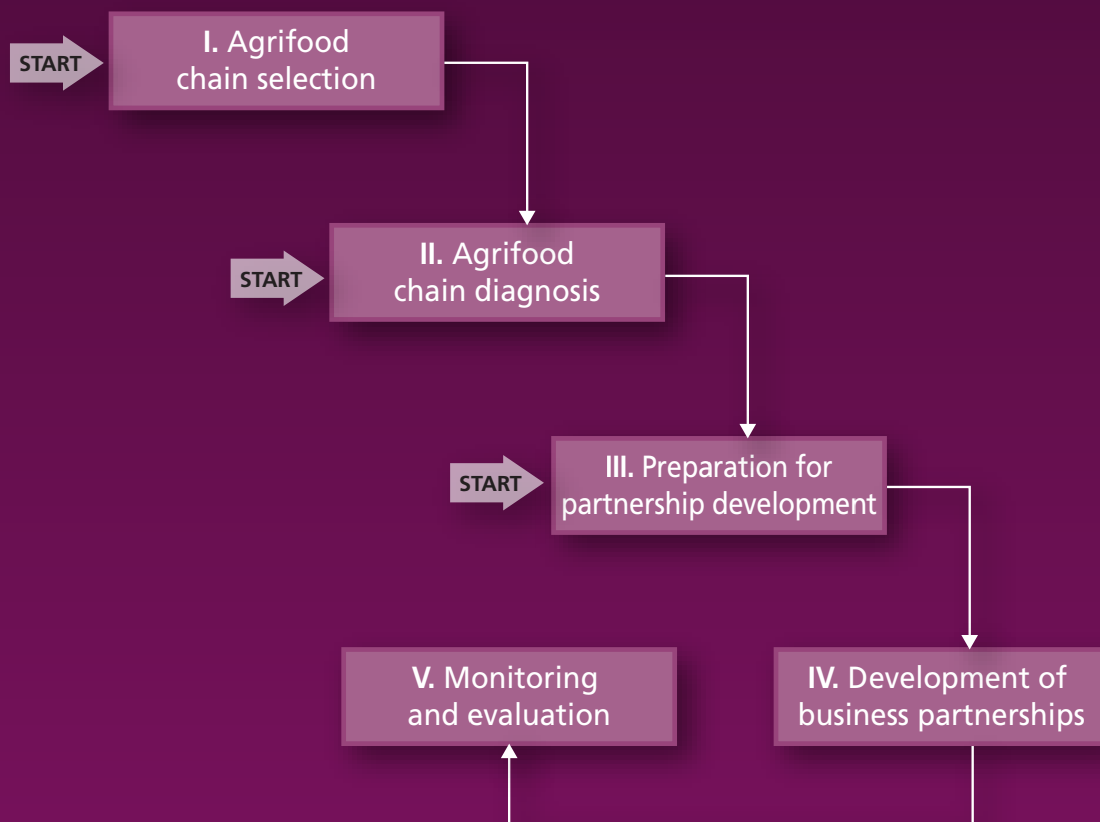


Methodological toolkit for promoting business partnerships in agrifood chains



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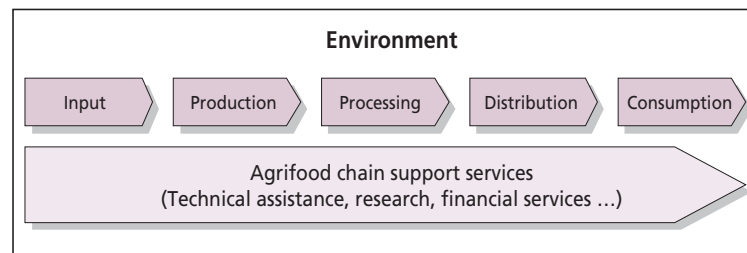
Introduction

Aims and scope

This methodological proposal is aimed at promoting and developing business partnerships. It provides tools to help include small producers in the production process and the market from the value chain perspective. It is precisely because of this perspective that this guide can be used by all members of the same agrifood chain – whether structured or semi-structured – or by actors interested in developing a new chain to meet specific demand.

Concepts used

This guide is based on several key concepts. Proceeding from the most general to the specific, the first is the agrifood chain. An agrifood chain includes all the actors involved in the processes of production, processing, marketing and distribution of forestry, agricultural and livestock goods. The concept takes into account the way in which actors join forces and increase the value of goods, considering the form and type of relations that develop between the production and consumption phases of a product. Agrifood chain phases and activities are supported by institutional and private support services, which have a direct bearing on their operations and competitiveness; for this reason an agrifood chain cannot be seen as a linear sequence of links¹. Finally, an agrifood chain is part of a social, political, legal and environmental milieu that also conditions operations.



Source: Van der Heyden, 2004

A special type of chain is a **value chain**², which differs from a **business chain**³ in that it involves actors taking concerted action to promote a product. In other words, in a business chain actors coexist while in a value chain they cooperate.

This distinction leads us to another concept, that of **business partnerships**⁴, defined by FAO as ‘cooperation agreements or links – formal or informal – between two or more producers to coordinate resources, efforts and skills in pursuit of a common strategic goal for mutual benefit’. Under this approach, the purpose of a partnership is to benefit all those involved in a chain and promote the inclusion of small producers in business chains, facilitating market access and thereby increasing the income of rural families. The essence of this perspective is that demand takes on the role of promoting the business development of rural homesteads and villages. In this way, it sets aside the view that greater production (supply) is in itself an engine for development. Experience shows that often this view fails because no new markets can be found for these new products.

1 Piñones *et al.*, 2006

2 A value chain can be understood as a vertical partnership or strategic network between independent business organizations in a business chain, aimed at achieving a more advantageous market position. (Hoobs and Fulton, 2000)

3 A business chain is one that brings together actors and economic activities involved in a business process, from the production and provision of inputs and raw materials to processing, production of intermediate and final goods, and marketing in domestic and foreign markets. (Ibid.)

4 FAO, 2002

Approach

The **promotion of business partnerships** takes the agrifood chain approach, and seeks not only to facilitate market access for producers, but also to tackle problems such as information, coordination, funding, innovation. However, there are at least two conditions that are necessary, though in themselves insufficient, for a partnership to be successful. If these conditions are not met, the partnership as previously conceived will not succeed.

The first is the existence of a **common strategic goal**. The second is **trust**. If at first there is no trust, which comes about through mutual understanding, actors must initially be willing to overcome their mistrust. It is essential that actors and facilitators constantly promote trust even after it is initially established, since any loss of trust may derail a project even when it is well advanced. The existence of common goals and trust motivates actors to mobilize the necessary resources to activate the partnership and thus generate benefits, which are the ultimate goal of partnerships.

Target population

This guide can be of use to all kinds of actors, since it places no restrictions on the type of chain or partnership to be developed. It aims to stimulate gradual understanding within the chain and among actors, and to develop trust, interaction and collaboration between the constituent members of a business process.

The following users might find it useful:

- › institutions involved in rural enterprise development;
- › civil organizations that seek to help small producers gain market access;
- › public and private sector technicians, promoters, facilitators and heads of programmes in support of competitiveness;
- › business associations, cooperatives, agribusiness organizations, agro-industries, local business communities, public bodies, retailers, distributors, suppliers and supermarkets;
- › companies that seek new forms of interaction and coordination;
- › actors who are directly involved in partnership development;
- › facilitators who work with actors belonging to a development chain.

Note that this approach is not limited to the agricultural sector: it can be used to support other chains, processes or institutions too.

How to use this guide

There are five parts to this guide, each of which describes a component of the partnership promotion process. The five components are:

- I. ***Agrifood chain selection***: This component is of exclusive interest to institutions or organizations wishing to promote the development of a specific territory or locality, since its purpose is to help select a chain that will be used to promote partnerships.
- II. ***Agrifood chain diagnosis and understanding***: The purpose of this component is to understand how a chain works, and what its strengths and weaknesses are.
- III. ***Preparation for setting up partnerships***: The above diagnosis is used to identify and coordinate activities to promote business partnerships.
- IV. ***Partnership development***: This component illustrates the process of identifying, designing and forming partnerships.
- V. ***Monitoring and evaluation***: This component analyses whether appropriate progress is being made and whether the goals set by actors, institutions or organizations have been achieved.

Each of these components is divided into phases which in turn include methods, techniques and tools, as well as methodological descriptions, steps to guide the user, estimated time needed, materials required and expected results.

In using this guide two considerations should be kept in mind. The first is that there is no single method for promoting business partnerships, but rather a series of possible initiatives with their own strengths and weaknesses, which will be more or less suitable for tackling the issue in question, depending on the particular situation of the chain concerned. The second is that the promotion process is not very linear, as can be understood from the components described above. The methodological map only seeks to present a sequence in the process; this does not necessarily have to be adhered to rigidly.

This means that the components, phases or methods used will depend on the needs of each user. The methodology is possibly a little more standardized in the first two components – chain selection and diagnosis – and can be used as presented. As for the other three components, both the methods and the sequence of steps are more flexible and can be applied according to users' needs, and the particularities of the chains selected for the promotion of business partnerships. The aim, therefore, is for this guide to be flexible and simple to use.

The map below shows the methodological process being proposed:

I. Agrifood chain selection

Phase 1. Potential territories and selection criteria

Step 1. Identify potential territories
Method: Gather information

Step 2. Identify selection criteria
Method: Elaborate criteria

Phase 2. Prioritize and select chains and products

Step 1. Prioritize identified production chains
Method 1: Sort criteria

Method 2: Prioritize criteria

Step 2. Selection of business chains, or specific products within priority chains
Method 1: Meetings between team and key actors

Method 2: Select product or products

II. Agrifood chain diagnosis

Phase 1. Initial business chain map

Method: Initial mapping

Phase 2. Chain characterization

Step 1. Identify actors directly involved in the chain

Method: Identify the actors

Step 2. Identify actors indirectly involved in the chain

Method: Identify support services

Step 3. Identify relations between chain actors

Method: Identify vertical and horizontal relationships between chain actors

Step 4. Identify chain product path

Method: Track product path

Step 5. Final chain map

Method: Map the chain

Phase 3. Resources assessment

Method: Assessment of local resources

Phase 4. Market analysis

Method 1: Quick market survey

Method 2: Quick final market study

Phase 5. Chain analysis

Step 1. Historical chain analysis

Method: Timeline

Step 2. Analysis of chain competitiveness

Method 1: Identification of problems or critical areas

Method 2: Analysis of information and the environment

Method 3: Identification of critical aspects and competitive advantages

III. Preparation for partnership development

Phase 1. Knowledge of the chain and organizational development

Step 1. Knowledge of the business chain

Method: Learn how the chain works

Step 2. Identify members of the chain

Method 1: Selecting and bring together compatible members

Method 2: Analyse members

Step 3. Build relations

Method 1: Build relations between members

Method 2: Hold first meetings

Phase 2. Development of negotiation capacities

Step 1. Understanding the process of forming partnerships

Method: Decision to form a partnership

Step 2. Forming a working group

Method: Analysis of participants

Step 3. Preparation for negotiation

Method: Preparing information

Step 4. Management and negotiation capacity building

Method: Capacity-building in business management skills and negotiation techniques

Phase 3. Identification of common interests

Method 1: Presenting solutions

Method 2: Entry points for the identification of common interests

Phase 4. Awareness-raising for negotiation

Method: Awareness-raising workshops

IV. Development of business partnerships

Phase 1. Partnership identification workshops

- Step 1. Presentation of problems encountered by actors
Method: Presentation of problems
- Step 2. Identification of partnerships to implement solutions
Method: Identify partnerships

Phase 2. Planning workshops

- Step 1. Recall goals, strategies, activities, resources, indicators
Method: Presentation of goals, strategies, activities and resources
- Step 2. Formulate a general goal
Method: Formulate a goal
- Step 3. Formulate specific objectives
Method: Formulate specific objectives
- Step 4. Formulate a strategy
Method 1: Formulate the project or programme
Method 2: Define associated resources

Phase 3. Process funding

Method: Identify resources

Phase 4. Partnership design: structure, relations and functions

Method 1: Analyse and define organization type
Method 2: Organizational design

Phase 5. Negotiation workshops

Method: Business rounds

Phase 6. Design and implementation of a pilot plan

- Step 1. Identify a suitable pilot project
- Step 2. Build a plan
- Step 3. Develop indicators
- Step 4. Identify, measure and manage risk
Method: Collaborative planning sessions
- Step 5. Evaluation of pilot project

Phase 7. Partnership expansion

Method: Repeat partnership development process

V. Monitoring and evaluation

Phase 1. Monitoring the process

Method: Monitoring progress

Phase 2. Evaluating the partnership

Method: Evaluating indicators

I Agrifood chain selection

If a strategy to promote business partnerships is to be successful, a territory needs to be defined and an agrifood chain selected. It is on the proper selection of the chain that the success and sustainability of the process of promoting and developing business partnerships will depend.

Selection may seem simple, yet integrating the views of different actors is quite complex. For this reason, it is the job of a facilitator to a) find a balance between the different criteria that exist, and b) follow up the process as it evolves. If this process is carried out in coordination with other institutions or groups, each with particular interests, the process becomes slower but possibly more sustainable over time⁵.

The methodology described below is aimed at facilitating the identification of a territory, and the definition and prioritization of chain selection criteria.

The purpose of this methodology is to select a priority business chain for further diagnosis. The strategic aim of this process is to set the conditions – synergies – for actors to make decisions jointly and negotiate actions aimed at improving the competitiveness of the business chain through the promotion of partnerships.

There are two phases to this component:

Phase 1. Potential territories and selection criteria

Phase 2. Prioritization and selection of chains and products

PHASE 1 Potential territories and selection criteria

This involves two steps:

Step 1. Identification of potential territories

Step 2. Identification of selection criteria

Step 1 IDENTIFICATION OF POTENTIAL TERRITORIES

In selecting a business chain we need to conduct a survey on the available resources of a given territory⁶.

This step involves identifying criteria for selecting an area in which the business chain will operate.

Method: Gather information

- ⇒ The goal is to identify a target territory. This requires the definition of criteria to select a territory.
- ⇒ The facilitator must analyse institutional and strategic priorities and use them in the pre-selection of suitable territories. When an area has been identified based on these institutional priorities, a quick survey of potential territories is conducted.

⁵ Lundy *et al.*, 2004

⁶ Junkin *et al.*, 2005

Technique

- Quick survey of potential territories
- Field visits

It is advisable to analyse institutional and strategic priorities and make a shortlist of suitable territories. Once identified, a quick survey of these potential territories should be carried out. The survey involves the collection of secondary information (Tool 8, page 16) and interviews with key informants (Tool 9, page 17) on the following points:

- › business capacity and comparative advantages in production;
- › social characteristics and capacity to work in partnership;
- › previous history and quality of development programmes;
- › previous history and quality of credit and business programmes;
- › infrastructure quality;
- › access to roads, markets, communications, education and health services.

The decision on an area's size depends on the available resources and the experience of the institution in charge of the process.

? Key questions⁷

- 1 *Who are we working with at present?*
- 2 *Where are they?*
- 3 *What scope can we have as an organization or group of organizations without sacrificing the quality of our work?*
- 4 *How large a market can we cope with to be economically sustainable (in the case of companies providing services)?*
- 5 *Are there production, processing and marketing activities within the target territory? (If not, it is most likely that the area would need to be expanded to include local or regional markets so as to improve understanding of the region's economic organization).*
- 6 *Other questions may also be asked, depending on the criteria set by the organizations participating in the process.*

✂ Tool 1 → Potential territory selection matrix

	Territory 1	Territory 2	Territory 3	Territory 4	Territory 5
Business capacity and comparative advantages in production					
Social characteristics and capacity to work in association					
Previous history and quality of development programmes					
Previous history and quality of credit and business programmes					
Infrastructure quality					
Access to roads, markets, communications, education and health services					
Total					

Source: Donovan, 2006

Table 1 shows a potential territory selection exercise conducted by CATIE⁸ in Costa Rica. Each criterion is scored in the range 1 (worst) to 5 (best).

TABLE 1

Potential territory selection, example from Costa Rica

	Pérez Zeledón	Talamanca	Turrialba	Valle Occidental	Cuenca Alta Reventazón
Business capacity and comparative advantages in production	2	4	3	3	4
Organizational characteristics and ability to work in association	3	4	4	3	4
Previous history and quality of development programmes	4	4	4	3	3
Previous history and quality of credit and business programmes	4	2	3	4	3
Access to roads, markets, communications, education and health services	4	2	4	5	5
Economic dynamism	5	2	3	4	4
Total	3.66	3	3.5	3.66	3.83

Source: Junkin *et al.*, 2005

It could be that the sum of the scores indicates high potential for a territory, but at the same time one (or more) unfavourable characteristics, e.g. those characteristics that only achieve a score of 1 or 2. Table 1 shows that Cuenca de Alta Reventazón has the highest potential (3.83) of the five territories. However, the quality of its credit and development programmes and economic dynamism are lower than those of Perez Zeledón.

We can conclude that when it comes to selecting a territory, we should consider both its potential and its specific characteristics. If both of these obtain low scores, it seems likely that they could hinder the development of a business initiative, in which case it would be worth considering another territory with better prospects. However, the final decision clearly depends on the relative importance given to each characteristic.

Methodological description

The aim of the exercise is to identify areas that meet the right institutional, economic and social conditions for agribusiness development.

Based on the information gathered, categories are assigned values between 1 and 5, where 1 denotes an unfavourable situation, 2 poor, 3 regular, 4 favourable, and 5 very favourable; the results are then recorded in the potential territory selection matrix.

The authors recommend taking into account the characteristics of the country we are working in to define guidelines for the process of rating each category. These guidelines will help the team or teams involved in territorial selection to be more consistent in their assessment. The sum of the ratings will provide clear guidelines for identifying the territory with the most potential.

⁸ Junkin *et al.*, op cit. p.21

Estimated time

As required, depending on the complexity and conditions identified by the facilitator.

Required material

Chalkboard, flipchart, felt-tip pens and cards

Expected results

- › Identification of favourable and unfavourable conditions for the design of a business initiative.
- › Selected territory to be used in determining criteria for selecting a business chain in this territory.

Step 2 IDENTIFY SELECTION CRITERIA

- › The approach for the identification of chain selection criteria range from interventions carried out in a given territory to the exclusive consideration of market signals.
- › It could be that, for various reasons, agrifood chains have been previously selected by the country's national, regional and local institutions, or other organizations. If so, it is advisable to identify and document the factors or criteria that influenced selection.
- › Another procedure is to develop specific selection criteria, for which several methods are available, ranging from the simplest – voting and discussion – to more technical methods, which provide more data and greater security for decision-making.

In this methodology we chose to use more technical methods, such as those used by the International Centre for Tropical Agriculture, CIAT⁹, based on the experiences of both CIAT and the RURALTEC platform. We also used some methods employed by institutions such as CICDA/SNV and CeCoEco/CATIE/Department for International Development (DfID) in experiences developed in Latin America.

The following are some of the criteria used in the development of this methodology¹⁰:

1. The product's market potential (demand)
2. Technical and environmental feasibility
3. Economic feasibility
4. Existing organizational level
5. Support available and that would be required
6. Prior existence of the product in the area

These criteria can be expanded or modified by the person or persons in charge of the process, who will be responsible for the final definition of the criteria to be used and how to go about the analysis. The criteria selected will also depend on the specific conditions of each territory, the actors involved and the characteristics of the chains being studied¹¹.

If the chains have been defined as part of a project, then there is not much point in having a long discussion. If it is decided to prioritize certain chains, there are several

⁹ Lundy *et al.*, *op cit.*

¹⁰ *ibid.* pp.23–29

¹¹ *ibid.* p.24

methods available ranging from the simplest (vote or discussion) to more technical studies. Generally the methods used by CIAT are more technical¹².

In practice, these criteria involve obtaining and reviewing secondary information, conducting interviews with key actors, and analysing socio-economic, cultural and production factors in the area and within the potential chains, so as to define different priority options.

Method: **Elaborate criteria**

- ⇒ The aim of the method is to determine criteria for selecting a chain, or a specific product or products within the chain.
- ⇒ To develop specific selection criteria we recommend using the 'brainstorming' technique. This can be carried out among facilitators or organizations, if there are rural business development committees or similar territorial organizations.

Technique

- ☑ Elaborate a list of criteria for selecting an agribusiness chain.

This process is interactive and involves the presentation of concepts, answering questions, and joint reflection in workshops or group sessions.

