFs for information and examples b. *[Optional]* **Introduce the Invitation for Application (IFA)** – At this point the facilitator may also distribute an Invitation for		PPT or flipchart

Steps	Time	Materials
Application (IFA) to the participants, and explain to them that if they are interested in working with the Program to implement any of their proposed initiatives/interventions discussed today or any new interventions that can promote [name of MBS] they can submit an application following the instructions in the IFA. Facilitators review these instructions with the participants. Facilitators remind participants that Program staff are available to assist them in completing the application as necessary.		
Step 6: The facilitator reviews the proposed LF initiatives/interventions, and explains that after the FGD the Program will review them to determine the best manner that it can support them in implementing their initiatives. If an IFA has been introduced then the Facilitator will reiterate any deadlines and suggest that the LFs contact the Program Team if they need any assistance. He/she reviews the goals of the workshop and then thanks everyone for their participation.	15 min	Present on PPT Invitation for applications

APPENDIX 10: TYPICAL MISTAKES THAT DEVELOPMENT ORGANIZATIONS MAKE

(While Helping Companies Develop Outgrowing Operations)

TYPICAL MISTAKES MADE BY DEVELOPMENT ORGANIZATIONS (DOs) WHEN:

Building the capacity of companies engaged in outgrowing to <u>decide whether to establish an outgrowing operation:</u>

- Telling companies that an outgrowing operation can help them achieve immediate savings in raw material costs. *In fact, when companies compare what they pay during the first few years of outgrower operations with what they used to pay to procure raw materials from traders, most do not see a reduction in costs.*
- Insisting that the company use a particular model of outgrowing operation
- Proposing that the DO, rather than the company, should organize the farmers. *Doing so can result in unrealistic expectations by both company and outgrowers, reduce the company's sense of ownership, lead to dependency, etc.*

Building the capacity of companies engaged in outgrowing to <u>hire staff:</u>

- Moving forward with technical and financial support to a company before it hires staff to manage the outgrowing operations
- Hiring field staff for its own program from the company it is supporting
- Providing allowances or higher remuneration to company field staff by paying per diem, fuel allowances, etc. *Such allowances are not sustainable for the company; they can create the wrong signals or incentives for field agents and could result in their leaving the company after support ends.*

Building the capacity of companies engaged in outgrowing to <u>select and engage lead farmers:</u>

- DO serves as intermediary between the company and lead farmers. *DO should not serve as an intermediary as the company must take responsibility for selecting and negotiating with lead farmers.*
- DO promotes strategies in which producers elect their lead farmers—as they may do with producer organizations. *To increase sustainability, outgrowing operation lead farmers have a contractual relationship with the company and should therefore be chosen by the company.*

Building the capacity of companies engaged in outgrowing to <u>select outgrowers:</u>

- DO serves as an intermediary between the company and outgrowers by forming producer groups, negotiating with the company on behalf of outgrowers, etc. *This action can create a number of problems, including fostering dependency on the DO, hindering development of relationships between outgrowers and the company, etc. Participation in an outgrowing operation should be seen as a business relationship between the company and the outgrower.*
- DO mobilizes and even preselects outgrowers to propose to the company. *This action can cause problems such as creating unrealistic expectations of the DO by both company and*

outgrowers, reducing the company's sense of ownership of the outgrowing operations, etc. The company should be responsible for the entire selection process, though the DO may provide technical support, as described above.

Building the capacity of companies engaged in outgrowing to communicate with farmers:

- DO communicates with the company on behalf of outgrowers (or vice versa). *This action can distort information, hinder direct communications between the company and outgrowers and foster dependency on their intermediary role.*
- DO provides transport to company field agents and/or lead farmers to help them overcome logistical challenges to good communication with outgrowers. *This assistance makes them dependent on the DO and is not sustainable.*
- DO finances sophisticated and expensive communication systems such as radios and satellite phones. *This type of assistance is unsustainable as the company cannot maintain or replace these systems.*

Building the capacity of companies engaged in outgrowing to provide technical assistance to outgrowers:

- DO staff and technical consultants directly train outgrowers. *This process does not build company capacity in a sustainable way.*
- DO organizes and manages the outgrower training/ coaching activities. *This process also results in the same problem noted above.*

Building the capacity of companies engaged in outgrowing to provide credit to outgrowers:

- Provide subsidized credit to outgrowers. *This provision is unsustainable and can make both the outgrowers and company dependent on the DO.*

Building the capacity of companies engaged in outgrowing to ensure outgrower access to appropriate inputs, including seed:

- Taking on an intermediary or negotiation role between the company and input suppliers. *This process does not allow the company to develop the negotiation skills necessary for long-term success.*
- Distributing inputs to outgrowers on behalf of the company. *This decision can result in problems of sustainability, weak relationships between outgrowers and input suppliers, inputs going to the wrong farmers, company blaming the DO for problems, etc.*
- Subsidizing the provision of inputs to outgrowers. *This is not a sustainable process.*
- Providing inappropriate agronomic advice to the company, sometimes by staff who lack expertise.

Building the capacity of companies engaged in outgrowing to determine price for outgrower produce:

- DO gets involved in price negotiations between the company and outgrowers. *Negotiating prices is a critical aspect in the process of building relationships and trust between the company and outgrowers and therefore should take place between those two parties.*
- DO encourages outgrowers to demand a fixed price at the beginning of the season. *This action can create problems if market prices go higher and can interfere in the development of the relationship between the company and outgrowers.*
- DO provides outgrowers with end-market prices, but does not help them understand the level of effort and costs the company incurs in bringing a product to market.

Building the capacity of companies engaged in outgrowing to manage procurement from outgrowers:

- DO becomes directly involved in procurement, collecting and transporting produce from remotely located outgrowers to company collection points. *This process creates dependency on the DO and might also displace other local companies/people who already perform the service.*
- DO finances machinery for post-harvest activities without involving the company.

Building the capacity of companies engaged in outgrowing to develop a seed program:

- DO is overly involved in managing the company's seed development program. *This action can hinders the company's ability to manage the program on its own over the long term.*

Building the capacity of companies engaged in outgrowing to develop demonstration and trial plots:

- Becoming overly involved in the management of the company trial and demonstration plots. *This action hinders the ability of company to manage the plots sustainably on its own.*
- Insisting on a particular production package that may not be feasible.

Building the capacity of companies engaged in outgrowing to develop management information systems:

- DO supports development of a monitoring system that meets its own reporting needs, rather than those of the company. *By their nature, DOs usually have different goals than a private sector company so they most likely have very different reporting needs.*
- DO overburdens the company by attempting to include its own information and reporting requirements into the company MIS. *This process can result in a complicated and costly system that might not be sustainable by the company.*
- DO evaluates company field staff performance and reports the information to company management. *This decision can compromise trust between DO staff and field staff. The result could be difficult situations in which company field staff withhold problems and information and are reluctant to share their problems and mistakes with DO staff.*
- DO pressures the company to use advanced technologies, e.g. GIS, bar coding, etc. *Advanced technologies, while useful, can be expensive and may be unnecessary to meet company needs.*

Facilitating company exposure visits to successful outgrowing operations:

- DO does not include all relevant details in the MOU, especially details regarding who is responsible for paying what costs initially and how reimbursements are to be handled. *This action can result in communication problems between the two parties and delay or halt implementation.*
- Requiring too little or no cost-sharing by the company. *This decision can lead participants to view the visit as a free trip rather than a learning opportunity.*
- The DO cost shares too little of the visit. *This decision can discourage participation by those who may not be able to afford to pay the full cost or who may not see the value of exploratory visits.*
- DO allows company to send participants who are not key decision-makers. *In this case participants may be unable to follow through with implementing new ideas learned during the visit.*

APPENDIX 11: SAMPLE FORMAT FOR SUBMISSION OF EXPENDITURES BY LEAD FIRMS

This template can be used by companies (LFs) that are collaborating with DOs to prepare financial reports that present expenditures and request the cost-share amounts for agreed-upon activities. Financial reports submitted by companies should include the following:

1. **An invoice** – The invoice should present (by budget line item) the expenditures that the company made for the agreed -upon activities, the agreed-upon cost share, and the total amount requested for cost-share reimbursement. The budget line items in the invoice should correspond with the budget line items in the MOU or related MOU Addendum. The invoice must be signed by an authorized company representative, dated, and submitted to the DO in a timely manner.

2. **Supporting documentation** must be submitted with the invoice. ***A cover sheet*** for each budget line item will summarize the costs incurred under that line item and provide a reference number for each attached receipt. All receipts for expenditures under that budget line item must be attached to the cover sheet. Original receipts are preferred unless the company provides a reason why it needs to keep the original (in which case it can provide a copy). It is preferred that all receipts be pasted onto blank sheets of paper and labeled with a reference number (that will show up in the cover sheet and invoice). If receipts are not available, the company should produce a reimbursement voucher.

Please find below a sample invoice, cover sheets, and receipts.