✂ Tool 2 → **Structured brainstorming**

A working group meeting is held lasting about one or two hours. A facilitator is appointed, who directs the work of setting the goal of the study by following this sequence:

- › writing ideas on cards individually
- › classifying the cards by affinity of ideas
- › debate and consensus.

The ideas on cards must answer three questions:

- › What are some key criteria for the selection of one or more priority business chains to work on in a selected territory?
- › How can these criteria be classified according to their relative importance?
- › Which is or are more important than the others, and why?

Once the criteria have been selected:

- › How can we assess these criteria, and from that select the business chains that have most priority?
- › What are the advantages and disadvantages of using quantitative and objective selection criteria, compared with others that are more qualitative or subjective, to identify priority chains?

Source: Van der Heyden and Camacho, 2004

Methodological description

This process involves the following steps:

1. Choose someone who has the capacity to organize work to facilitate the process. It is advisable to appoint two persons, one to facilitate and another to document the decisions and take notes on the process.

¹² *ibid.* p.25

2. Ask each participant to write a list of three criteria in answer to the question:
 - › What are the three most important criteria for prioritizing a chain in our area?
 - › Each answer should be written on a card (one criterion per card, capital letters, and at most three lines) and handed to the facilitator.
3. The facilitator reads each card out loud and puts it in a place that can be seen by all participants (wall, floor, table, chalkboard, etc) without further comment, only questions for clarification.
4. Once all the ideas have been read they are grouped by subject. For example, all cards that deal with coverage or impact are put together in one corner. All those dealing with profitability are put together in another, and so on. If there are cards that do not fit into any group, they are left to one side for later review.
5. The facilitator invites the participants to review each set of cards to see if one or more common criteria can be generated. At this point it might be a good idea to highlight the key themes that are common to the cards and search for a phrase or title to summarize them. Once a phrase or title has been defined, it is written on a new differently-coloured card, which is placed on top of the pile of cards. This procedure is repeated until all groupings have been reviewed.
6. When work on the groups of cards is completed, the cards that were not classified initially are reviewed to see if the ideas they contain are in fact present in another group, or whether they need to be classified separately.
7. Once the themes have been defined we should have a list of criteria for the chains in the territory.

Estimated time



2 to 3 hours, depending on the complexity and conditions identified by the facilitator

Required material



Chalkboard, flipchart, felt-tip pens and cards

Expected results



- › List of identified criteria.

PHASE 2 | Prioritize and select chains and products

This phase involves two steps:

- Step 1. Prioritize identified chains**
- Step 2. Select specific products or chains in the priority chains**

Step 1 | PRIORITIZE IDENTIFIED BUSINESS CHAINS

Method 1: Sort criteria

Technique

- Sort criteria by relative importance for the actors participating in the workshop or group session

? Key questions

- 1 Which are most important for the facilitator or facilitators involved in developing competitive strategies?
- 2 Do chains with more coverage have a higher priority, or do those that are most profitable?
- 3 Is it more important for an activity to be sustainable in environmental terms or in terms of profitability?

Methodological description

- › After making a list of identified criteria we define how each is used.
- › Example: If one criterion is coverage, we define how coverage is measured (individuals, families, communities, municipalities, etc) and where the data is to come from.
- › If the criterion is profitability, we must decide how to measure profitability, what data to use and what to compare those data with.

Estimated time



This process may take more or less time, depending on the number of criteria and viewpoints.

Expected results



- › At the end, we should have a list of operational criteria, sources of data and how they are to be measured.

Method 2: Prioritize criteria

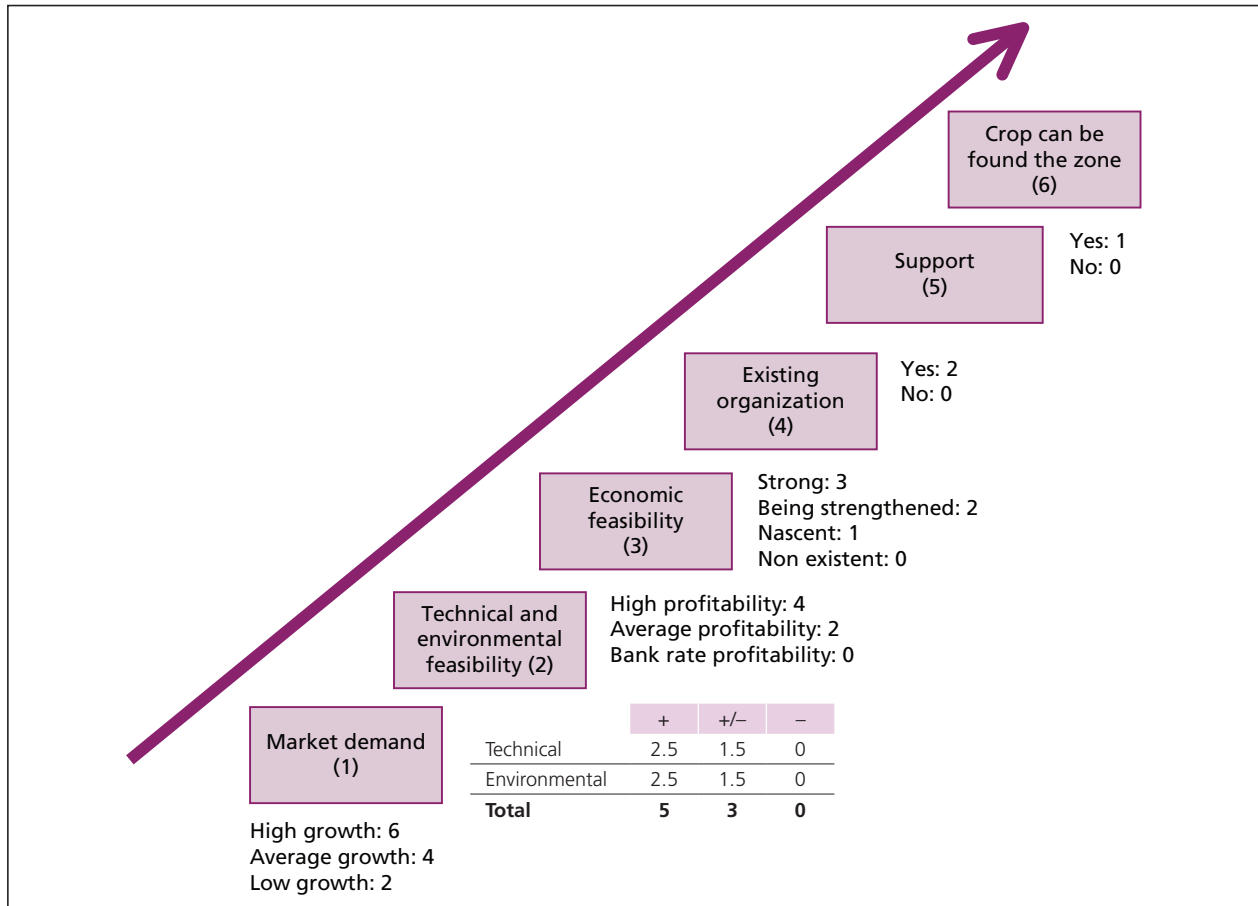
- ⇒ The aim is to compare a list of chains with market opportunities that have the right conditions for production in the area, and which have some degree of interest or producer organization. Once we have a list of sorted criteria, which includes measurement systems and sources of information, we can build a territorial chain selection tool.

Technique

- After establishing a list of criteria and respective measurement systems, we move on to prioritization.

To facilitate chain selection from a series of options, the Comité de Agroindustria Rural (CIPASLA) developed the following decision-making tree diagram:

✂ Tool 3 → Decision-making tree diagram, Comité AIR-CIPASLA



Source: Comité de Agroindustria Rural (CIPASLA), 2000

This tool can take the form of a decision-making tree diagram (see example above) or a simple matrix. It is important that the criteria are clear to all participants and that we have backup data accepted by everyone in the decisions that are taken. Once the tool has been established, it is used for all the identified territorial chains to see which have greater priority. The aim of the process is to exploit market opportunities. The logic behind the decision tree diagram is that demand comes first, then the existence or not of the product; from there we build or strengthen an agrifood chain.

Methodological description

- › This decision-making tool used the following criteria and measurement systems: each option studied received a score out of 21.
- › The criteria and indicators used were:
 1. Market demand
 2. Technical and environmental feasibility
 3. Economic feasibility
 4. Existing organization
 5. Support
 6. Crop can be found in the area.

Then each of these criteria is developed.

1. Market demand

? Key questions

- 1 How much market demand is there for the chain's product?
- 2 Is market growth for this product strong, slow, stable or decreasing?

It is advisable to work first on the products that show strong or moderate market growth, which implies that this market can absorb additional supply. In the case of new products, a survey on purchase intent can help identify the size of the potential market¹³. This survey should be based on reliable information. It is advisable to use existing information from market studies conducted by other private or state institutions.

Growth levels can be¹⁴:

- › high – annual growth in demand is more than 6 percent
- › medium – annual growth in demand is between 3 percent and 5 percent
- › low – annual growth in demand is between 0 percent and 2 percent.

2. Technical and environmental feasibility¹⁵

? Key questions

- 1 Is it possible to produce this product in the area, under the present social, economic and environmental conditions, with the quality demanded by the market?
- 2 Is the production system required for this product consistent with the sustainable management of natural resources?

To select chains that can adapt to the area's conditions and that fit in with the concepts involved in natural resources management, it is recommended that the facilitator or project takes into account the need to fill identified gaps in terms of feasibility. These gaps do not pose limitations for the process, as they can be considered part of the activities to be carried out to improve chain competitiveness.

✂ Tool 4 → Technical and environmental feasibility matrix

Feasibility	Feasible environment ++	Moderately feasible +/-	Not feasible -
Technical feasibility	Product production is feasible in the area and there are no major technical or management problems.	Production is feasible in the area but there are technical or management limitations that need to be researched and addressed through capacity building.	Production is not technically feasible in the area.
Environmental feasibility	Production does not generate negative environmental impacts in the area such as erosion, pollution and deforestation.	Production creates a negative environmental impact but can be managed through good production practices.	Production generates a very negative environmental impact and cannot be mitigated in any way.

Source: Van der Heyden and Camacho, 2004

¹³ Ostertag, 1999

¹⁴ Izquierdo *et al.*, 2000, p.1

¹⁵ Van der Heyden and Camacho, op cit. p.28

3. Economic feasibility

? Key questions

- 1 *How profitable is the territorial production or processing of this product?*
- 2 *How does product profitability compare with bank interest rates for savings deposits?*
- 3 *Is it much higher, a little higher, equal to or less than what the bank pays?*

To compare the profitability of various products we need to calculate the Internal Rate of Return (IRR) for each, and then compare this with the interest rate paid by the bank. As a financial rule, it is advisable to work with products that produce higher rates of returns than the bank's rate.

- › *High profitability* – the product's IRR is 6 points or more above bank deposit interest rates.
- › *Average profitability* – the product's IRR is between 1 and 5 points above bank deposit interest rates.
- › *Low profitability* – the product's IRR is the same as bank deposit interest rates.

It is important to make sure that the product is sufficiently profitable at current market prices and that the market has enough demand to absorb additional production without going into oversupply.

4. Existing organization

? Key questions

- 1 *What degree of business organization is there in the chain?*
- 2 *Are there formal or informal groups of producers, processing companies and traders in this chain?*
- 3 *How strong or weak are they in business terms?*
- 4 *Is there some level of coordination between them?*

In this criterion one must be careful not to leave out informal actors and organizations, such as middlemen and their supply networks, who nevertheless count as existing business organizations and that operate with some degree of effectiveness in the area.

✂ Tool 5 → Organizational level matrix¹⁶

Criteria	Organization level		
	Strong	Being strengthened	Nascent
Legal person	Has a legal person	Legal person in the pipeline	No legal person
Successes	Has been successful for several years	Has achieved success recently	Has yet to achieve success
Capacity for planning and taking action	Functional internal planning and evaluation	Nascent planning and evaluation processes	No planning or evaluation processes
Business practices	Effective accounting and administrative controls	Nascent accounting and administrative controls	No administrative and accounting controls

Source: Van der Heyden and Camacho, 2004

¹⁶ Ibid.

- › A *strong* organization meets the four criteria outlined in the table.
- › An organization *in the process of being strengthened* meets some but not all of the criteria.
- › A *nascent* organization does not meet any of the defined criteria.

5. Support

? Key questions

- 1 Are there any institutions that provide support services for this chain?
- 2 What services do they or could they offer the chain?
- 3 Are they willing to facilitate or participate in the development of a competitive strategy?

When there is an organization that is prepared to support or is interested in helping producers to strengthen a business chain, it is important not to marginalize actors who support the chain informally, both technologically and in terms of credit and technical assistance, as they may facilitate or slow down our work.

6. The crop can be found in the area

- › The crop or product is found in the area and, therefore, is known to local producers. Once we have information on each of the above items, points are assigned to each criterion and we arrive at a total score for each product. To select products, compare the scores and identify those that best meet the established criteria.
- › Otherwise, if the product does not exist, work must be done to develop a strategy aimed at building the chain.

Estimated time



3 sessions of 2 hours each

Expected results



- › List of prioritized chains.

Step 2 SELECTION OF CHAINS, PRODUCT OR SPECIFIC PRODUCTS IN THE PRIORITY CHAINS

Method 1: Working group sessions involving key actors

- ⇒ The purpose of these meetings is to define the target chain.

Technique

- Points system

A good tool for sorting the criteria that facilitate the selection of priority chains is the points system.

This tool gives a score (from 1 to 10) for criteria relevance. Prior to assessment it is suggested that participants agree on the relative importance of each criterion.

Tool 6 → Points system¹⁷

Defined selection criteria	Importance (I)	Product A		Product B	
		Score from 1 to 10 (S)	I x S	Score from 1 to 10 (S)	I x S
Chain's potential for including small producers in the market	25%	8	2.00	6	1.50
Potential workforce in relation to total sector employment	35%	6	2.10	4	1.40
Product added value generated by the chain	20%	6	1.20	6	1.20
Market size	10%	8	0.80	10	1.00
Chain's contribution to job creation for vulnerable social groups (women, youth, elderly)	10%	4	0.40	10	1.00
Total	100%	32	6.50	36	6.10

Source: Van der Heyden and Camacho, 2004

In the above example we can see that product B scores better (36 compared with 32), but when the score is seen in relative terms, product A is better (6.50 compared with 6.10). So we can conclude that the defined selection criteria and the relative importance assigned to them will be decisive in the selection of the target chain or product.

Methodological description

This system combines a set of socio-economic criteria that are weighted according to their importance. The method gives you a choice of several options. Variables may include: technical feasibility, consistency with the strategy of the production system, market potential, among others.

After making a list of criteria and their respective measuring methods, the criteria are prioritized. This step allows us to assign a specific weight to each criterion so as to broaden distinctions between different options, reduce indecision and thus facilitate chain selection. At the end of this process the criteria will have been sorted from the most to the least important and a score or weight assigned to each.

If there are five criteria, the most important might be assigned five points, the second four, the third three, the fourth two and the fifth one point.

Expected results



- › At the end of the exercise, instead of having a large number of chains to work on, the facilitator or working group should have a small number of chains selected in accordance with their own selection criteria.
- › The actors will have defined and sorted selection criteria, from the most to the least important.

¹⁷ Ibid. p.30

Method 2: Selection of product or products

- ⇒ The aim of this method is to identify the primary or processed product with most potential.

Technique

- Researching secondary sources, consulting specialists

✂ Tool 7 → Product selection matrix – Example –

Products or by-products	Interest for the study <i>Fictional example</i> ¹⁸	Yes/No
Cream cheese	Produced mainly by small- and medium-sized businesses, who are the target group of the study. The businesses are usually run by women. There is an unsatisfied market demand, and we wish to improve quality and increase supply.	Yes
Mature cheese	Produced by small- and medium-sized businesses, who are the target group of the study. Could compete with large firms in terms of quality.	Yes
Yoghurt	Produced mainly by large businesses. No potential for increasing local supply.	No
Butter	Produced in small quantities, low domestic consumption, unlikely to be able to compete with large domestic industries.	No
Whey	Dairy industry by-product that is important for the incomes of cheese-makers.	Yes

Source: Van der Heyden and Camacho, 2004

Methodological description

The working team makes a list of all products specific to the selected chain and determines if they are of interest for analysis in accordance with established criteria. The right column shows whether the product is chosen for analysis (yes) or discarded (no).

The points system allows us to select a chain and this matrix helps to choose the specific products within the selected chain.

Business chain selection methodology

Summary

In this first component we have seen different methods for selecting a territory, useful criteria for selecting business chains and the product or products in the business chain. The identification of priority chains is the first stage of chain analysis. At the end of this phase, we should have a small number of chains and products that have been selected in accordance with specific selection criteria, which will then be simultaneously examined. Once the work agenda has been defined, agrifood chain diagnosis can begin.

¹⁸ Ibid. p.25

II Agrifood chain diagnosis

Agrifood chain diagnosis offers insight into the current state of the chain: which direct and indirect actors are involved in it, the way they relate, the resources available, the processes involved, product flow within the chain, the product's market. It also allows us to explore new market opportunities. In addition, it helps identify and outline the chain's limits and advantages. A secondary benefit is that the diagnosis helps motivate different actors to participate in the chain and contact potential partners that could be asked to join.

To promote business partnerships proper agrifood chain diagnosis is essential, since it lays the foundation for designing interventions that can ensure sustainable results by taking full advantage of what is available and revealing weaknesses to be avoided.

Chain diagnosis is a participatory process that requires joint work involving the facilitator and the chain's actors. The work of the latter is essential because they are the ones that know the reality of the situation and the conditions in which they live, and from this point of view the facilitator merely guides the diagnostic process. It may be necessary for others to take part, such as market assessment experts or other consultants if we want a more complete and specialized study. However, this guide presents methods that can be applied by a facilitator and which will enable us to diagnose the chain in every phase.

There are five phases to the diagnostic component and they must be carried out in order, without skipping any. This is because diagnosis is a fairly rigid process that contains rather technical procedures leaving little room for subjective interpretation; it has also been previously tested in the methodology for promoting and forming business partnerships and chains.

The next part presents a methodology that helps characterize the chain as a whole, analyse the market for a particular product, and analyse the chain from the point of view of competition, the latter being a very important point, since chain competitiveness is critical to its success or failure.

The aim of this methodology is to diagnose a business chain. The strategic goal of the process is for the chain's actors to establish contacts and work towards the formation of partnerships that in future will enable them to become more competitive as a group.

From the operational perspective, this component is in five phases:

- Phase 1. Initial business chain mapping**
- Phase 2. Chain characterization**
- Phase 3. Resources assessment**
- Phase 4. Market analysis**
- Phase 5. Chain competitiveness analysis**

PHASE 1 Initial business chain mapping

The aim of this phase is to make a map of the chain – that is, form a preliminary outline of the chain – identifying key links, the types of actors in each link and product flows between them. In this phase it is important to identify an initial typology of actors in the links. This means we must look for differences between actors in the same link. For example, we cannot speak about producers in general but describe what types of producers are involved in the chain.

Method: Gather information

- ⇒ The goal is to increase mutual knowledge on current entrepreneurial relationships in the business chain in order to identify possible opportunities to boost integration.

Technique

- Working group meetings involving other key actors
- Field research: field trips and observations
- Interviews with key informants or people
- Review of secondary information

? Key questions

- 1 *What are the initial and final links in the chain?*
- 2 *Who is involved in each link?*
- 3 *What services do the actors provide and who receives these services?*
- 4 *What are the different socioeconomic characteristics that exist among the actors (for example: gender, age, level of education or income, etc)?*

✂ Tool 8 → Dialogue with key informants¹⁹**Aim**

Quickly obtain information from individuals (key informants), family groups and focus groups to orient work. Good selection of informants is essential for valid information.

Time needed

Varies depending on the circumstances, no more than two continuous hours per person or group.

Materials needed

Notebook and pen, whiteboard, flip chart, markers, cards.

Methodological description

In programming interviews we should define the subjects to be discussed both publicly and individually. We should also choose themes to be discussed with specific people or **key informants**.

Step 1: Establish an interview guide (maximum 6 or 7 themes) using the semi-structured dialogue method (Tool 9).

Step 2: Select key informants. They must be representative of the different links in a chain and the milieu in which we will be working. Selection will also depend on the topic being discussed. Informants should represent all the categories involved in the target chain (representatives of each link, farmers, ranchers, dealers, etc).

Step 3: Introduction. Clearly explain the purpose of the interview to each informant before asking them to take part. We have to explain why we are carrying out the interview, why they have been chosen, which institution we are working for, how the information is going to be used, what actions can be expected. Transparency is important, because the informants will talk to other members of the community and it is important to avoid creating confusion and erroneous expectations.

Step 4: Interview is carried out – see semi-structured interview or dialogue (Tool 9).

Step 5: The information obtained should be compared with other sources, or interviews or results of other exercises on the same subject.

Source: adapted from Geilfus, 1997 and Junkin *et al.*, 2005.

✂ Tool 9 → Semi-structured interview or dialogue

Aim

Collect general or specific information by interviewing key informants, family groups or focus groups. The semi-structured dialogue avoids some of the negative effects of formal questionnaires, such as: closed topics (there is no chance of exploring other themes), lack of dialogue, and lack of consideration of people's perceptions. It has a wide application: general, specific or case studies, verification of information from other sources, etc.

Time needed

Varies depending on the cases.

Materials needed

If taking notes, a small notebook and pencil.

Methodological description

Step 1: *Establish an interview guide* (maximum 10–15 topics with key informants and 6 or 7 topics with groups), which clearly summarizes the most important points to be discussed, clarified or examined. These themes (they are not questions) will be used as a guide and interviewers must memorize and use them in a flexible manner, depending on the flow of dialogue. The guidelines should be the result of teamwork, involving all those taking part in the fieldwork, community representatives and support technicians. It is not a rigid tool, but should be revised and adapted according to the results of each interview. It should address issues that arise in the course of the interview.

Steps to be followed in establishing interview guidelines:

- › determine needs and goals (what do we want to know?);
- › establish a list of themes that can meet those needs;
- › discuss the problems surrounding each theme;
- › divide the themes into sub-topics, if necessary;
- › discuss who the interview is aimed at to formulate themes;
- › discuss and select the most appropriate method to obtain adequate information on each topic.

Step 2: *Determine how you will choose interviewees.* Interviewee selection is very important. To avoid any form of bias we can use the following guidelines:

- › access bias: do not choose only the most easily accessible people (those living near the road, for example);
- › hierarchical bias: do not talk only to leaders and people with power (entrepreneurs, managers of organizations/associations, etc).
- › heterogeneity bias: ensure representativity;
- › seasonal bias: in some periods of the year there are categories of people who are unavailable (migrant workers);
- › weekday bias: on working days and hours many people are not available;
- › project bias: do not only choose people involved in, or potentially interested in, the chain under study.

Step 3: *Conduct interviews.*

Behaviour guidelines for facilitators giving interviews:

- › put people at their ease, minimize distance, do not put on official airs, do not disdain answers or show disapproval;
- › pay attention to what people are saying, look at their faces, do not show signs of tiredness or boredom;
- › do not interrupt or change topic abruptly;
- › do not use the guide rigidly, go on to any new interesting topics that come up, discuss topics until a conclusion is reached;
- › use only clear and open questions (which do not include the answers, and which cannot be answered with a yes or a no), preferably beginning with: What? Why? How? When? Who? Where?
- › follow up comments made by people with questions like, "What do you mean by that? Tell me more about ..."
- › do not ask very difficult or threatening questions.

Step 4: *Results analysis.* Depending on the case, decide whether or not to take notes: if there are two interviewers, one of the two could take notes. If we want to maintain spontaneity it is preferable to write things down immediately after completing the dialogue. It is important to meet at the end of the day to discuss the results.

Guide to assessing responses:

- › Interviewees have direct experience of what we talked about: are they in a position to give reliable information?
- › Do interviewees think before answering or do they seem to say what they think we want to hear?
- › Could there be a reason for not telling the truth? Could the responses have been influenced by the presence of certain people?
- › Sort the responses into: 1. Facts 2. Opinions 3. Hearsay.

Step 5: *Triangulation and verification.* The information obtained should be compared with other sources: other interviews, results from other exercises on the same topic, and secondary information (documents, reports, publications, etc).

✂ Tool 10 → Guide to semi-structured interviews²⁰

1. Introduction

- › presentation of interviewers and the institution they represent
- › aims of the interview
- › presentation of methodology

2. General information

- › characteristics of the area
- › sources of income
- › tenure and size of farm

3. Ascertainment of production systems

- › system components

4. Characterization of the agricultural, forestry or livestock subsystem (where applicable)

- › major crops
- › major types of production
- › problems regarding production, post-harvest, distribution, transportation and marketing
- › labour
- › income, gender issues
- › comparison with situation a few years ago

5. Additional comments

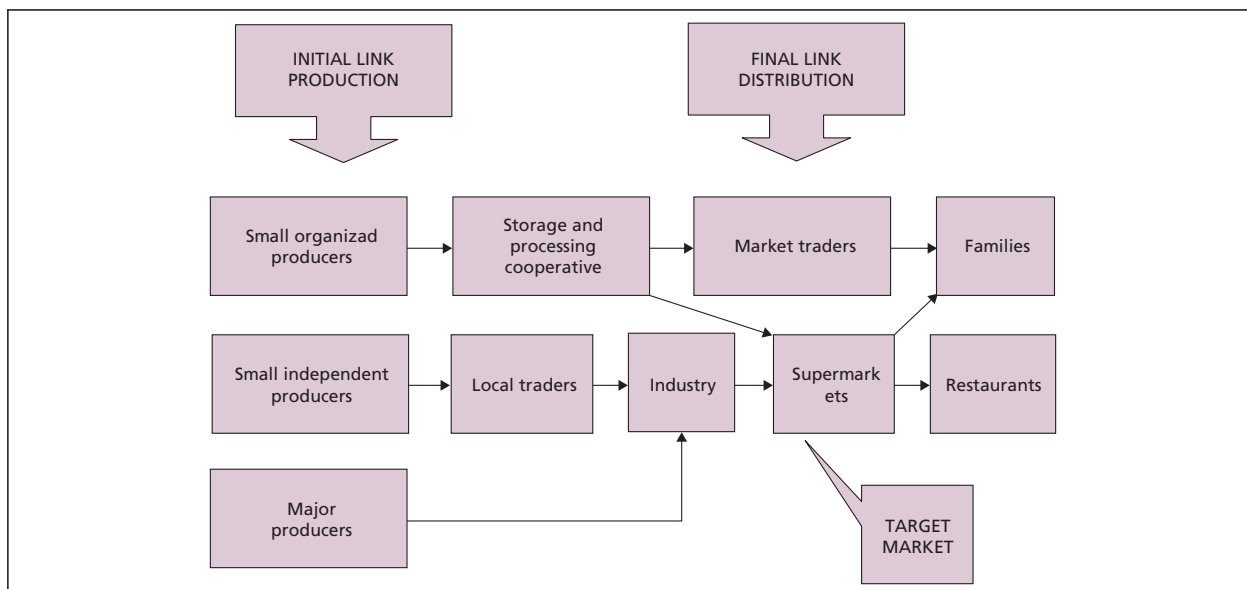
6. Conclusion

- › what we are going to do
- › thanks

Source: adapted from Geilfus, F. 1997 and Junkin, R. 2005.

The guide to interviews is not a rigid manual: it must be constantly revised and adapted according to the results of the interviews. We should not follow it mechanically but let the dialogue flow and address any new issue that come up, without forgetting that the aim of the interview is to obtain enough information to start mapping out the chain.

✂ Tool 11 → Initial chain mapping



Source: Van der Heyden and Camacho, 2004

²⁰ A semi-structured interview follows a predetermined format, touching on certain specific issues that can be expanded or cut depending on the responses received. This will optimize the outcome of the interview, allowing us to go deeper into aspects that we might not have foreseen. Semi-structured interviews are based on discussion guidelines. The sequence of questions is not pre-determined but is governed by the dynamics of the conversation. The interviewer tries to create a pleasant atmosphere; only if questions are asked with genuine interest and the interviewee is listened to carefully can we speak of a semi-structured interview.

✂ Tool 12 → Secondary information matrix²¹

Required information	Information sources		Resources required to obtain information	Person in charge	Dates
	Magazines, technical reports, etc	Location			

Source: Junkin *et al.*, 2005

To complete the information we got through mapping, we recommend collecting and analysing secondary information, i.e. information available in magazines, technical reports, newspapers and other publications, especially information on conditions and trends that could have an impact on the production and marketing of selected products. There are several secondary information sources available inside and outside the territory, through the Internet. It is important to verify sources and credibility by consulting experts. A list of possible secondary sources follows:

- › Internet (market information systems)
- › NGOs and development projects (baseline studies, technical reports)
- › Universities and research centres
- › Ministries and other state agencies (legal aspects, regulations, taxes, etc).
- › Chambers of commerce (reports on imports, exports, treaties, tariffs, etc) and other professional associations
- › Technical journals, technical reports, newsletters, etc.

Considerations

At this stage it is important to assess available capacity and resources for subsequent in-depth chain analysis and diagnosis. As far as possible, we should use the human resources that are available in different institutions.

This work should be participatory and based on the prior knowledge of each team member.

Methodological description

Steps to be followed²²:

1. Draw a box with each link (logistic stage) and underneath note the functions (activities) that take place. Example of links are production, distribution, processing, storage, transport, export, import, wholesale, retail, supplies, and financial, business and technical services (Tool 19).
2. Identify and reflect on the involvement of each link in the chain. It is important to note the key contacts in the chain.
3. Connect the different boxes (links) with lines or arrows to indicate the type of business relationship.
4. Plan how to get more detailed information. In chain diagnosis, information obtained in preliminary mapping will be complemented with more detailed data.

²¹ Donovan, 2006

²² Junkin *et al.*, 2005, p.56

Estimated time

Initial mapping should take about 2 to 3 hours.

Interviews, field research and review of secondary sources of information may last from 1 to 2 months, depending on the complexity and conditions identified by the facilitator. The lengths of time given are for reference, as they depend on the particular circumstances of each case study.

Required material

Chalkboard, flip chart, markers, felt-tip pens, pen for notes, cards, notebook, paper, computer

Expected results

- › Preliminary outline of the business chain, identification of key links, types of actors in each link and product flow

PHASE 2 Chain characterization

This method is used to provide detailed information on chain participants so as to increase knowledge of the chain and the business relationships in it, with the aim of understanding how the business chain works, to identify possible opportunities, achieve greater integration and build a strategy to improve competitiveness.

The steps are:

- Step 1. Identify the chain's direct actors**
- Step 2. Identify the chain's indirect actors**
- Step 3. Identify relations between the chain's actors**
- Step 4. Chart the path taken by the product through the chain**
- Step 5. Final chain map**

Step 1 IDENTIFY THE CHAIN'S DIRECT ACTORS**Method: Identify the chain's direct actors**

- ⇒ The aim of the method is to characterize the business chain by identifying the direct actors involved in each link and establish who the actors are, their characteristics, interests and degree of involvement in the process.

Technique

- Brainstorming
- Group sessions or workshops with chain actors
- Interviews
- Collection of secondary information

? Key questions

- 1 *Who are the actors?*
- 2 *Where are they located? Are they grouped together in one area or in several? What are the implications of geographic location?*
- 3 *What functions do they perform in the chain?*
- 4 *How many are there? (number per link)*
- 5 *Who are they? (sex, age, ethnic group)*
- 6 *What do they do? (activities in the business chain)*
- 7 *Why do they do it? (motivation and goals)*
- 8 *What are their needs and requirements?*
- 9 *How do they do it?*
- 10 *What sort of production processes are there?*
- 11 *Can groups be identified throughout the chain? For example, starting with differences in the technologies used by different actors, or starting with groups that have a greater capacity or interest in taking charge of innovation processes, etc.*

✂ Tool 13 → Matrix for characterizing direct actors

Fresh meat	Brief description: cattle trading
Characteristics	Cattle traders, 20 per area Mostly men Cattle is the main source of income
Description of activities	Traders buy heads of cattle in the community, take them to slaughter and sell the meat in fairs.
Relations between actors	Family and close friends
Area of activity	Ranches and farming communities, sometimes fairs
Costs	US\$20/kg for standing cattle
Risks	Depends on price variations
Weaknesses	Weak organization, informality, limited access to funding
Strengths	Solid family and social relations

Source: Van der Heyden and Camacho, 2004

Considerations

The direct actors in a chain are those that are involved in different links and that act and interact in the chain.

Methodological description

Steps to be followed:

1. A workshop or group session with actors in the chain to identify all the actors in the chain. List of all actors.
2. The next step is to differentiate the actors and identify them. First, they are divided into groups in accordance with the function they perform in the chain. Groups should be created for those involved in production, post-harvest management, processing, marketing, and other functions. Once the groups have been formed, decide whether there is a need to create subgroups so that different points of view can be expressed clearly: for example,

subgroups divided by geography (e.g. communities with different allocations of business resources), social status (farm size or income level), technology, gender, ethnic group and age, among others. Each direct actor group or subgroup represents a link in the chain.

3. Finally, we add as much quantitative or qualitative information as possible about the links in the chain. This information is taken from secondary as well as primary sources during workshops and interviews. In quantitative terms, data could be collected on the number of enterprises per chain or stage in the process, number of jobs, qualifications, percentage of women, total sales per chain, relative gains per stage in the process. As for qualitative information it is very important to ask about the actors' motivations and objectives, because if common interests are detected it will be easier to promote partnerships.

Estimated time



Workshops or group sessions of about 3 hours

Required material



Flip charts, chalkboard, markers, chalk, paper, pencils

Expected results



- › A list of direct actors, grouped mainly according to function, with a brief description of each group.

Recommendations²³

A gender approach should be used when identifying actors and analysing chains. This is important not only for the analysis of the position of women within value chains. Gender relations affect women and men as well as the dynamics and operation of a value chain. Gender analysis can also explain why certain chains are dominated by men or women, and can indicate potential areas for change. Therefore, when planning research the following aspects should be taken into account:

- › the existence of gender differences in designing interventions and future activities;
- › the existence of gender relations in the chain, at home or at the consumer level;
- › gender conflict or segregation.

Specific information should be collected on:

- › women's participation in different stages or locations of the chain;
- › inequalities in income or pay;
- › why and how these inequities are perpetuated;
- › how the above differences have affected interventions;
- › what chance is there for change.

Step 2 IDENTIFY THE CHAIN'S INDIRECT ACTORS

In this step we find out which actors in the chain provide services, we determine quality and access, and we identify gaps to be filled in the future so that chain competitiveness can be improved.

Method: Identifying the provision of support services

- ⇒ This method looks at the business chain and identifies those indirectly involved in each link in order to assess service quality.

Technique

- Brainstorming
- Group sessions or workshops
- Interviews
- Collection of secondary information

? Key questions

- 1 Who offers services in each link of the chain? (type of actor: public, private, profit, non-profit; area of operation, etc).
- 2 What services are offered in each link of the chain? (production, post-harvest, processing, marketing, business organization)
- 3 What support is provided? (technology, investment, business risk)
- 4 How expensive is the service?
- 5 What quality of service is offered?
- 6 How useful is the service?
- 7 How effective is the service?

✂ Tool 14 → Indirect actor characterization matrix

Name of indirect actor	Actor 1	Actor 2	Actor 3
Type of actor			
Area of operation			
Seasonality of service provision			
Description of the main service provided			
Description of other services provided			
Technology used			
Investment involved			
Inherent risks			
Service quality (customers)			
Service cost			

Source: Van der Heyden and Camacho, 2004

Considerations

Indirect actors provide support services to the chain's direct actors. Services are provided by institutions or companies and involve technical, production and business assistance, research, credit, transport, information and communications, among others. By studying them we can find out about service quality and access in the chain.

Care must be taken to look at the services offered by informal actors (middlemen, moneylenders, etc), which sometimes provide more effective support than others. We stress the importance of informal providers because they exist in almost all chains, their services tend to be more sustainable than those offered by formal actors, costs are lower and many chains only function because of them²⁴.

Methodological description

Steps:

1. Participatory workshops in which producers, industrialists, traders and other groups analyse their respective links in the chain to identify indirect actors. A special effort should be made to identify informal service providers.
2. Here, too, actors should be grouped according to the type of service they give. Therefore groups are formed of service providers offering technical assistance, information, finance and other services. Each group of indirect actors represents a link in the chain.
3. A plenary session is held to review each group's results and a matrix is generated to characterize indirect actors.

Estimated time



2 hours: 1 hour to identify and describe services per link in the chain and 1 hour to report on and validate the results in working groups.

Required material



Flip charts, chalkboard, markers, chalk, paper, pencils

Expected results



- › Matrix for the characterization of indirect actors

Step 3 IDENTIFY RELATIONS AMONG CHAIN ACTORS²⁵

Improved knowledge of actor interrelationships in the chain makes it possible to foster the development of business partnerships to improve the competitiveness of different links in the chain²⁶.

Relations between different enterprises in a chain are analysed both in terms of horizontal relations (enterprises in the same link) and vertical relations or partnerships (companies in different links).

Method: Identification of vertical and horizontal actor relationships in the chain

- ⇒ The goal is to identify the way actors from different links and the same links interact.

²⁴ Lundy *et al.*, 2004

²⁵ Van der Heyden and Camacho, *op cit.*

²⁶ Piñones, *op cit.*

Technique

- Participatory workshops with chain actors
- Interviews

? Key questions

- 1 *What characterizes buying and selling relationships?*
- Analyse the following information:**
- 2 *Transaction characteristics: transaction location, volume traded, frequency of transaction, form of payment, formality, decision-making.*
- 3 *Bargaining: who is it that decides and what determines this power?*
- 4 *Results of the relationship: advantages and disadvantages of the relationship*
- 5 *Relationship risk: who bears the greatest risk and what attempts are made to reduce it?*
- 6 *Degree of dependence: possibility of choosing other suppliers or buyers.*
- Horizontal organization:**
- 7 *What are the aims of the organization?*
- 8 *How long has the organization existed?*
- 9 *Is there any technical, economic, or social support?*
- 10 *What are the perceived benefits?*
- Vertical organization (partnerships):**
- 11 *What is the aim of the partnership?*
- 12 *What coordination mechanisms are there?*
- 13 *What are the perceived benefits?*
- 14 *What results have these partnerships produced?*

✂ Tool 15 → Actor relations matrix

ACTOR A _____ / ACTOR B _____ /	
Criteria	Description of relationship
Payment method	
Who gets greatest benefits?	
Amount	
Product features	
Frequency of sale	
Transaction formality	
Socio-cultural relations	
Bargaining power	

Source: Van der Heyden and Camacho, 2004

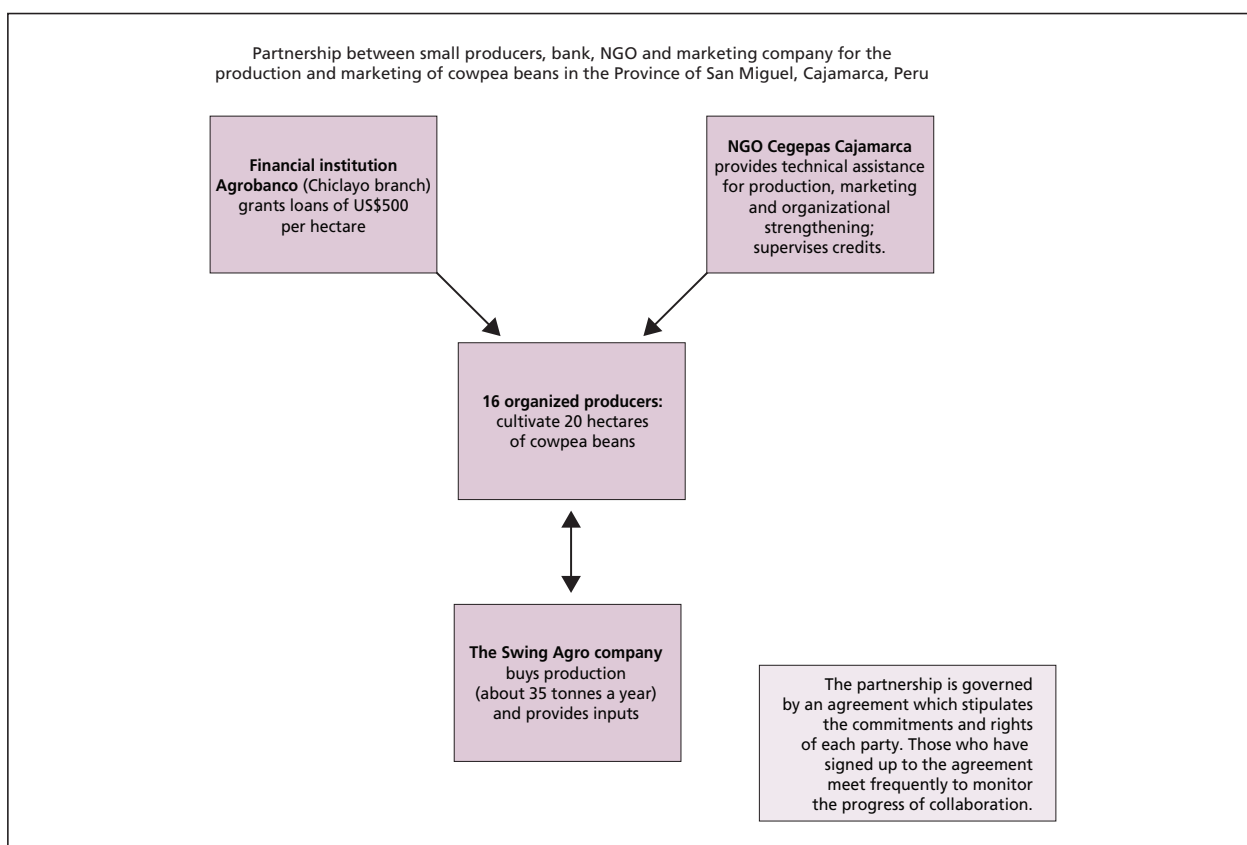
We should fill in the matrices that are necessary, depending on the number of actors interacting in the chain.