Company X
123 Main St
Arlington, VA
222-888-9999

SAMPLE INVOICE

Submitted to: Action for Enterprise
Ref: MOU Addendum dated November 1st, 2011

Budget Line Item *	Amount Spent	AFE Cost Share %	AFE Cost Share
Training Materials and Handouts	$107.52	70%	$75.26
Meals and Transportation for Training	$160.00	70%	$112.00
Consultant	$200.00	70%	$140.00
Total	$467.52		$327.26

* See attached summary of expenditures by line item for justification of these amounts

The undersigned hereby certifies that the invoice and any attachments have been prepared from the separate books and records of the Company X, have not been previously claimed, were wholly and necessarily incurred for the purpose of and in compliance with the terms of the MOU and related MOU Addendum, and to the best of my knowledge and belief are correct.

Signed: _____ Date: _____

Printed Name: _____

RECEIPT COVER PAGE
Budget Line Item: Training Materials and Handouts

Description	Reference #	Amount
Printing of materials	1	$23.52
Binding	2	$84.00

Total	$107.52

RECEIPTS ATTACHED ON ADDITIONAL PAGES
Budget Line Item: Training Materials and Handouts

1

BEST PRINTING COMPANY LTD.

320 copies
@$0.07 each = $22.40

Subtotal $22.40
Tax $1.12
Total $23.52

2

PRINTING AND BINDING CO. INC.

Binding of 20 books
@$4 each $80

Subtotal $80
Tax $ 4
Total $84

RECEIPT COVER PAGE
Budget Line Item: Meals and Transportation for Training

Description	Reference #	Amount
Meals for training participants	1	$100
Travel Stipend	2	$60
	Total	$160

RECEIPTS ATTACHED ON ADDITIONAL PAGES
Budget Line Item: Meals and Transportation

1

Yum Yum Food
777 South Street
Smallville, Virginia USA
703-555-5555
INVOICE
TO: Company X
Date: November 16th, 2011

Please provide payment for the following:

Description of Merchandise / Services	Quantity	Unit Price	Total
Meals for training participants	25	$4	$100
Total			$100

Signature of Company Representative: *Jane Doe*
Printed Name of Company Representative: Jane Doe

2

Participant Name	I certify that I received money for travel	Signature
Mike Jones	$3	Mike Jones
Henry Blue	$3	Henry Blue
April Smith	$3	April Smith
Edward Taylor	$3	Edward Taylor
Eric Curtis	$3	Eric Curtis
Alex O'Hare	$3	Alex O'Hare
Jane Martin	$3	Jane Martin
Sabrina Fendrick	$3	Sabrina Fendrick
Jason Fillion	$3	Jason Fillion
Jessica Schipp	$3	Jessica Schipp
Lisa Davis	$3	Lisa Davis
Sarah Anderson	$3	Sarah Anderson
Frank Shorter	$3	Frank Shorter
Steven Walter	$3	Steven Walter
John Nash	$3	John Nash
Jim Bean	$3	Jim Bean
Jack Morgan	$3	Jack Morgan
David Harper	$3	David Harper
William Austin	$3	William Austin
Ben Bennett	$3	Ben Bennett

RECEIPT COVER PAGE

Budget Line Item: Consultant

Description	Reference #	Amount
Consultant Fees (5 days @$40)	1	$200
	Total	$200.00

RECEIPTS ATTACHED ON ADDITIONAL PAGES

Budget Line Item: Consultant

1

INVOICE

Date	Purpose	Amount
11/10/11	5 days @ $20	$200

Please remit payment to John Doe

John Doe

11/15/11

I, John Doe, confirm that I received $200 from Action for Enterprise

John Doe

APPENDIX 12: SAMPLE TABLE FOR MONITORING LF INTERVENTION FINANCIALS

(For internal use by DO)

Company Name: Alpha Trading Co. Ltd.

Total Budget: 1,089 Shs

			1-May-11 (Past Invoice)		5-Jun-11 (Current Invoice)		Total Cost Share to Date	Cost Share Budget Balance	Comments
1. Producer Trainings	Total Budget	DO Cost-share	Actual Costs	Cost-share	Actual Costs	Cost-share			
Materials	400	**280**	350	245			245	35	
Lunch for participants	300	**210**	300	210			210	-	
2. Promotional Materials									
Poster design and printing	350	**245**			360	245	245		
Leaflet design and printing	275	**193**			200	140	140	53	
3. Demonstration Plot									
Cost of Seed	100	**70**			100	70	70		
Fertilizer	130	**91**			127	89	89	2	
TOTAL	1,555	1,089	650	455	787	544	999	**90**	

ADVANCES		Amount
DATE	Check #	
1 Apr 2011	2222	250
TOTAL ADVANCES		**250**

COST SHARE PAYMENTS MADE				
Date	Check #	Amount	*Advance deducted*	Total
1 May 2011	2275	455		455
15 Jun 2011	2283	544	250	294
TOTAL COST SHARE PAYMENTS				**999**

*Also serves as a summary supporting document for DO cost share payments to lead firm