✂ Tool 16 → Horizontal organization characterization matrix

	Production	Processing	Marketing	Transport	Political weight	Other
Name of the organization if it has one						
Type of organization (legal, de facto, etc)						
Location						
Date created						
Objectives						
Area of activity						
Perceived benefits						

Source: Van der Heyden and Camacho, 2004

✂ Tool 17 → Vertical integration map



Source: Van der Heyden and Camacho, 2004

This is a very simple map that illustrates how a partnership operates, briefly describing the actors, their role in the partnership, relevant data to estimate business importance, and management mechanisms.

Methodological description

Steps:

1. Having analysed the characteristics of the actors, from the viewpoint of transactions we now explore the relationships between actors in the same link and different links.
2. The aim is to identify all product transactions, from production to the target market, to build the chain product flow in the next step.

Relations between actors are analysed at three levels:

- › transactions (from production to end market)
- › social relations
- › organization and concerted action.

Estimated time



2 hours

Required material



Flip charts, chalkboard, markers, chalk, paper, pencils

Expected results



- › Actor relations and horizontal organization characterization matrices, and vertical integration map.

Step 4 CHART PRODUCT PATH IN THE CHAIN

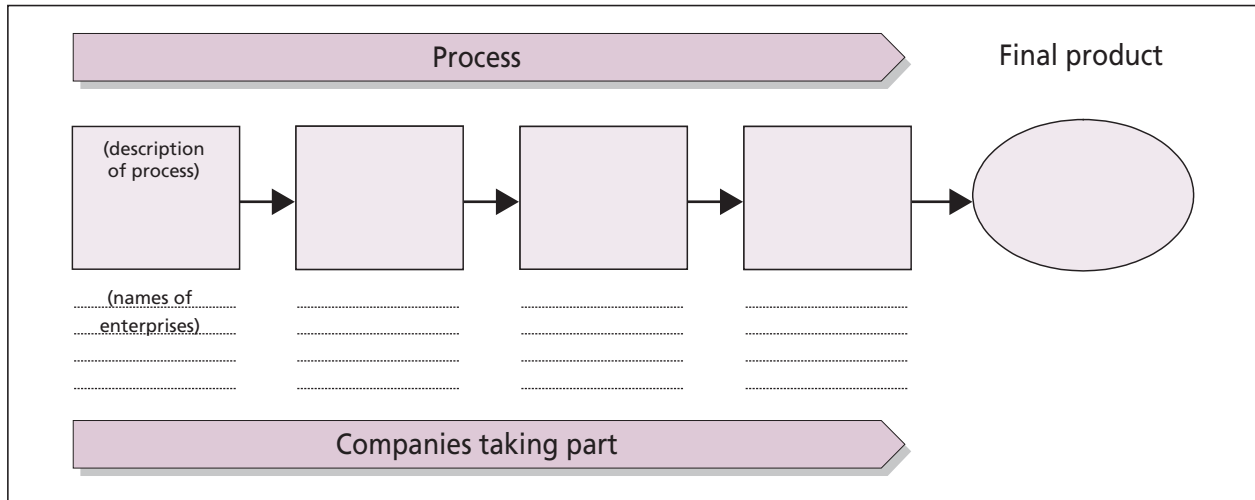
Method: **Track product path**²⁷

- ⇒ The goal is to understand the path taken by the product along the chain.

Technique

- Group session or participatory workshop with chain actors.

✂ Tool 18 → Product path worksheet



Source: Agriculture and Food Council of Alberta, 2004

Methodological description

- › Chain products, processes and actors are identified.

Steps:

1. Identify end product (consumer product). Work backwards.
2. What happens to the product just before becoming a finished product? Record the answer in the previous box. Continue to identify the processes backwards until they are all identified.
3. Observe the process and identify the companies that carry out the process.

Estimated time



1 hour

Required material



Flip charts, chalkboard, markers, chalk, paper, pencils

Expected results



- › Product flow diagram containing a list of the processes carried out, from the first link in the chain to the final product, and those responsible (companies) for these processes.

Step 5 FINAL CHAIN MAP

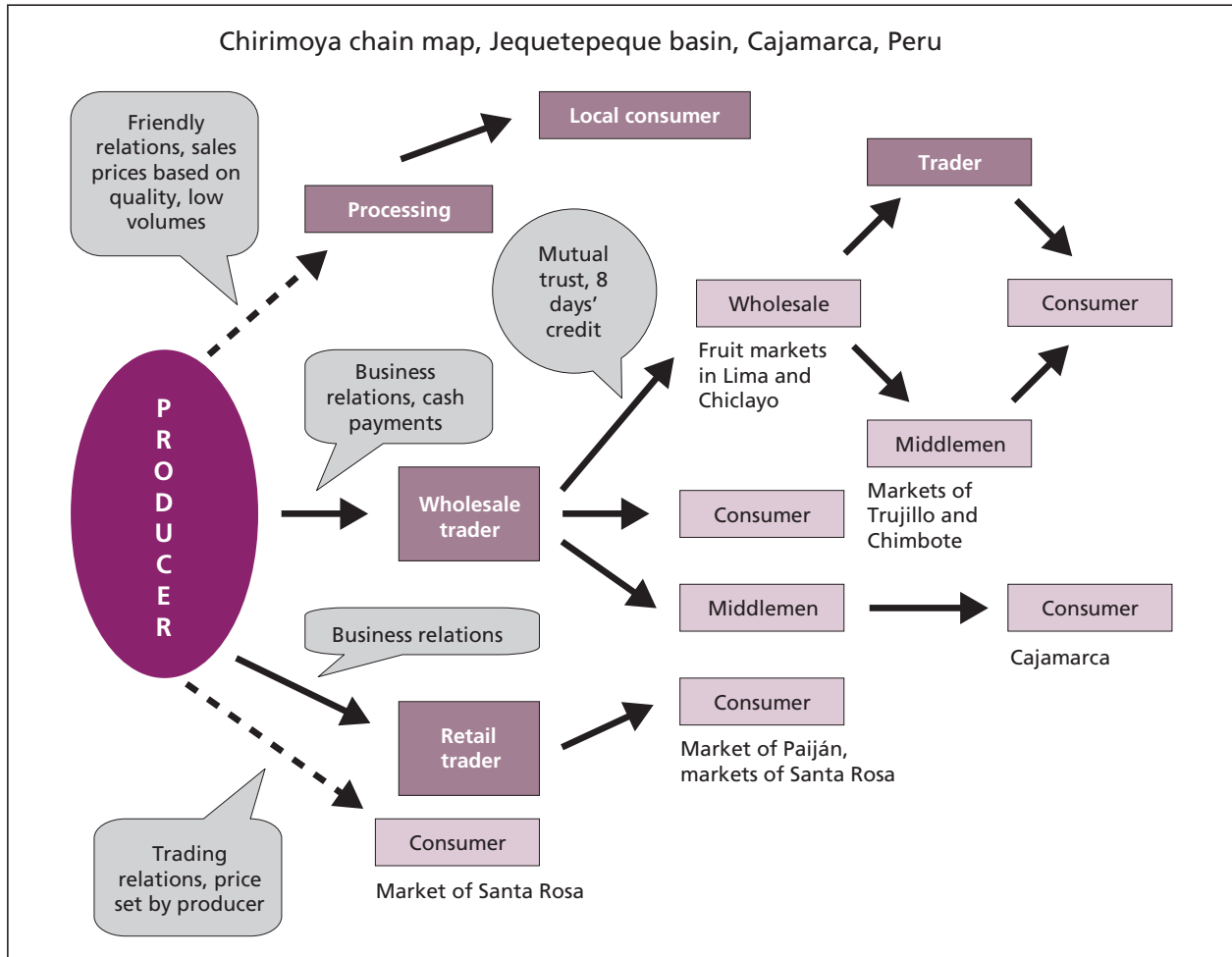
Method: Chain mapping

- ⇒ The aim is to get a chain map that shows the relations between direct and indirect actors and the path followed by the product from production to marketing.

Technique

- ☑ Group sessions or workshops
- ☑ Brainstorming (Tool 2)

✳ Tool 19 → Example of final chain map



Source: Van der Heyden and Camacho, 2004

The chain map is a tool that shows all the multiple relationships that exist among chain actors. It shows relations between actors and the path followed by the product from production to consumption.

Methodological description

Steps:

1. Draw a box with a link in it. Underneath each box note the functions and activities carried out in the link.
2. Connect the different boxes (links) with lines that indicate the type of business relationship. For example, a solid line to represent relations of trust, where the actors are willing to share information, experiences and so on, and a broken line for more superficial relationships²⁸.

28 Donovan, op cit.

3. Review available information on actors to complete the map. If we wish to have a more detailed picture of the chain, the facilitator can ask questions on the aspects of the system that are of most interest.
4. The important thing is to describe the product flow in a way that is easy for all actors to see and discuss²⁹.

Estimated time



One day's work (10 hours), divided into 2 hours for initial chain mapping, 3 hours to identify direct actors, 2 hours to identify indirect actors, 2 hours for relations between actors and 1 hour for product path.

Required material



Flip charts, chalkboard, markers, chalk, paper, pencils

Expected results



- › Final chain map.

PHASE 3 Resources assessment

Having reached this point we need to take a close look at the location where we will be working, especially the things that have a positive or negative affect on the chain, and available resources.

In this phase we identify natural, business, financial and human resources, access to information and physical infrastructure, as well as relevant national and international policies that affect the chain.

Method: *Assessment of local resources*

- ⇒ The aim is to identify the chain's resources and capacities, characterizing the milieu in which the chain operates, then presenting this information as simply as possible.

Technique³⁰

- ☑ Collecting primary information via interviews with key informants, focus groups and participatory workshops involving local actors; also field visits.
- ☑ Collecting secondary information from sources such as supply centres, shopping centres and markets, chambers of commerce, development agencies, labour unions, national, regional or municipal governments, the press, publications, trade magazines, private enterprise, the Internet, consultants, earlier updated studies, foreign trade agencies, export promotion agencies, state agencies of developed countries.

²⁹ Lundy *et al.*, op cit.

³⁰ Lundy *et al.*, op cit.

? Key questions

- 1 *What resources does the chain have?*
- 2 *What is the land like (soil type, fertility, drainage, total area)?*
- 3 *What are the water requirements for the year?*
- 4 *How vulnerable is the land to natural disasters (floods, droughts, fires, etc)*
- 5 *What business resources are there in this chain?*
- 6 *What machinery, equipment and buildings are there?*
- 7 *Is there water available for irrigation (where necessary)?*
- 8 *Is there drinking water and electricity?*
- 9 *What financial resources are there in this chain?*
- 10 *What human resources are there in this chain?*
- 11 *What information resources are there in this chain?*
- 12 *What physical infrastructure can the chain count on?*
- 13 *What national and international policies directly affect this chain?*

✂ Tool 20 → Resource analysis matrix

Availability of resources	Brief description
Natural Climate Water Soil Forest	
Business Facilities Equipment Machinery Livestock Workforce Time devoted to business activities	
Financial Cash Formal credit Savings	
Human Schooling Expertise Management skills Health Relations between participants Existing organizations	

Source: adapted from Lundy *et al.*, 2006

✂ Tool 21 → Information access and requirements matrix

Information needs (production and processing technology, market information, managerial skills)	Possible sources (Internet, magazines, newspapers, newsletters, neighbours, middlemen, companies, projects, NGOs and other business development service providers)	Cost (If not available free of charge)

Source: Donovan, 2006

✂ Tool 22 → Infrastructure matrix

Infrastructure	State	Who uses it?	Institution in charge	Impact on chain competitiveness

Source: Van der Hayden and Camacho, 2004

✂ Tool 23 → Policies and regulations reference list matrix

	Description	Effect on
Policies		
Rules		
Regulations		
Laws		
Treaties / Agreements		

Source: Van der Hayden and Camacho, 2004

Considerations

Information should include data on various aspects of the region where the project is being implemented, such as:

- *Natural resources*: topography, climate (temperature, rainfall, drought periods), soil (soil types, levels of fertility), availability of water and irrigation.
- *Business resources*: livestock, pasture, permanent crop area, sawmills, lighting or drinking water facilities, warehouses, predominant production systems, agricultural inputs, existing agribusinesses, milking machines, tractors, tools, human resources, time spent on business activities.

- › *Financial resources*: trade and agribusiness support systems (financial systems that give formal or informal credit), investment, savings and cash.
- › *Human resources*: number of chain participants, the gender of participants, history of the people (ethnic groups, conflicts, migration), characterization of the participants (ethnic groups, land tenure, level of well-being, educational level, specific knowledge of business management and administration, health, description of community organizations such as cooperatives and other associations, relations between chain participants (kinship, friendship, commercial, none).
- › *Physical infrastructure resources*: transport (roads, sea routes, ports, airports), energy (electricity network, fuel), communications (telephone, fax, radio, mail), distribution centres, processing infrastructure (plants, industries), ports and port infrastructure (cold chains, storage, etc).
- › National and international policies that have a direct influence on the chain: trade and integration agreements and treaties, rules of origin, customs policies, pricing policies, technical and health control, tax regulations, tariff regulations, import and export quotas, subsidies and grants, promotion policies, property laws, quality standards, policies to promote gender equality, environmental issues linked to the Kyoto protocol, patents and trademarks.

Other information can be collected as required by the facilitator or group in charge of the project to promote partnerships.

Methodological description

Steps:

1. The facilitator should keep in mind what information is needed on natural, business, financial, and human resources, access to information, physical infrastructure in the chain, and national and international policies that have a direct influence on the chain. A preliminary list of required information can be put together.
2. The facilitator collects information on the above from secondary information sources, and organizes participatory workshops, focus groups and interviews with key chain actors to collect primary information.
3. Once the information is collected a report should be written to present the results of the study.

Estimated time



2 weeks gathering information and 2 weeks to prepare a report on the results.

Required material



Chalkboard, flip chart, markers, pencils, cards, notebooks, paper, computer

Expected results



- › List of identified resources.

PHASE 4 | Market analysis

From the agrifood chain perspective, the starting point for designing a strategy is the market place, since without a market for products or services, the partnership has no future, no *raison d'être*. It is therefore of utmost importance to characterize and identify the demands of different markets for existing or potential products, namely market opportunities that arise as the process develops.

In this context, we consider not only potential markets and existing products, but also opportunities available in new markets, the possibility of developing new products, as well as the possibility of diversifying into other products and markets.

Method 1: Quick market survey

The aim is to:

- ⇒ Identify market opportunities for agrifood chain products.
- ⇒ Acquire information on purchasing conditions (prices, changes in prices, quality, quantity, financial flows) for products that represent market opportunities.
- ⇒ Acquire information on possible contacts.

Technique

- Quick survey of known or potential buyers
- Structured or semi-structured interviews with buyers
- Collection of secondary information

? Key questions

- 1 *Who buys the product?*
- 2 *Where can the buyer be contacted?*
- 3 *What are the rules of the game in the market and the most important market segments?*
- 4 *What product quality is demanded by different market segments?*
- 5 *Which buyers should participate in the process of developing business partnerships?*

✂ Tool 24 → Quick survey matrix

Company name				
Location				
Purchase quantity				
Form (product specification)				
Packaging				
Product origin				
Suppliers				
Price				
Payment mode				
Requirements				
Sales options				

Source: Lundy *et al.*, 2006

Considerations

The easiest way to carry out a quick market survey is through structured or semi-structured interviews with buyers. These interviews should be designed in advance and can be given by the facilitator together with producers, by technicians, students from the area, or by the producers themselves. It is advisable to involve a number of the chain's key producers or manufacturers, as they are likely to tell their neighbours and acquaintances about the results of the survey and thus lay the groundwork for future interaction or horizontal or vertical links.

Methodological description

Steps

A quick market survey involves:

1. First, a review of relevant literature and available secondary information.
2. Then, semi-structured interviews of known or potential buyers to find out about the buyer:
 - › name;
 - › location (exact address, city, county, etc);
 - › contact information (telephone, fax, cell phone, e-mail, etc);
 - › type of buyer (intermediary, supermarket, restaurant, hotel, institution);
 - › the other products they buy;
 - › product data;
 - › product description and presentation (weight, packaging, etc);
 - › legal requirements needed to sell the product to the buyer (health registration, bar code, packaging, legal invoices, etc);
 - › product price and form of payment (cash, on credit, for how many days);
 - › price paid for the product;
 - › amount requested by the buyer;
 - › frequency with which the product is delivered (dates, periods, etc);
 - › delivery dates and methods (at the buyer's site, farms, etc); and
 - › other comments.

We can also find out whether the buyer is interested in new product suppliers, whether they are interested in participating in more strategic and long-term relationships with groups of producers, and whether they are interested in other territorial products. This process gives us an opportunity to identify buyers with a view to setting up business relationships. This process goes beyond just saying "yes, there is a demand" to identify parties with whom producers could negotiate.

Surveys are useful for identifying common interests and developing a strategy to boost competitiveness.

The can be used to:

- › provide a first approach to buyers;
- › facilitate selection of buyers;
- › help to identify those most in favour of coordinating with other chain actors;
- › locate buyers;
- › indicate current product market volumes;
- › find out market prices;
- › find out delivery times;
- › find out methods of payment;
- › find out market rules (quality, packaging, etc);
- › classify buyers;
- › identify their strategic value in the chain;
- › find out the volume handled by each buyer, and the market segment targeted.

A survey gives us a more updated idea on product delivery and payment methods. Using this information we can find out, for example: how far the product's quality or packaging is from market standards and requirements; what payment mechanisms would be involved; the implications of entering into negotiations with various types of buyers³¹.

The survey can be used to classify the buyers in terms of business potential or strategic value for the chain. Useful criteria to establish this include the amounts managed by each buyer, the segment they target, the use made of the product³², the price they pay or are willing to pay, and their willingness (or not) to enter into strategic relationships with other members of the chain, particularly small producers.

Estimated time



2 weeks gathering information and 2 weeks to prepare a report on the results.

Required material



Chalkboard, flip chart, markers, pencils, cards, notebooks, paper, computer

Expected results



- › List of identified resources.

Method 2: Quick end market study

- ⇒ The goal is to understand the end market and the position of a product in this market, through the characterization of supply and demand.

Technique

- Research using secondary sources (studies, journals, Internet, etc)
- Interviews
- Field trips to places where competition is in place (shops, supermarkets, supply centres, etc)

? Key questions³³

Analyse the following information:

- 1 How do the products compare to the competition?
- 2 Who are the main competitors?
- 3 Where are they located?
- 4 What are the characteristics of the products on offer and the strategies of the chain's actors compared with their main rivals?

Demand

- 5 What are the characteristics of demand?
- 6 Requirements or attributes of the product by type of demand?

³¹ It is useful to evaluate the requirements and prevailing rules of the game in different market segments. Sometimes a "good" market is not so good when we analyse these factors. A case in point is supermarkets, which tend to delay payments to suppliers for 30 days or more and, in turn, deduct money for unsold products. At first, their prices and the amounts they buy are good but this may not be the most profitable segment for small producers. (Ibid, p.35)

³² If there are buyers in the market that have a different use for the product (for example, the extraction of essential oils of aromatic plants) it is important to take them into account. Sometimes these non-traditional businesses may have more potential for growth and demand than traditional channels. In addition, there may be less competition to access them. (Ibid)

³³ Van der Heyden and Camacho, op cit.

- 7 Services associated with product demand?
- 8 Demand history and trends (volume)?
- 9 Preferences for certain brands and labels?

✂ Tool 25 → Product demand matrix

Demand segment	Product requirements, preferences	Demand for associated services	Seasonality	Estimated demand volumes	Prices

Source: Van der Heyden and Camacho, 2004

✂ Tool 26 → Product comparison matrix: target group and its competitors

Criteria	(Target) group products	Competitor 1	Competitor 2
Location			
Quality			
Amount			
Productivity/Technology			
Price			
Presentation			
Distribution channels			
Seasonality			
Brand			
Associated services			
Significant competitive advantages			

Source: Van der Heyden and Camacho, 2004

Methodological description

1. It is essential to have detailed information on different suppliers and their strategies. Some of the characteristics could be product quality (physical, ethical, environmental and cultural characteristics), volumes and market share, productivity, prices, seasonality (production volumes in terms of areas and times of the year), alternative technology used in each stage, use of brands and marks (market positioning), and so on.
2. A good knowledge of demand is essential for orienting production. That is why we should identify the requirements of different market segments in terms of volume, characteristics, lengths of time, quality, price, etc, as well as demand for associated services.

Estimated time



4 weeks

Required material



Paper, notebook, pens, recorder, computer

Expected results



- › List of customers and their characteristics; list of suppliers and their characteristics.

PHASE 5 Chain analysis

In this phase the chain is analysed in two ways. First, a retrospective study is conducted which will be used primarily to identify past errors and problems in the chain, so as to correct or avoid them in forming partnerships. Second, an analysis is made of chain competitiveness, a factor that will determine whether the chain is successful or not.

Step 1 HISTORICAL CHAIN ANALYSIS

Method: *Timeline*

- ⇒ The aim is to recognize the key moments in the history of the chain in order to identify lessons and positive and negative aspects. This can be done by using a general approach (key milestones in the chain) or focusing more on previous projects or the support received by actors.

Technique

- Participatory workshops with chain actors
- Interviews
- Review of secondary information
- Field trips
- Brainstorming

? Key questions

- 1 *What were the key moments in the development of the chain over recent years?*
- 2 *When did they take place?*
- 3 *Who took part?*
- 4 *What roles did they play?*
- 5 *Did they receive outside support at this time?*
- 6 *Who were the facilitators?*
- 7 *What was good about it?*
- 8 *What was bad about it?*
- 9 *What did we learn?*

✂ Tool 27 → Timeline matrix

Year	Event	Who participated	Who supported us	Assessment		
				The good	The bad	What we learned
2001						
2002						
2003						
2004						
2005						
2006						

Source: authors' own elaboration based on Lundy *et al.*, 2004

Methodological description

Steps

1. Define what the actors think are the key dates in the development of the chain. We can start by brainstorming for the chain's key phases of development and then organize them in chronological order.
2. Once a timeline has been established, we find out more about each event and assess what we have learned.
3. The exercise ends with the groups discussing the results and clarifying any doubts.
4. After the workshop, the facilitator joins all the timelines together.

If a facilitator wants to direct this exercise towards specific topics such as technological progress in the chain, the arrival of new products, local innovations, or other themes, the tool can be adapted for such purposes.

Estimated time



1 hour

Required material



Chalkboard, flip chart, cards and felt-tip pens

Expected results



- ▶ Timeline matrix that presents key milestones in the chain's history.

Step 2 CHAIN COMPETITIVENESS ANALYSIS

In this step we find out which actors in the chain provide services, we determine quality and access, and we identify gaps to be filled in the future so that chain competitiveness can be improved.

Method 1: Identification of problems or weaknesses

- ⇒ The purpose is to identify problems that need to be solved.

Technique

- Brainstorming

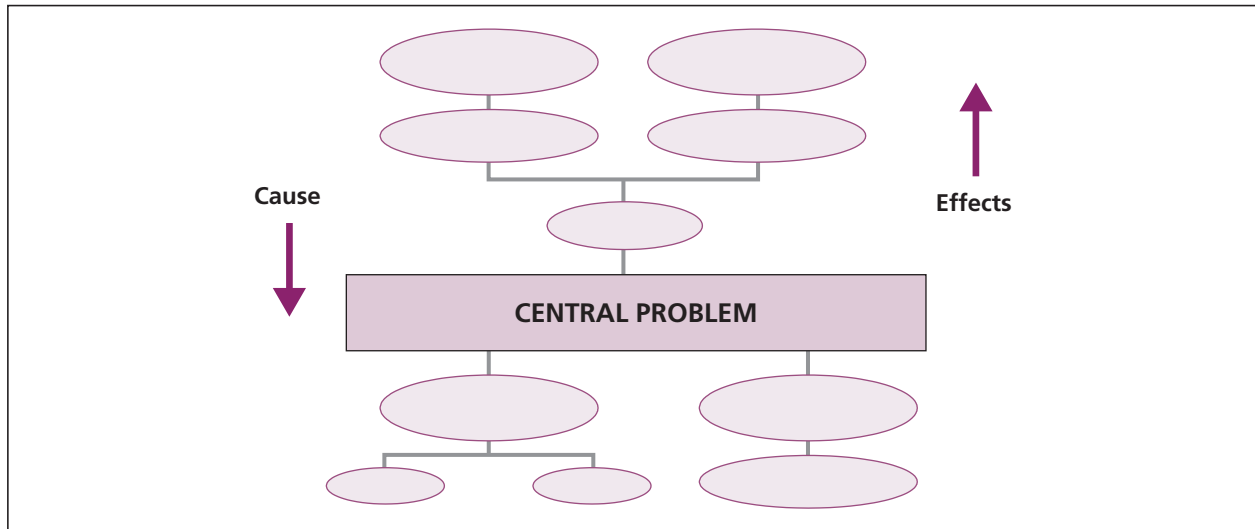
? Key questions³⁴

- 1 How can we identify the problems or weaknesses that are holding back the development of the business chain?
- 2 Why is it important not only to identify weaknesses but also what produced them and the effects they have on chain competitiveness?

³⁴ Lundy *et al.*, 2004

- 3 Is it possible to link up different areas in the chain?
- 4 Having identified the weaknesses, how can we use this knowledge to plan innovatory processes for chain development?
- 5 Can we identify some weaknesses that affect the chain more than others? What would happen if they were fixed?
- 6 Could these big weaknesses be used to encourage greater chain competitiveness?

✂ Tool 28 → Problem tree diagram



Source: Florez, 2002

Considerations

In identifying a problem, we must take into account that different actors may have different views about it, as well as different interests. Therefore, how we define a problem depends on which actors are taking part. In this context, the extent to which the problem is initially defined and the way it is identified are crucial to shaping the types of partnership that can be formed. For example: if the problem identified is a crop disease, there will be far fewer actors taking part (those involved in production and research) than if we are working on improving agribusiness chain competitiveness in domestic and international markets³⁵.

In analysing the initial situation it is important to consider the following aspects:

- › The way each partner perceives reality is different.
- › The quantity and quality of existing information influences the results of the situational analysis.
- › The information the partners possess about the problem can be supplemented by other studies.
- › A situational analysis is important to find the problem(s) that the partnership will try to resolve.
- › It is crucial for a successful analysis that we have a complete, systemic and overall view of the situation.
- › The use of simple, rapid, participatory and productive methods facilitates analysis.

³⁵ Engler *et al.*, 2004

The socio-economic situation of a country and a sector, as well as the legal, financial and institutional framework (rules of the game), has an affect from the earliest stages, facilitating or hampering process³⁶.

- › The situation can be analysed in different, complementary ways, each with different emphases, advantages and disadvantages: diagnoses aimed at defining a baseline; situational analysis to identify the critical variables of a problem; surveys of the general situation of a population group; summaries and analysis of existing studies on a topic or issue.
- › A problem tree diagram is a simple tool that uses a simple model: after identifying a problem, it analyses the causes and effects of the problem and provides elements for the subsequent definition of objectives and strategies to guide partnership work.

Methodological description

It is important to point out that the effectiveness of this tool depends on the quantity and quality of information that can be obtained about the situation in question. Therefore, it is not intended to replace other methods but rather to complement them. It is an extremely useful tool for the participatory analysis of a situation, which allows us to agree on a problem to be solved and the strategies necessary to solve it.

Steps³⁷

1. *Identify problems:* What problems are we trying to solve by forming a partnership? Prepare a list of the main problems that come up.
2. *Define a central problem:* What is the central problem? A central problem is one that the partnership can solve or that it can help to solve, and arises from a process of dialogue and negotiation, since each participant sees the situation differently.
3. *Establish relations of cause and effect:* We place the causes of the central problem at the lower level by asking the question, “What is at the root of the problem?” The effects produced by the central problem are placed on the top level by asking the question, “What are the consequences of the problem?”
4. *Look at the problem tree diagram* (Tool 28).
5. *Verify:* Take a look at the whole diagram and make sure it is valid by asking:

? Key questions

- 1 *Are the problems described accurately and clearly?*
- 2 *Do the problems describe an existing negative situation?*
- 3 *Are causes and effects clearly differentiated?*
- 4 *Are the problems seen as having no solution? (If the answer is yes, we need to reformulate the problems.)*
- 5 *Is the cause–effect relationship logical?*
- 6 *Do the defined causes explain a certain effect, or have we omitted a major problem?*
- 7 *Is the lower level problem always the direct cause of the higher level problem?*
- 8 *Have we left out a lower or higher level? (If the answer is yes, more levels need to be included).*

³⁶ Ibid

³⁷ Ibid

Estimated time

One day's work.

Required material

Chalkboard, flip chart, cards and felt-tip pens

Expected results

› List of problems

Method 2: Information and milieu analysis

⇒ The goal is to accurately identify the chain's strengths and weaknesses.

Technique

- Analysis of information generated during diagnosis using the SWOT methodology (Strengths, Weaknesses, Opportunities, and Threats). Elements are considered from the viewpoint of business development.
- Participatory workshop with a working group and other relevant chain actors (direct and indirect).
- Structured brainstorming.

✂ Tool 29 → SWOT Matrix

Results are presented in the following matrix:

Strengths		Weaknesses
Note down the strengths		Note down the weaknesses
Opportunities		Threats
Note down the opportunities		Note down the threats

Source: Lundy et al., 2006

Methodological description

The information is analysed by using a logical process based on an interpretation of the information, which eventually gives us a general SWOT of the chain. Next we conduct a participatory analysis of the information.

Steps³⁸

1. Identify strengths, weaknesses, opportunities and threats (SWOT). Opportunities and threats are the positive and negative elements that cannot be directly controlled by the actors in the chain but which affect it, while strengths and weaknesses are internal aspects, typical of the chain, which can be controlled to enhance competitiveness. This exercise can be carried out in segments (milieu, actors, market and economic analysis) or for the entire chain.

³⁸ Van der Heyden and Camacho, op cit.

2. List all the strengths (natural resources, business organization, market links) encountered during diagnosis. Once identified and recorded, the strengths are prioritized, highlighting the most important or obvious and those that represent a solid foundation for change³⁹. Follow the same procedures for the opportunities, bearing in mind that these are often external to the chain and market-related.
3. Repeat the process for weaknesses (internal).
4. Then do the same for threats (external and related to the market or competition).
5. Identify whether some answers have a similar significance. In this case, group the ideas.
6. Identify whether there are answers with complementary meanings or with a cause and effect relationship. In this case, group the ideas specifying complementarity. To help participants find cause and effect relationships, we recommend answering Key questions for each SWOT element.
7. Identify whether the answers are clear to everyone; if not they will have to be clarified.
8. Sort the answers in terms of importance.

We recommend asking each participant to choose five strengths, five opportunities, five weaknesses and five threats. In this way, the result is a SWOT that contains key factors for the chain's competitiveness⁴⁰.

The final chain SWOT should achieve the consensus of the workshop participants, since it will form the basis for future construction of concerted action strategies.

Finally, the strengths are related to the threats, and the weaknesses to the opportunities. The idea is to answer the following questions:

- › How do we use territorial strengths for rural enterprise development so that we can turn threats into opportunities?
- › How do we seize opportunities to improve territorial weaknesses for rural enterprise development?

Estimated time



2 or 3 days

Required material



Chalkboard, flip chart, cards, sheets, pencils and felt-tip pens

Expected results



- › The results of this discussion are presented in the following table:

TABLE 2

Analysis of results

Strengths vs. threats	Opportunities vs. weaknesses
Results of comparing strengths and threats in terms of territorial rural business development	Results of comparing opportunities and weaknesses in terms of territorial rural business development

Source: Lundy *et al.*, 2006

³⁹ Lundy *et al.*, op cit.

⁴⁰ Van der Heyden and Camacho, op cit. pp.79–82

Method 3: Identification of critical aspects and competitive advantages

- ⇒ The goal is to identify critical aspects or defensive factors: the negative elements in the chain that must be corrected, and the competitive advantages or offensive factors, i.e. the favourable elements that can be exploited to enhance chain competitiveness.
- ⇒ At this stage we try to identify some key areas on which the chain's direct and indirect actors can concentrate their efforts to improve competitiveness.

Technique

- Participatory workshop

✂ Tool 30 → Example of offensive area matrix

Opportunities 	National exploitation of bamboo to alleviate pressure on forests	Multiple applications and uses resulting from the generation of added value	Future application of EUREGAP rules for bamboo plantations	Need to create jobs to combat migration and poverty	Existing and developing national and international bamboo markets
Strengths					
Physical and mechanical properties of Guadua ⁴¹ recognized as the best in the world	3	5	3	1	5
High-yield in the short term	5	0	3	3	3
Creation of a Consultative Bamboo Council	1	1	1	1	3
Great availability of land for cultivation of sugar cane	3	0	3	3	1
Guadua is an endemic species that has competitive advantages abroad	5	3	3	1	5
Score	17	9	13	9	17

Source: Van der Heyden and Camacho, 2004

Methodological description

The offensive area matrix is built by matching the chain's strengths with the opportunities offered by the environment. The question the chain actors should ask is to what extent strength X in the chain can help us take advantage of opportunity Y in the environment.

For each link we give a rating of 0, 1, 3 and 5. If the link is strong, that is, if the strength can let us take advantage of the opportunity, we give it a 5; if it is medium, a 3, if it is low we give it a 1 and if there is no link, a 0. The same procedure is followed for all the five strengths and all five opportunities.

Links:
High= 5
Average= 3
Low= 1
None= 0

⁴¹ Guadua or bamboo, a species with a myriad of possible industrial applications, providing excellent economic results, huge profitability, products that are in high demand in international markets and effective technological development for processing.

As noted in the example of the offensive area matrix, Guadua is a species with high market potential because of it has high competitive advantages (score 17), as well as being a species that can alleviate pressure on forests (score again is 17). Also note that there is a strong link between exploitation and its presence in domestic and international markets. However, its link values are low in terms of generating added value and countering migration and poverty.

 **Tool 31** → **Example of defensive area matrix**

Weaknesses	Limited financial resources	Lack of skilled farm workers and producers	No inventories of surface area	Inexistent or poor chain actor organization	Lack of information on potential markets and opportunities
Threats					
Political and economic instability, insecurity Legal insecurity	5	3	0	3	1
Taxes discourage producers and are not oriented towards the sector	5	1	1	1	0
Highly competitive international market with low-price trend	3	3	0	5	3
High interest rate financial loans	5	1	0	1	1
Technical and legal criteria for use of bamboo have not been incorporated into forest legislation	1	3	1	1	0
Score	19	11	2	11	5

Source: Van der Heyden and Camacho, 2004

Methodological description

The defensive area matrix is the inverse of the offensive area matrix, that is, it matches threats in the environment to weaknesses in the chain. The question chain actors should ask themselves is, "To what extent do chain weaknesses worsen environmental threats?" Then, the same procedure is followed as for the offensive area matrix, assigning a correlation rating of 0, 1, 3 or 5 and matching the five threats to the five weaknesses.

Links:
 High= 5
 Average= 3
 Low= 1
 None= 0

In the above example we can see that link ratings are high for weaknesses that worsen threats, since it presents limited financial resources (overall a weakness), high interest rate loans (5) and lack of producer motivation (5) for investment.

Estimated time



1 or 2 days

Required material



Chalkboard, flip chart, cards, sheets, pencils and felt-tip pens

Expected results



- › Create matrices that identify strengths, weaknesses, opportunities and threats.
- › Identify correlated strengths and opportunities. Where there is a strong correlation between chain strengths and environmental opportunities, then strength and opportunity become key aspects for the chain's direct and indirect actors to concentrate their efforts and improve competitiveness levels.
- › Identify critical aspects in the chain that need to be corrected.

Value chain diagnosis methodology

Summary

This second component presents methods for characterizing and mapping chains, assessing available resources, analysing market opportunities and identifying main problems. It is essential that diagnosis is as detailed as possible because if we know what makes up a chain, its resources, and above all its strengths and weaknesses, we can prepare a more accurate strategy to make it competitive, highlighting its strengths and solving existing problems.

At the end of the exercise, we should have a detailed and accurate picture of the chain that will allow us to move on to the phase of preparing partnership promotion.

III Preparation for partnership development

Once we have selected a territory and have carried out a thorough analysis of a business chain, we can move on to the development of joint intervention actions aimed at improving chain competitiveness through the development of business partnerships. Building lasting relationships is undoubtedly the most important factor for a successful value chain. Solid business relationships are based on trust, interdependence, fair decision-making processes, balanced power structures, common goals, fair returns, problem solving systems, transparency and commitment.

Trust develops as the parties get to know and understand one another and as their actions become predictable. It is created through reputation, past experience, positive behaviour and honouring commitments.

Forming partnerships is an interactive process that takes place at different stages ranging from the identification of a common problem to the development of joint work plans with different partners.

The experience gained and lessons learned by FAO, as well as other international institutions and organizations who have examined the theme of partnerships, show that shared knowledge of business structure is a factor that can foster the establishment of partnerships based on the development of mutual trust and understanding. This comes about from understanding and accessing the same information, not just about the market but also on costs and profits throughout the production process.

The following methodology takes this line, combining different methods developed and tested by various institutions and international organizations. The aim is to prepare the right conditions for negotiating partnerships to improve the competitiveness of a given business chain or to seize market opportunities identified by the actors.

The sequence of actions would be:

1. Begin a process of understanding and building relations between different business actors, as a basis for establishing relationships of trust and mutual respect.
2. Identify potential partners to tackle identified critical aspects.
3. Understand the process of forming business partnerships.
4. Prepare for negotiation.

The method is divided into four phases, all designed to improve the operation and organization of the business chain and create a common perception of the problems that exist in each business link, as well as share the process of adding value to the agrifood chain.

Phase 1. Understanding the chain and organizational development

Phase 2. Development of negotiation capacities

Phase 3. Preparing for negotiation

Phase 4. Raising awareness for negotiation

PHASE 1 Understanding the chain and organizational development

The method aims to promote exchanges of experiences and strengthen understanding and interaction among actors, in order to jointly identify opportunities for horizontal and vertical linkages that enhance coordination capacity in the chain, and promote opportunities for interaction with other business agents.

Steps:

- Step 1. Understanding the chain
- Step 2. Identifying chain partners
- Step 3. Building relations

Step 1 UNDERSTANDING THE BUSINESS CHAIN

Method 1: Understanding how a business chain works

The aim is to:

- ⇒ Examine problems encountered in different chain links
- ⇒ Initiate a process of understanding and trust among chain actors
- ⇒ Lay the groundwork for the promotion of cross-sector cooperation and dialogue

Technique

- ☑ Technical trips to each chain link, including for example:
 - ranches, farms, orchards, barns or grazing land
 - distribution or storage centres
 - packaging facilities
 - industrial and processing plants
 - embarkation ports (exports)
 - supermarkets or rural, local or regional markets.

✂ Tool 32 → Lessons learned during technical trips and assessment sheet

Business chain assessment sheet			
Business link	Major problems identified	Lessons	Assessment
Production			
Distribution or storage centres			
Transport			
Packaging			
Processing and industrial plants			
Supermarkets or rural, local or regional markets			
Ports of embarkation			

Source: authors' own elaboration

Methodological description

This approach aims to help integrate small producers and other actors in a chain, through direct or in situ knowledge of the different links in the business chain. Interaction is a determining factor for participants to achieve good results in the process of developing business partnerships.

Steps

1. Identify and select different actors to visit.
2. Raise awareness of the aims of the technical trips through direct contacts with representatives of the different links that we are going to visit.
3. Coordinate the technical visits bearing in mind the work schedules and availability of business chain actors.
4. This method begins with an overview of the results achieved in the preceding phases and the conclusions reached as regards business chain analysis, its final structure, and the problems and solutions identified by the actors involved in the process.
5. It ends with an assessment of the trips carried out and lessons learned by participants.

Technical trips should be made to the leaders and representatives of producer organizations, companies, public and private sector actors and technicians, and civil society organizations such as universities, research institutions, cooperatives, etc.

Estimated time



1 to 3 days, depending on the chain and the distances between one business link and the other.

Required material



Availability of vehicles to transport large groups

Expected results



- › Achieve interaction among all those interested in finding common courses of action.

Recommendations

Set a schedule for field trips. Try to:

- › coordinate the work schedules of the business actors being visited and the representatives of participating public and private institutions;
- › take into account that the time factor has a high cost for entrepreneurs, whether involved in production, industry or distribution;
- › make sure the visits do not interfere with business activities – sowing, harvesting, etc – because this will affect attendance;
- › identify the business agents that are most interested in cooperation and coordination; integrate them into the partnership process if they show an interest; and
- › find a facilitator with extensive knowledge of the chain.

Step 2 IDENTIFY CHAIN PARTNERS

Once we are familiar with the way the business chain works, actors are in a position to try to identify their possible partners. We will now tackle the critical aspects detected both in chain diagnosis and during field trips that found out about the links in the chain. For this purpose, activities are carried out to select compatible members with a view to

developing interaction and horizontal coordination (within the same link) or vertical coordination (between different links).

Setting up partnerships usually involves⁴²:

- › an organization to take charge of the initiative;
- › identification of problems that need solving;
- › identification of potential partners to jointly address the problems;
- › the skills, strengths, resources or competences of others to ensure that goals are achieved.

Method 1: *Selecting and bringing together compatible members*

⇒ The goal is to identify chain partners with resources and expertise.

Technique

- Working session immediately after the technical trips. Activities should be aimed at identifying and bringing together present and potential partners.

? Key questions

- 1 *What is it that really works?*⁴³
– Think of a business relationship you think works very well.
– Describe why you think it works well.
- 2 *What characteristics should the organization have?*
- 3 *What do you and your business do to maintain positive relationships?*
– Write a list of qualities that you look for in new partners.
- 4 *What does NOT work?*
– Think of a business relationship that you think does not work or has not worked.
- 5 *What happened?*
– Describe why you think it did not work.
- 6 *What features does that organization have?*
- 7 *What made it difficult to work together?*
– Write a list of things you would try to avoid when looking for new partners.
- 8 *How can we identify and bring together potential partners?*⁴⁴

✂ Tool 33 → Present and potential partner characteristics matrix

Desirable › ›		
Undesirable › ›		

Source: Agriculture and Food Council of Alberta, 2004

⁴² Florez *et al.*, 2002, p.19

⁴³ Agriculture and Food Council of Alberta, op cit.

⁴⁴ Florez *et al.* op cit.

✂ Tool 34 → Identification of partners for the development of business partnerships

Possible partners for the development of business partnerships

- › Local, regional and national public sector bodies
- › Service and consultancy organizations
- › Universities and research centres
- › Business and agribusiness associations
- › Small, medium and large private sector enterprises
- › Non-governmental and civil society organizations

Source: Florez *et al.*, 2002

✂ Tool 35 → Grouping matrix

Matrix for grouping actors by category		
Public sector	Private sector	Civil organizations

Source: Florez *et al.*, 2002

Considerations

Partner compatibility is based on the following factors:

- › work habits
- › vision of the future
- › skills and abilities
- › reliability
- › reputation
- › economic viability
- › management capabilities
- › willingness to solve problems
- › commitment to a project.

Methodological description

Steps:

1. Use *Tool 33* to note down the desirable and undesirable features of a partner, both for present partners and those that potentially could be incorporated into the chain.
2. Make a comprehensive list of organizations and associations (formal and informal), that have some connection with the issue or problem to be solved by working in partnership.
3. Identify companies that meet the requirements set out by actors.
4. Group the different actors in terms of the sector they represent.

Method 2: Partner analysis⁴⁵

- ⇒ The aim is make progress on the identification of actors that could come together to jointly address the problems identified along the business chain.

45 Ibid

Technique

- Joint analysis of all existing and potential partners.

Tool 36 → Analysis criteria matrix

Analysis criteria for potential partners	Organization A	Organization B	Organization C	Organization D
How do you relate to the issue or problem?				
What are your main skills and strengths on the issue?				
What can you contribute and how can you complement the partnership?				
What experience do you have of working in partnership?				
What sort of relations do you have with other actors?				
Other criteria				

Source: Florez *et al.*, 2002

Methodological description

Steps:

1. List the companies that meet requirements and contact them by phone.
2. Describe your basic idea, how you plan to carry it out and how it could benefit potential partners.
3. Do not give information that could turn a potential partner into a competitor.
4. Do not make any commitments until you are sure.

Expected results



- › Appropriate analysis criteria for evaluating potential partners
- › List of companies with contact information

Step 3 BUILDING RELATIONS

During partnership development a collective learning process will be generated (listening to other points of view), which is fundamental for forming bonds of trust between participants. The recognition of the capacities of other participants is a prerequisite for consolidating relations of cooperation and coordination.

The values involved in forming relationships are vital for the success and consolidation of a partnership. These values are⁴⁶:

- › **Trust.** The fundamental value in partnerships is trust, since it fosters frank and open relations, mutual understanding and maximises strengths. The fundamental vehicle for the development and promotion of trust and motivation among the parties

⁴⁶ Ibid. p.9

is knowledge and communication. This involves dialogue, an open and generous exchange of information, and feedback.

- **Respect.** Create an atmosphere that fosters appreciation and frank exchange of opinions, discussion, criticism, dissent and the emergence of different interests and expectations. In partnerships, it is important to be willing to learn from others and with others, to rethink practices and to agree on new approaches.
- **Inclusion.** Regardless of the amount of resources that each partner brings to the partnership, all members have the same opportunities to participate in decision-making and gain from the benefits generated by cooperation.
- **Transparency.** In partnerships, a fundamental value is transparent information, decision-making, resource use and definition of agreements. This is essential if partnerships are to run smoothly. That is, the parties must have access to clear information on the use of resources (human, physical and financial).
- **Shared responsibility.** The success of a partnership depends on co-responsibility. The continuous breach of commitments, agreements and assignments brings a high degree of uncertainty to partnerships, which can negatively impact initial intentions and undermine trust.

Individual leadership, isolated activism and personal and institutional desire to take the centre stage are incompatible with the idea of partnership.

Method 1: *Building relationships among partners*

- ⇒ The aim of the method is to lay the groundwork for the process of developing partner trust and commitment.

Technique

- Hold informal meetings aimed at creating linkages, through a skilled facilitator.

Tool 37 → Value matrix

Values	What does it mean for us?	How do we show it?
Trust		
Respect		
Inclusion		
Transparency		
Shared responsibility		

Source: Florez et al., 2002

Methodological description

The facilitator will use techniques to:

- establish trust, interdependence, commitment, and decision-making responsibility among chain participants;
- bring chain participants together at social gatherings and informal talks.

Steps in the development of factors that help build relations⁴⁷

- › **Trust.** Generally, trust develops in five stages:

 - *Assess:* good reputation, personal contact, preliminary exchange of experience;
 - *Build:* putting yourself in the other's shoes, belief that trust is possible, reliable behaviour, development of personal ties;
 - *Confirm:* agreements, cooperation procedures, successful experiences;
 - *Maintain:* monitoring, accountability, transparency, continued attraction, innovation, reliable behaviour).
 - *Strengthening:* relations based on trust, self-reflection, acceptance of criticism and credibility.
- › **Decision-making.** All actors should perceive the decisions taken by the person in charge as fair and having a clear direction. Before discussing this issue, we suggest creating various scenarios to represent typical decisions that could be taken in the value chain.

 - For each scenario each actor illustrates how the decision would be handled in their company, who would be responsible for taking it, who should be consulted and how long the process would take.
 - Actors describe their decision-making processes. Make sure no judgments are cast on these decision-making processes.
 - Make a drawing or take quick notes so that everyone can observe each process.
 - Each group should talk about the similarities and differences of each process.
 - Get the group to design a process that works for the chain as a whole, combining the methods of each business. The needs of everyone should be taken into account.
 - After selecting or agreeing on a process, each business identifies what they need to change or put right in their system for the chain to operate properly.
 - Each actor describes how each proposed scenario would affect their business.
 - Group together the similarities and discuss any decisions that could be common to all.
- › **Interdependence.** This is achieved by identifying what each partner needs from the chain so that they can remain committed to it.

 - Make sure there is enough time to find out everyone's interests.
 - Hold meetings on a regular basis.
 - Keep the focus on long-term objectives, rather than dwell on disagreements and discussions.

Some precautions should be taken:

 - The goal is for members of the chain to be interdependent and not to have to depend on a facilitator, so it is important that all matters are discussed and resolved by the group.
 - Mediation or toning down disagreements will affect the group over the long term.
 - If a member of the group expresses dissatisfaction with the actions of another member, the role of the facilitator will be to encourage him or her to put the issue on the table or speak directly to the other member.
 - The facilitator can also help them clarify the issue and prepare for possible reactions.
- › **Commitment.** When making plans, participants should agree to contribute available resources (staff, money, land, infrastructure, knowledge, contacts, etc) and comply with commitments.

 - Set clear deadlines for fulfilling commitments.
 - Support participants who have difficulties in fulfilling commitments.
 - Discuss mechanisms to find a solution if the commitments are not met.

Estimated time



A day's work.

⁴⁷ Lundy, 2006. op cit.

Required material

Materials that exemplify each of the above components.

Expected results

- › Information that allows us to make decisions about the characteristics that a potential partner must have to jointly solve the identified priority problem or problems.

Method 2: Initial meetings

- ⇒ The goal is to give advice on how to deal with initial meetings, whether formal or informal.

Technique

- Hold formal or informal meetings.

? Key questions

- 1 What difficulties may occur?

Initial contacts can be of various kinds:

✂ Tool 38 → Contacts matrix

Character	Type
Informal contact	<ul style="list-style-type: none"> › corridor chats › phone calls › other
Formal contact	<ul style="list-style-type: none"> › scheduled visits › interviews › correspondence › other

Source: Florez *et al.*, 2002

Methodological description

After identifying and analysing potential partners, the first meetings are arranged. The leader or leaders establish relations with potential partners to present ideas, arouse interest, raise awareness, and get their first reactions.

Difficulties that could arise in the first meetings⁴⁸:

- › fear of socializing and talking, because of mutual lack of knowledge;
- › lack of trust, caused by prejudices about the others and a tradition of working alone and in isolation;
- › lack of information about the intervening problem and alternative solutions;
- › fear of making commitments and decisions;
- › lack of time and resources to meet and plan the first steps.

48 Florez *et al.* op cit. pp.20–21

How do we address these difficulties?

- › clear proposals;
- › open and honest attitude;
- › put ourselves in the other person's shoes;
- › methodical work;
- › provide information and knowledge.

Consider that:

- › no partner is perfect;
- › no partner fulfils all the criteria perfectly;
- › the key is to find partners that are complementary, looking at strengths, qualities and advantages.

Steps

1. Prepare the first meetings well, making sure they run smoothly, are productive and have clearly transmitted aims.
2. Bring a written record of meetings and encounters, so that new actors can be brought up to date and maintain links with actors that have already been contacted.
3. Produce missing information about the problem and possible alternatives. Do this through existing literature or contacting experts on the problem.
4. List similar experiences on the issue.
5. Provide all participants with the information available on the issue in question.
6. Invite a facilitator or moderator to the meetings or workshops, who should not take a direct part but knows the issues and has experience in communication processes.

The facilitator should have: listening skills; the ability to manage participatory discussion and decision-making tools; the ability to manage conflicts and conduct meetings easily and productively.

Expected results



- › Skills for handling initial meetings, overcoming difficulties and identifying potential partners

PHASE 2 Development of negotiation capacities

The negotiation process is present throughout the partnership cycle. It begins when defining problems and identifying common interests. It is used in greater depth when it comes to defining the terms of an agreement and reappears in various operational phases.

At this stage, the actors begin to get involved effectively in the partnership, discussing the costs entailed in relation to potential benefits. At various times we can return to a discussion of its aims, as well as the interests and capacities of the potential partners⁴⁹.

Discussion topics:

- › **Funding.** This involves the discussion of various fund raising possibilities, as well as discussion and consensus on total project cost and the contributions of each participant.
- › **Distribution of benefits and intellectual property.** The relation between benefits and costs is what ultimately convinces partners to enter or not into a partnership.

⁴⁹ Engler *et al.*, 2004

- › **The partnership's organizational structure or design.** Determine an organizational structure in which the parties decide who makes decisions and how (governance structure or steering committee), who is to take part and how often they are to meet, the distribution of roles and functions, and monitoring and control mechanisms for resource use and degree of compliance with the agreement.
- › **Specific agreement activities.** Define what is required (according to the needs of different actors), the stages of the process, and the distribution of roles and functions.

If it is a specific problem and the actors have experience of working together, it is easier to identify areas of common interest. On the other hand, if the problem is defined in broad terms and there is no experience of joint work (between public and private actors, or between private actors), the process needs to be facilitated by analysing the business chain as a whole. This means getting the actors involved in a process of motivation and maturation.

Partnership design culminates in the signing of an agreement or a contract, which includes the activities that the partners are going to carry out, the costs and financial contributions, the distribution of benefits, and agreement about organizational design, monitoring and control mechanisms.

This phase involves the following steps:

- Step 1. Understanding the partnership forming process**
- Step 2. Setting up working groups**
- Step 3. Preparing for negotiation**
- Step 4. Identifying common interests**
- Step 5. Negotiating capacity building**

Step 1 UNDERSTANDING THE PARTNERSHIP FORMING PROCESS

Public and private organizations have different aims and interests. The private sector, in general, is interested in maximizing profits and economic profitability, through increases in productivity, product quality, market share and consumer confidence. The public sector is more concerned with development goals such as economic growth, social equity and environmental sustainability, in response to the interests of society.

Often, one, several or all partners do not have a clear idea of the costs and benefits involved in forming partnerships. For this reason it is crucial that we distinguish the benefits that would be generated for public actors from those that would be generated for private actors, since these benefits can be of a very different nature⁵⁰.

This step tries to identify issues of common interest that identify different actors.

Method: Decision to form a partnership

- ⇒ The aim is to strengthen interaction and cooperation capacity in order to reach agreements, for which it is essential to distinguish the benefits that can be generated for potential partners through coordinated work, in partnership.

Technique

- Participatory workshop
- Working meeting

⁵⁰ Ibid.

Tool 39 → Public and private benefits matrix

Private benefits <ul style="list-style-type: none"> › development of new products › increased production › reduced production costs › increased sales 	Private partnership benefits <ul style="list-style-type: none"> › access to financing › access to markets › access to knowledge and technology › access to public funds › improved image
Public benefits <ul style="list-style-type: none"> › increased agricultural production › job opportunities › poverty reduction › substitution for imports 	Public partnership benefits <ul style="list-style-type: none"> › learning by interaction and access to practical problems › development and implementation of innovations › promotion of local development (chain or cluster)

Source: adapted from Engler *et al.*, 2004

This matrix presents the main benefits that innovation and partnership may bring. By identifying and possibly quantifying them, actors can focus efforts on achieving planned goals.

Private benefits. These revolve around improving competitiveness. They can mean increased earnings and economic profitability for private entities, through improved market positioning, reduced costs, and increased quality and product diversity. Moreover, forming partnerships with the public or private sector provides access to new knowledge and technologies, financing and markets.

Public benefits. These include multiple economic, social and environmental benefits for the population at large, such as: economic growth, job creation, social and environmental sustainability. For example, an innovation in the agribusiness sector affects not only producers but also other activities linked to the product, such as processing, transportation, packaging, export, and ultimately the consumer. However, it should be made clear that the benefits of working together must not contradict other public sector benefits or targets.

All these benefits can be generated through innovation and not necessarily through partnerships. However, working in partnership adds to other benefits that enhance the social legitimacy of the public sector. Most importantly, it responds to the concrete problems of the business sector, developing technologies according to their needs. Collaboration between the public and private sectors can also support public research, to incorporate additional private sector resources.

These considerations are of great importance when deciding whether or not to enter into a partnership.

Expected results

- › Know the benefits that a partnership can bring

Step 2 SETTING UP A WORKING GROUP

Method: **Participant analysis**

The results of the previous step usually reveal the different interests, goals and visions of potential partners, making the building of partnerships a complex process requiring interaction and negotiation. Therefore, progress in the development of partnerships requires:

- ⇒ identifying a group of key actors to negotiate common interests;
- ⇒ drafting a formal agreement on working group aims

For this purpose we use the chain map we previously developed to take a quick look at the entire chain and then identify common interests and the interdependence of different actors. As has been noted earlier, the map identifies all the actors in the chain and how they are linked in the various systems of production, post-harvest management, processing and distribution, as well as the type and quality of the relations that exist among them⁵¹.

Technique

- Review the chain map and locate actors
- Actors take part in a work meeting

? Key questions

- 1 *Who are they and what functions do they perform?*
- 2 *Where are they located and what relations do they have?*

✂ see Tool 19 → **Final chain map** (page 29)

Methodological description

Actors are identified by selecting and characterizing the public, private or mixed organizations that can combine their efforts to achieve shared goals. A group of key actors can be chosen to participate in the process of identifying and negotiating common interests. Analyse the participants, bearing in mind their interests, and identify other potential participants detected during the diagnostic phase.

There are three selection criteria:

- › interest in participating in the partnership;
- › power to make decisions;
- › level of trust among actors.

Having identified the actors that could join the working or management group, ask the following:

? Key questions

- 1 *Are the members of the working group or management group the major actors of the various links in the business chain?*
- 2 *Do they have enough information, resources and market access to change the situation by themselves, or would it be better to work with other organizations? If the latter, which?*
- 3 *Is there a representative body of actors that could take charge of territorial business development processes?*
- 4 *What else is needed?*

Once the members of the working or management group have been identified and agreed upon, formulate and sign a formal agreement containing the following:

⁵¹ Ibid, pp.25–28

- › proposals for the structure of the working or management group;
- › group aims;
- › initial work schedule;
- › members' commitments.

The next step is to develop a timeline that defines the sequence and duration of activities and responsibilities.

Tool 40 → Timeline for working group activities

Activity	Person in charge	Week 1	Week 2	Week 3	Week 4
1.	X				
2.		X	X		
3.				X	
4.				X	X

Source: Lundy *et al.*, 2006

Expected results

- › A working group to negotiate common interests

Step 3 PREPARING FOR NEGOTIATION

Prior to negotiation, a facilitator should have a technical document that systematizes the results of the previous diagnostic workshops. This document is used as an input for convening negotiation workshops to discuss how to improve chain competitiveness.

Data from previous studies should be used to identify participants for the negotiation workshop, who should represent all the links in the chain.

A complete overview of the agrifood chain (chain map) makes it easier for potential partners to identify weaknesses in the chain, and from these, the need for innovation to improve competitiveness. Although this analysis can be carried out by an organization or a consultant, it is preferable to have all potential partners actively participating in the identification and analysis of these critical aspects, and the negotiation this analysis involves⁵².

The technical document (systematization of the results of chain diagnosis) should be available to all participants in the workshop and, furthermore, should be taken as a starting point for negotiations. Based on this document, a negotiating session is held to examine the results of the diagnosis, examine the chain's limitations and possible solutions, and to put forward possible partnerships and collective action for the short, medium and long term. Finally, we review the best course of action to improve chain competitiveness and go on to identify actions that can bring it about⁵³.

⁵² Engler *et al.*, op cit.

⁵³ Lundy, 2006

The analysis should not be confined to the identification of critical aspects and problems only, but also their causes and effects, as the solution to the problems lie in tackling the causes and not necessarily the problem directly. This analysis is fundamental because it not only provides better understanding of the problem, but also facilitates discussion and negotiation among the actors of the potential partnership.

Method: Preparing information

- ⇒ The aim is to review the information available to allow actors to have the necessary elements to negotiate with potential partners.

Technique

- Present the results of the activities in a working group.

? **Key questions**⁵⁴

- 1 Which inputs generated in the previous steps are important to facilitate negotiation among chain actors?
- 2 How can we use the previous analysis to illustrate chain actor interdependence?
- 3 Can the data be used to identify situations where more than one actor or group of actors could collaborate to help improve their situation?
- 4 Does the existence of complete and shared information on the chain improve decision-making and facilitate the formation of partnerships to enhance competitiveness?
- 5 Why, or why not?
- 6 What types of agreements can we expect from a negotiation workshop?
- 7 What purpose do they serve?

see Tools:⁵⁵

- ✂ **Tool 13** → **Direct actor characterization matrix** (page 21)
- ✂ **Tool 14** → **Indirect actor characterization matrix** (page 23)
- ✂ **Tool 19** → **Final chain map** (page 29)
- ✂ **Tool 20** → **Resource analysis matrix** (page 31)
- ✂ **Tool 21** → **Information access and requirements matrix** (page 32)
- ✂ **Tool 22** → **Infrastructure matrix** (page 32)
- ✂ **Tool 23** → **Policies and regulations reference list matrix** (page 32)
- ✂ **Tool 24** → **Quick survey matrix** (page 34)
- ✂ **Tool 25** → **Product demand matrix** (page 37)
- ✂ **Tool 26** → **Comparison matrix for target group and competitor products** (page 37)
- ✂ **Tool 27** → **Timeline matrix** (page 38)
- ✂ **Tool 28** → **Problem tree diagram** (page 40)
- ✂ **Tool 29** → **SWOT matrix** (page 42)
- ✂ **Tool 30** → **Offensive zone matrix** (page 44)
- ✂ **Tool 31** → **Defensive zone matrix** (page 45)

⁵⁴ Ibid.

⁵⁵ Ibid.

Methodological description

Prior to the negotiation workshop it is advisable to provide participants with a technical document, if this has not been done before, containing the results of the first systematic workshops.

Include the names of workshop participants and facilitators, giving them credit for the collected data and analysis carried out.

Document's technical content⁵⁶:

1. **Prioritized chains.** A brief summary of how and why the chain under study was considered a priority.
2. **Market contacts.** The most significant outcomes of market contacts. Here it is important to highlight product qualities, market trends, and new markets or new product opportunities.
3. **Actor identification.** Which chain actors were identified and invited to develop a competitive strategy. Why were they chosen?
4. **Chain analysis**
 - a) *Map*
 - Final chain map created in the diagnosis workshop, which shows the relations between chain actors and persons or entities providing support services, as well as production data for each actor.
 - b) *Chain actor characterization*
 - geographic location (where are they located);
 - their role in the chain (what function(s) do they perform: production, processing, support, consultancy, marketing, transport, etc);
 - organizational level (what degree of business organization does each actor have) and organization type (producer, social, business, etc);
 - business capacity (administration, accounting, management, marketing, etc);
 - willingness to work together;
 - possible partnerships, actors and motivations (e.g. higher profits, higher volumes, better product quality, new market access, etc).
 - c) *Time line and past interventions*
 - give an overview of past interventions as described by the actors;
 - in the history of interventions, analyse who provided support and in what areas;
 - if certain interventions were listed as negative, analyse why;
 - give the results of these interventions in terms of achievements and installed capacity (capacity of local actors to make positive changes).
5. **Analysis of critical aspects:** Include a copy of the problem tree diagram or the SWOT analysis, offensive and defensive matrices.
6. **Chain's logical course of action:** Include a copy of the logical course of action created for the chain with its respective activities and results.

It is advisable to share this technical document with the negotiation workshop participants in advance so that it can be studied beforehand. Similarly, the negotiation workshop can be started with a short presentation of the most important points of the diagnosis process. This aspect is important because some negotiation workshop participants may have been absent from previous workshops but nevertheless play a key role in solving the chain's difficulties⁵⁷.

⁵⁶ Ibid.

⁵⁷ Ibid.

Expected results



- › Enough information to engage in negotiations with potential partners

Step 4 MANAGEMENT AND NEGOTIATION CAPACITY BUILDING

The capacity to reach agreement is fundamental for the development of business partnerships, considering that various strategies aimed at enhancing market competitiveness in a chain are based on the combined efforts of different links. Business capacity building helps to provide skills and capacities to chain actors, particularly small producers who have few tools to start new ventures or to take on a more pro-active role within the chain. The methodology to build business capacity will depend on specific content. The most important thing is to carry out numerous practical exercises; it would be better still if they were connected to the chain or product in question.

Before developing specific content, it should be pointed out that the activity 'Understanding the chain', described in the previous stage also involves an important element of training, since producers learn about how the chain works. In fact, this activity can be used in the diagnostic, preparation or implementation phase.

Method: *Capacity building in business management skills and negotiation techniques*

- ⇒ This is a set of capacity building or training modules that aim to lay the groundwork for the promotion of mutually beneficial cooperation and cross-sector consensus, strengthening capacities for interaction and cooperation to reach agreements.
- ⇒ To this end, capacity building modules focus on management areas and, if deemed necessary, business issues specific to the chain in question.

Technique

- ☑ Training or capacity building modules
- ☑ Specific themes for these modules include:
 - › negotiation – principles and techniques
 - › business management – planning and control
 - › company organization and producer groups
 - › company management
 - › marketing
 - › finance and funding.

Tool 41 → Indicative list of capacity building modules

Module	Content	Author
Negotiation techniques	negotiation strategies, negotiation processes, the Harvard negotiation method	FAVET ⁵⁸
Business management	strategic planning, entrepreneurship, business associations and partnerships; managerial functions	FAVET
Business awareness training	business traits; characteristics of an entrepreneurial farmer, the business environment; group savings; basic marketing principles	FAIDA ⁵⁹
Forming groups of agricultural producers	The significance of a producers' group, why work in groups, how to form producers' groups; qualities of a successful producers' group, group member services, advantages and disadvantages of working in producers' groups; leadership in producers' groups, mobilization of savings in producers' groups; establishing producers' groups; institutional choice and registration	FAIDA
Contract farming	FAO Agricultural Services Bulletin 145 ⁶⁰	FAO
Contract farming	Learning to negotiate: what is negotiation?; advance preparation, negotiation planning, leading negotiations, implementing agreements	Lutz <i>et al.</i> , s.f. ⁶¹

Source: authors' own elaboration

Recommendations

- › It is extremely important for any capacity building or training module to contain numerous exercises and games, so that participants become adept at handling the tools.
- › The time needed for each module will depend on the content and the time the participants have at their disposal. In any event, we recommend using the modules quite intensively.
- › It is of utmost importance to have expert facilitators with extensive experience of the issues.

PHASE 3 Identification of common interests

In this phase we identify activities or areas that could lead to joint activities in the short, medium or long term. Ideally these activities would benefit all participants, or at least, more than one of them.

The identification of common interests is made easier in areas where different interests can converge. Here we are considering an agribusiness chain that groups together actors who are directly and indirectly connected to it. This is perhaps one of the best of possible scenarios for building partnerships. However, the chain by itself is not enough to effectively identify common interests, so the use of an appropriate methodology aimed at achieving consensus to minimize integration costs is needed to bring this process to fruition. Common interests can also be identified from previous relations between actors or through work articulated around an agribusiness chain.

⁵⁸ Modules developed by the School of Veterinary and Animal Sciences at the University of Chile during a course on Management Skills Development

⁵⁹ http://www.faida.or.tz/bizTraining/biz_Training.htm

⁶⁰ Eaton, C., and Shepherd, A. 2001. Contract Farming Partnerships for Growth: Food and Agriculture Organization Agricultural Services Bulletin 145.

⁶¹ Lutz, Venter and Dean, YEAR, s.f. *Farmers' Organizations' Guide to contract negotiations in Southern Africa*. Swedish Cooperative Center, Harare, Zimbabwe.

It is with the identification of common interests that we enter a crucial phase of the partnership-forming process. This phase ends with the identification of a common interest and a general goal to be achieved by joint work.

Common purpose is agreed as follows:

1. Look at the information from the diagnosis component, phase 5 step 2 (Tools 28, 29, 30 and 31).
2. Analyse the situation in a participatory manner and look at the problems to be addressed by working in partnership.
3. Formulate in a simple, clear and participatory manner a project proposal to orient partnership work articulated into its various components: objectives, strategies, actions and resources.

Method 1: Presentation of solutions to problems

- ⇒ The aim is to understand that partnerships can form only when there is an area of common interest among different actors.

Technique

- Brainstorming
- Review the problem tree diagram

? Key questions

- 1 *How do we agree on a common purpose that expresses what we hope to achieve, without affecting the partners' autonomy and individual interests?*
- 2 *How can we motivate partnership development?*
- 3 *How can we set achievable goals through coordinated work in partnership?*

✂ see Tool 28 → **Problem tree diagram** (page 40)

Methodological description

Steps⁶²:

1. View the problem tree diagram
2. Present solutions: review the complete diagram and present required or desirable interventions to solve identified problems. The interventions must make clear which actor(s) in the chain will be responsible for dealing with the problems and what their duties are.

Estimated time



A day's work

Required material



Chalkboard, flip chart, cards and felt-tip pens

Expected results



- › List of required or desirable interventions, with respective chain actors and their responsibilities.

TABLE 3

List of requirements by business link

Link	Producers	Government, NGOs
Pre-production	Need for new varieties of seeds Animals used for ploughing	Experimenting new varieties Provision of loans
Production	Irrigation Insecticides	
Post-harvest	Access to storage areas	Establish contractual relationships between producers and a buyer
Marketing	Monitoring market prices	Technical assistance

Source: Lundy, 2006

Method 2: Entry points for the identification of common interests

- ⇒ The goal is to understand how a process to identify common interests will in turn build partnerships between actors in chains that have varying degrees of organization and development.

Methodological description

The process to identify common interests can start at different stages of the negotiation process, depending on⁶³:

- › the initial situation – whether there is a partnership or not;
- › the degree of development of the partnership;
- › the magnitude of the problems to be resolved or opportunities to be grasped;
- › the interest the partners have for a medium term or long term strategic view that can guide longer term research activities. The process can be carried out in different scenarios, but we think the agribusiness chain is the most appropriate, because it channels the greatest number of elements that define a common interest.

If benefits exceed costs for the partners we can identify an area of common interest. Otherwise we will have to ask ourselves:

? Key questions

- 1 What happens if this area of common interest is not clear and needs to be discovered and developed?

Then the process of identifying common interests will require an initiator to sensitize potential partners about the potential benefits of entering into a partnership. Starting from this awareness the 'management or working group' works to facilitate the process of identifying and negotiating a common interest. It is important to adequately represent public and private interests, as well as a balance of interests.

63 Engler *et al.*, *op cit.*

Desirable characteristics for management of group members

- › Facilitating organization:
 - credibility and good convening power.
- › Facilitator or promoter:
 - interacts well with public and private sectors;
 - mediates between the two sectors;
 - has the ability to achieve consensus;
 - good handling of methodologies and tools to facilitate the process of identifying and negotiating a common interest, with minimum interaction costs for partnership members.
- › Private sector leader with:
 - vision;
 - credibility and recognition;
 - good relations and capacity to call meetings.

Expected results

- › The process of identifying a common interest allows us to start the partnership building process.

PHASE 4 | **Negotiation awareness raising**

Since collaborative workshops are used to get negotiations started, the parties need to come prepared. Modern negotiation techniques require negotiators to know their needs and positions.

Awareness raising workshops seek to encourage participants to develop business proposals. To achieve this, meetings are held between the facilitator and actors from a link in the chain – for example, the producers in a locality or individual buyers – who are invited to attend and find out about the characteristics of collaborative workshops and business rounds.

It is important that producers have received previous training in negotiation techniques, and that those who have no negotiation experience receive support in preparing for the negotiating process.

*Method: Awareness raising workshops*⁶⁴

This method provides wider dissemination of the objectives and results of previous activities and the benefits of business partnerships as a way of improving business chain competitiveness or the producer's capacity for negotiation.

Awareness raising revolves around four aspects which can be extended depending on the needs of the process that is being carried out:

1. Business prospects
2. Advantages of business partnerships and associations
3. Analysis of business prospects
4. Invitation to participate in collaborative workshops or negotiation rounds.

64 Engler *et al.*, op cit.

Technique

- ☑ Raise awareness about the benefits of coordination between different links in the chain (vertical ties) and between actors in the same business link (horizontal) to improve negotiation power.
- ☑ Convey the benefits of participating in collaborative workshops and negotiation sessions.

Tool 42 → FAO's experience on the benefits of working in business partnerships

Methodological description

Awareness raising should be carried out through direct contacts with:

- › actors in different business links of the chain;
- › public sector authorities and technicians at local, regional and national levels;
- › business and agro-industry sectors;
- › supermarkets, large and medium-sized distributors, supply centres, etc;
- › universities and research centres;
- › civil society organizations;
- › international organizations and donors.

When a specific market opportunity has been identified, then awareness raising should be directed towards:

- › producers and producer organizations or associations to encourage them to get organized and come up with a proposal to enable them to improve their bargaining power;
- › potential buyers, to articulate demand.

Steps⁶⁵:

1. Awareness raising should be used to prepare different business actors for participating at collaborative workshops or negotiation rounds.
2. It is essential for a motivator to be present to establish contacts and raise awareness about:
 - the importance and benefits of business partnerships
 - the alignment of product supply and demand
 - preparation for business rounds
3. It is vital for representatives from different links with decision-making capacity to take part.

Estimated time



One week, depending on the planning of activities, schedules and contacts

Expected results



- › Once the partnership's common interests and objectives have been defined and agreed on, we have the basic elements to start the negotiation process. This should design a partnership that will grasp an identified market opportunity and address the critical aspects that hamper competitiveness.

⁶⁵ Engler *et al.*, op cit.

Preparation for partnership development⁶⁶

Summary

In this second component we presented methods to increase knowledge about the way chains work and are organized, as well as to build negotiation skills and spaces. These actions will allow us to lay the foundations for the development of a partnership, which involves understanding the importance of partnerships for the chain, the identification of actors and opportunities for cooperation, capacity-building and, perhaps most importantly, building and developing trust.

At the end of the exercise, all actors should have the necessary motivation and capabilities to play an active part in the partnership.

⁶⁶ An essential condition for the successful promotion of business partnerships is to ensure the participation of entrepreneurs, people with entrepreneurial vision and capacity, and actors interested in innovation, in working in coordination with other actors who are prepared to take risks and willing to invest in their ideas. Their experiences and insights are valuable and can contribute significantly to improving chain competitiveness.

IV Development of business partnerships

Perhaps the most important purpose of the above components is to create the necessary conditions to carry out specific activities that transform hopes into the reality of a partnership. As mentioned above, a good partnership requires clear targets and actors who trust each other, conditions needed to ensure participation and commitment. On this basis, an organization is set up to carry out, manage and monitor the activities planned in the framework of the partnership. This component is perhaps the one with the widest range of activities, since partnerships can be developed in many ways.

The activities that can be carried out fall into three main groups:

- Activities to develop new chains, including those involving the development and marketing of new products or the integration of new players in the existing chain.
- Activities to improve the existing chain, such as strengthening or articulating the chain or improving products.
- Generic activities, which can be used in both situations.

Here are some ways to set up these activities:

- Phase 1. Partnership identification workshops**
- Phase 2. Planning workshops**
- Phase 3. Process funding**
- Phase 4. Partnership design: structure, relations and functions**
- Phase 5. Negotiation workshops**
- Phase 6. Design and implementation of a pilot plan**
- Phase 7. Partnership expansion**

PHASE 1 Partnership identification workshops

Collaborative workshops⁶⁷ are especially useful when chains are poorly articulated or there are difficulties in integrating certain sectors (generally the first links, in this case small producers). These are working meetings, whose purpose is to reach an agreement on actions that can activate the partnership. As such, these workshops aim to⁶⁸:

- identify key critical aspects;
- set up partnerships and joint action to solve these critical aspects.

The method includes the following steps:

- Step 1. Presentation of problems encountered by the actors**
- Step 2. Identification of partnerships to implement solutions**

In this way, at the end of the partnership identification workshop we will have three items that can be used as input in the preparation of the final strategy:

- possible partnerships to solve chain problems, with clear commitments in this regard;
- planned activities, with schedules and outside resource needs identified;
- review and improvement of competitive strategy.

⁶⁷ Though CIAT uses the phrase 'negotiation workshop' we believe that the term 'collaborative workshop' better reflects the objectives of developing a partnership.

⁶⁸ Lundy *et al.*, 2004

Step 1 PRESENTATION OF PROBLEMS ENCOUNTERED BY ACTORS

Method: **Presentation of problems**

- ⇒ The workshop begins with a summary of the problems encountered during chain diagnosis. This presentation aims to provide a common vision of the problems being faced so as to avoid having to go through the diagnostic phase again, since new actors may try to include new issues. However, if the previous phases were done properly, these 'new' visions will already have been analysed and incorporated or discarded.

Technique

- Workshop

Tool 43 → Problem matrix by activity and sector

Activity	Actors			
	Producers	Traders	Buyers	Support body
Production	⊗⊗	--	--	⊗
Post-harvest management	⊗⊗	⊗⊗⊗⊗	⊗⊗⊗	⊗
Processing	⊗	--	⊗⊗⊗	⊗⊗
Marketing	⊗⊗⊗⊗	⊗⊗	⊗⊗⊗⊗	⊗⊗⊗
Business organization	⊗	--	⊗	⊗⊗⊗⊗

Source: Lundy *et al.*, 2004

Methodological description

In this matrix types of activities and actors will depend on chain characteristics. This example uses symbols (⊗) to represent the seriousness of a problem for a sector: the more symbols there are the more serious it is.

Some aspects to consider when building and presenting this matrix are:

- The information should be presented in a way that can be understood and compared in accordance with the priority that each group has given to the problem. If an expression or concept is used that includes the ideas of various actors, it should be explained that the aim is to reflect the terms used by some of the participants.
- Time should be given for participants to react to the diagnosis, giving their views and clarifying points that cause confusion.
- Common points should be emphasized, because they could point to a negotiated or collective solution of a problem.
- We should show that the problems of each actor are related to the other actors, in terms of either cause or effect. It is important to emphasize the links between the actors and their problems as a possible meeting point, because changes made in one part of the chain can lead to benefits for several actors.

Step 2 IDENTIFICATION OF PARTNERSHIPS TO IMPLEMENT SOLUTIONS

In this step the aim is to transform the partnerships, such as they have been emerging in the first two phases, into a concrete reality.

Method: Identifying partnerships

- ⇒ Since the aim of a partnership is to carry out certain activities to correct problems or take advantage of the positive aspects of a chain, it is formed by identifying specific activities for coordinated action between two or more players. These activities are required for the strategy that is being followed to achieve the goal of forming a partnership. While these may be of the most varied nature, they must always be consistent with the strategy and aims of the partnership. It is therefore important to verify that the actions (not their results):
 - are consistent with the strategy;
 - can be carried out with available resources, where these are limited at the outset;
 - contribute directly to the achievement of specific goals (they always will, if they are consistent with the strategy).
- ⇒ To do this, identify a list of possible solutions that includes the actors who want to participate in the process and the contributions they are willing to make.

✂ Tool 44 → Matrix for identifying potential partnerships

Stage	Projects or activities	Participants	Contributions
Production			
Post-harvest management			
Processing			
Marketing			
Business organization			

Source: Lundy et al., 2004

Activities will depend on chain characteristics.

✂ Tool 45 → Timeline and resources matrix to identify possible partnerships

Resources	Short term < 6 months	Medium term 6 to 12 months	Long term > 12 months
Own	What can we do in the next 6 months without additional help?	What can we do in the next 6 to 12 months with some outside support?	What can we accomplish in one year or more with outside and our own resources?
Outside	What can we do in the next 6 months with our own resources? ⁶⁹	What can we do in the next 6 to 12 months with some outside support?	What can we accomplish in one year or more with outside and our own resources?

Source: Lundy et al., 2004

69 Unless we are sure of getting outside funds

Methodological description

First, identify and select the competitiveness activities or strategies that can be developed under the partnership and that take into account identified problems. For each activity, indicate who will be carrying it out and what they will be contributing. The activities can also take into account length of time and resource origin by using the time matrix (short, medium and long term) and resource matrix (own or outside). It is important to note that the concept of short, medium and long term depends on the chain under study. One task of the negotiating workshop is to identify feasible time periods for the participants. It is advisable to identify actions that can be carried out quickly – in the first months – so as to generate positive dynamics around the competitiveness strategy. In this sense, it is important to assess the amount of patience participants have. Groups with more patience can try for more ambitious initial results, while groups who seek quick results can go for simple but important goals.

The following aspects need to be taken into account:

- › The people who facilitate the workshop play a key role in this stage because a balance must be found among the parties. The focus should be on how to generate positive solutions for everyone, not profits for some at a cost to others.
- › Avoid focusing on a problem that affects only one actor, since the others might interpret this as favouritism and feel they are being used.
- › Facilitators should highlight solutions that mostly rely on inside resources, since we can never be sure of getting outside resources. This may mean that solutions take more time, but they will not be subject to decisions made by others.
- › It is better to identify relatively simple short-term activities and gradually increase complexity and difficulty over time, although complete solutions may offer more gains than partial ones. Most chain actors do not know each other well (and, sometimes, they are adversaries) and will need a few positive results to develop the necessary confidence to achieve more complex goals.
- › At this stage we identify the participants' real interest (or not) in supporting joint chain activities.
- › It should be remembered that resources are not only financial but also include, among others, land, equipment, tools, technology, and above all, time and work.
- › In the event of a large number of activities a points system can be used⁷⁰.

PHASE 2 Planning workshops

Formulating projects is a common planning method. The aim is to set activities that can be carried out in the time available and with resources required for them. Since these activities have to be aligned with the goals of the partnership they need to be based on them. The next steps in this phase are therefore⁷¹:

- Step 1. Remind participants of goals, strategies, resources, indicators**
- Step 2. Formulate a general aim**
- Step 3. Formulate specific goals**
- Step 4. Formulate a strategy**

In general, in formulating a project the following conditions must be taken into account:

- › a participatory process;
- › clear and realistic strategies and goals;

⁷⁰ Component I, Agri-food Chain Selection, Phase 2, Step 1, Tool 6

⁷¹ Florez *et al.*, *op cit.*

- › simple and flexible methods;
- › navigation guidelines (documents) that respond to the essential issues of a project;
- › the foundations on which a good plan can be built.

Step 1 RECALL GOALS, STRATEGIES, RESOURCES, INDICATORS

When working with large groups or people who have undertaken previous activities or projects, it is worth recalling what has already been done and above all, the goals and strategies being pursued in the framework of the partnership.

Method: *Presentation of goals, strategies, and resources*

- ⇒ Facilitators should present the results of the previous phase in terms of the partnership's goals, strategy and future activities.

Step 2 FORMULATE A GENERAL GOAL

The general goal refers to the long term changes we want to implement. Therefore it must be unique, specific and verifiable, and above all, it must justify the creation of a partnership.

Method: *Formulating a goal*

- ⇒ To help us formulate a goal, we can ask the following questions:

? Key questions

- 1 *Why and for whom are we creating this project?*
- 2 *What situation are we hoping to address?*
- 3 *Which groups will be affected by changes as a result of the partnership project?*
- 4 *What changes do we wish to achieve?*

Step 3 FORMULATE SPECIFIC GOALS

Next, we should determine specific objectives, namely the concrete short or medium term aims that will help achieve the general goal.

Method: *Formulating specific objectives*

- ⇒ It is important to stress that specific objectives are not actions (building, designing, purchasing, etc) but desired changes. To do this we can ask questions such as:

? Key questions

- 1 *Who will we be working directly with?*
- 2 *What changes are we looking for in them?*

Step 4 FORMULATE A STRATEGY

A strategy is a set of actions to achieve the specific objectives of the project. A strategy coherently links specific objectives (what we want to achieve) with actions (what we are going to do). It is important that all actions are in line with the objectives, so that action taken is logical and coherent.

When formulating a strategy we must verify that:

- › it is feasible in terms of available resources;
- › it contributes to the achievement of the objectives;
- › it can be guaranteed by the partnership;
- › it is formulated in a concrete and verifiable manner.

Method 1: *Formulate the project or programme*

- ⇒ Each of the previously identified activities must be formulated in a way that creates a project (a significant investment) or a programme (a sequence of individual activities). We should point out that it is not advisable to start a partnership with an investment project, because the combination of significant expenditure (investment) and a certain degree of risk in a partnership with no experience and which will certainly have low levels of trust is very likely to lead to failure. If the decision is taken to go ahead, the authors recommend seeking advice from an expert in formulating and assessing investment projects.
- ⇒ In all other cases, it is necessary to describe all activities in terms of actions to be undertaken, resources required, time needed, and persons in charge. It is therefore very important to have the support of an expert or someone who knows about the technical aspects involved in this activity.
- ⇒ What is fundamental at this stage is to incorporate the activities and resources needed to monitor and evaluate the partnership. We should not forget that planning and control (through monitoring and assessment) are closely linked activities: control activities involve analysing why plans work or fail, and plans are developed and improved through control activities. It is only for didactic reasons that the two activities are separate in this guide.

Method 2: *Define associated resources*

- ⇒ The next step is to estimate the resources required to carry out the activities. The tool used is the budget, which is a quantitative report of planned activities within a period of time. It enables us to present all activities in comparable terms (money) and is based on predictions of what we expect to happen (history and its lessons). Its aim is to determine not only profitability but also the amount of funds needed and when they will be needed.

✂ Tool 46 → Budget

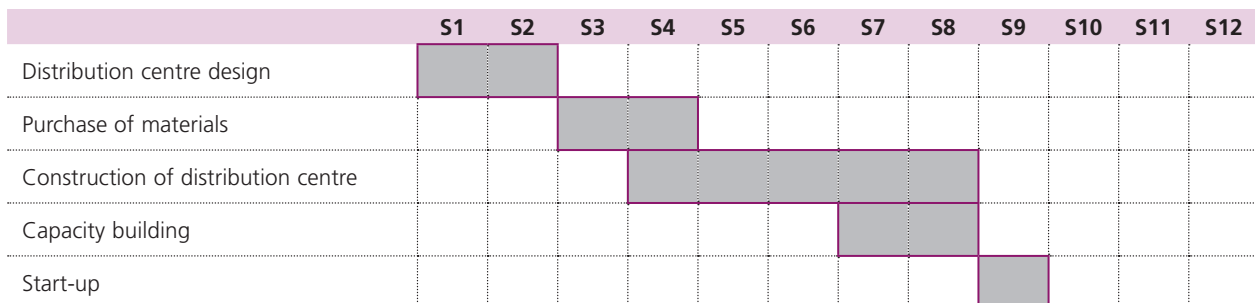
	Month 1	Month 2	Month 3	Month ...
Income	+	+	+	+
Operating costs	-	-	-	-
General expenses	-	-	-	-
Investment	-	-	-	-
Net income	=	=	=	=

Source: authors' own elaboration

In order to simplify budget drafting, we have added investment to the operational budget (revenue, operating costs and general expenses). While it might seem an easy matter to draft a budget like this, we should point out that:

- we can draft a budget for the partnership, namely the income and expenditure of the partnership and not for one actor in particular, or we can draft a budget for each actor, so the net income will belong to them;
- the amounts itemized are incremental values, namely the project's or programme's new income or expenditure;
- the operating costs are those needed to carry out planned activities;
- general expenses refer to disbursements to manage activities or results (administration or sales);
- investment is an expense incurred in one month but which is used over a longer period of time.

✂ Tool 47 → Gantt chart



Source: authors' own elaboration

This chart shows graphically the beginning, duration and planned end date of activities (days, weeks, months, etc). It ideally complements the budget in that it combines revenue and expenditure with the activities to be carried out.

PHASE 3 Process funding

The subject of funding is undoubtedly one of the most significant in setting up a partnership, because it means committing resources to achieve objectives. Any project not only has to plan the amount of resources but also decide when they are to be committed, so it is important to schedule previously planned technical and administrative activities. In negotiating funding requirements it is important to take into account the seasonal availability of resources.

These resources include:

- human resources, including time spent on the partnership;
- investments: infrastructure, teams, land;
- operating costs, i.e. all costs for the duration of the project.

Since it involves reallocating or immobilizing resources, it is one of the aspects which generates the greatest conflict in the process of negotiating partnerships. So the process should be planned in a fair and transparent manner. A basic tenet is that contributions should be proportional to the benefits gained from the partnership.

Method: Identify resources

- ⇒ First we must identify the expected benefits for each actor clearly. These benefits not only include increased income but also risk reduction, punctual delivery of products, marketing of new products and general added value throughout the chain.
- ⇒ When these benefits are not specific to a single actor, we must define distribution criteria and appropriation mechanisms⁷². In this way we can avoid problems that can affect the continuation of the partnership later.
- ⇒ Having identified the benefits, we must estimate the costs and amount of investment needed to implement the project, and the sources of funding. For this we can use a contributions matrix.

✂ Tool 48 → **Negotiating partnership contributions matrix** – Example –

Resource type	Funding source			Total
	Private	Public	Grant funds	
Human resources	40	–	10	50
Investments	10	–	10	20
Operating costs	0	25	5	30
Total contribution	50	25	25	100

Source: Lundy *et al.*, 2004

In this example, contributions were expressed as a percentage of the total and ranked by origin and type. In any event, the more precise and detailed the resources committed, the better. They can be detailed in terms of individual actors and expressed in absolute numbers (hours, people, money, etc).

It is also a good idea to categorize disbursements in terms of when they occur, so as to plan for them. Categories can reflect funding sources (as in the table) or type of resource.

⁷² For example, if the partnership seeks to articulate marketing, criteria must be defined for distributing the price differential between two actors.

Tool 49 → Funding source and time period matrix

Funding	Period of time			Total
	Short	Medium	Long	
Local resources				
Partners' resources				
Outside resources				
Total				

Source: Donovan, 2006

Finally, we must establish mechanisms to control and monitor the use of resources, an activity in which all partners should be involved. Control involves a process undertaken by an organization to ensure the efficient use of the resources committed to achieve set goals. Control activities can be carried out by individuals (managers) nominated by the parties, which doesn't prevent partners from carrying out their own controls. An important aspect of control is the consignment of regular progress reports. We should always bear in mind that transparency in the use of resources contributes to strengthening respect and relations between partners, which increases trust.

The contributions of each organization or actor to the partnership can also be outlined in the contribution matrix.

Tool 50 → Contribution matrix

		Organization A	Organization B	Organization C	Organization D
Contributions	› Financial				
	› Labour				
	› Information				
	› Logistics ⁷³				
	› Other				
Role played	› Coordination				
	› Consultancy				
	› Investment				
	› Technical assistance				
	› Training				
	› Other				

Source: Florez et al., 2002

PHASE 4 Partnership design: structure, relations and functions

When a partnership incorporates a significant number of actors, an organization should be set up to implement activities designed to meet the targets. It should be borne in mind that an organization is a group of people who act in coordination to achieve a common goal, so it cannot include 'parallel agendas'. The organization will have to tackle three central issues:

- › the way in which decisions are made;
- › the way in which power is handled;
- › the way in which conflicts are handled.

73 Includes venues, transportation, staffing, supplies, materials

However, since by definition a partnership will have more than one actor, the actors themselves (individual producers or producer groups, enterprises, public institutions, NGOs, agencies, etc) will need to jointly define the form the organization takes, so that it can interact with the parties fluidly and fairly.

When designing an organization we must define its structure, namely the organization's offices and units, the functions assigned to each office or unit, and the relations between the individuals or units. In other words, we must assign roles and duties, establish a hierarchy, and define mechanisms for vertical and horizontal coordination. Given that good communication improves coordination, it will always be preferable to have a simple and flexible organization ('light') so that it can respond quickly to partnership problems.

The way a partnership operates depends on⁷⁴:

- the purpose of the partnership;
- the characteristics and management capacity of the parties;
- the degree of trust between parties;
- the resources available;
- each party's level of commitment;
- the amount of time required by the partnership to fulfil its agreed purpose.

Method 1: *Analyse and define organization type*⁷⁵

- ⇒ The definition of the kind of partnership we want to build must at least take into account the following aspects:

? Key questions

- 1 *What is the expected duration of the partnership?*
- 2 *Who represents each partner?*
- 3 *Should there be written contracts and agreements? If yes, on which points, and why?*
- 4 *What decision-making mechanisms do we wish to set up?*
- 5 *What level of formality should we have?*
- 6 *What resources are available for partnership operations?*

- ⇒ To answer these questions, we look at the results of the phase in which we defined each partner's roles and commitments. We perform an analysis of the roles played by or assigned to the partners, based on the key questions above. Then we agree on types of organization (board of directors, management committee, working groups, etc) and we define the roles, functions, and members of each.
- ⇒ With this information we design an organization structure matrix. Organization type is defined through a questionnaire on required skills and contributions.

⁷⁴ Florez *et al.* op cit.

⁷⁵ Ibid.

✂ Tool 51 → Organization structure matrix

Organization type	Role played	Functions	Conformation
Total			

Source: Florez et al., 2002

It is important to take into account the following aspects when defining the way a partnership operates.

- The type of organization changes, or can change, depending on the situation or the requirements of the partnership.
- Division of roles, functions and responsibilities must be established in concert.
- The strengths and weaknesses of the parties and their representatives should be exploited.
- It is important to actively involve parties with different functions and roles.
- It is essential to capitalize on the contributions that parties can provide. For example:
 - governmental organizations have experience in formulating public policies and provide service coverage;
 - NGOs operate from a perspective of social management;
 - private actors are good at administering few resources;
 - academics and specialized groups provide effective technical solutions;
 - communities provide strength, talent, experience, accumulated knowledge and an understanding of reality.

Size, style and degree of formality depend on such factors as the number of organizations in the partnership, regulations and legislation in force in the country, and partnership missions, goals and strategies.

✂ Tool 52 → Questionnaire on skills and contributions required of partners

Mark X	Skills required	Who can provide them?
	Administrative	
	Communicative	
	Facilitation	
	Financial	
	Legal	
	Commercial	
	Management	
	Networking	
	Public relations	
	Logistics	
	Training and capacity building	
	Consultancy	
	Technical aspects	
	Others: which?	

Source: Florez et al., 2002

? Key questions

General questions	<p>a) Do we need to create an independent organization? Why? What are the main advantages and disadvantages of creating or not creating it?</p> <p>b) Do we need to create a legally constituted organization? Why?</p> <p>c) Can a (some) partner organization(s) take charge of the coordination and administration of the partnership? If so, which? What requirements are needed to perform these functions well?</p> <p>d) What's the partnership's name and mission?</p>
Organization style	<p>a) Who are the members of the partnership? Public sector _____ Private sector _____ Civil organizations _____ Other _____</p> <p>b) Will there be a limit on the number of partners? Yes ____ No ____ If so, what is the proposed limit? Why?</p>
Management	<p>a) Will the partnership have an executive body? Yes ____ No ____ If so: With what functions? How will executive members be elected?</p> <p>b) How will the resources of the partnership be administered?</p> <p>c) What facilities are required for partnership operation?</p> <p>d) What skills or capacities will the partnership require? Which partners could provide them?</p> <p>e) Will there be paid staff? Yes ____ No ____ If so, what role would they have?</p> <p>f) Do we need advisers or consultants? Yes ____ No ____ If so, what aspects require advice and consultancy?</p> <p>g) What are the partnership's main sources of income?</p> <p>h) Who will be responsible for the partnership's plan of operations?</p>
Juridical and legal issues	<p>a) Will it be a legally registered partnership? Why? If so:</p> <p>b) Who will conduct the proceedings?</p> <p>c) Who will be responsible for the proceedings?</p>

Source: Florez et al., 2002

It is important to bear in mind that the administrative and legal definition of a partnership may be a slow process. To maintain partners' level of enthusiasm we need strategies such as:

- › starting to develop planned strategies;
- › putting pressure on those in charge of verifying and implementing the definition process.

Method 2: Organizational design⁷⁶

⇒ The aim of this method is to define the type of organization needed for partnership operation. This is done in three steps:

- Step 1. Define criteria to identify appropriate organizational set-ups
- Step 2. Find out about alternative organizational set-ups
- Step 3. Find out about the hierarchical relationships in different set-ups

Methodological description

Steps

1. **Define criteria to identify appropriate organizational set-ups.** Criteria that best define appropriate organizational set-ups for the partnership involve:
 - *Partnership scope*: this depends on the partnership's horizon and specific objectives. We can form a partnership with a specific and short-term objective. On the other hand, partnerships created around a general long-term objective need a structure to take strategic and operational decisions for the duration of the partnership.
 - *Type of actors*: organizational design should include adequate representation of all actors, so that decisions taken are in agreement with all partners and not just some of them.
 - *Partnership size*: amount of resources, number of actors and quantity of activities involved.

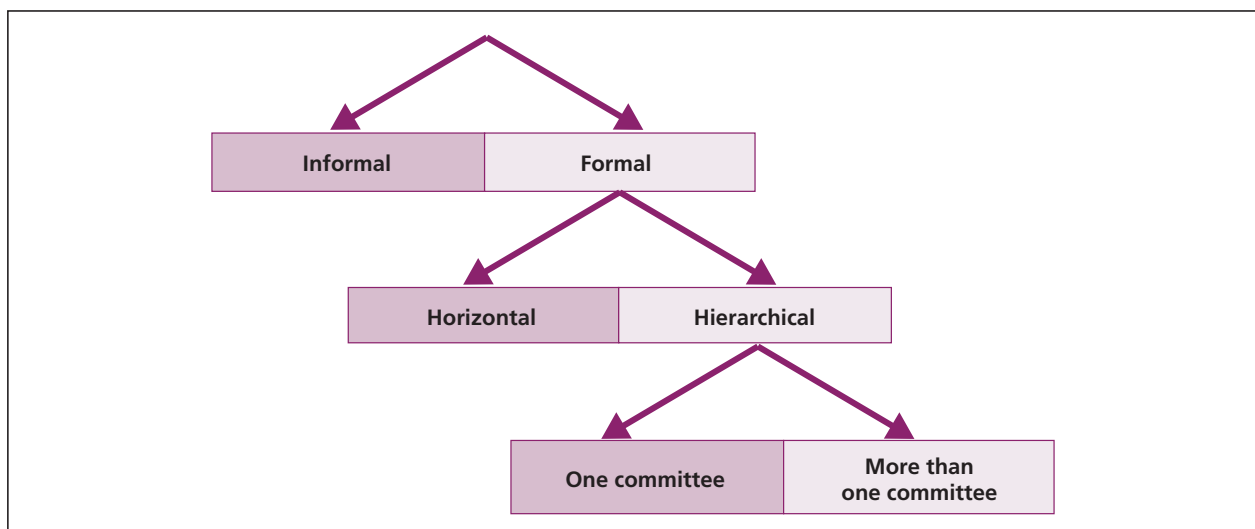
⁷⁶ Engler et al., op cit.

2. **Find out about alternative organizational set-ups.** We should find out about:
- Partnership formality: verbal agreements or written contracts. The latter make the rules of the game clearer and reduce risk by preventing the misuse of funds and lack of compliance.
 - There are situations where a partnership involves just a few people who already know each other. In this case it will probably be a lightweight organizational set-up involving those taking a direct part in the partnership's activities and requiring little or no formalization. It is strongly recommended that when a partnership is established, it is done formally so that the rules of the game are clear and the risks of participating in the partnership are reduced.
 - Partnership hierarchy: it can be run by a members' committee, which includes all those involved, or their representatives, taking decisions by consensus or majority. This option is democratic and may be adequate when a partnership involves just a few people. We can also opt for a hierarchical organization where there is a vertical chain of command, with power in the hands of one person (a manager) or a small group of people (a committee). Independently of the model, sooner or later all partnerships will develop hierarchies with different powers.
 - Organizational structure: If it is decided to form more than one committee, the roles and powers of each (vertical or horizontal) need to be defined. Most commonly we find technical and management committees. The role of a management committee is to represent the partnership and take decisions on planning, implementation and monitoring.

In any event, what is important is that an organizational set-up can take decisions quickly, generate a smooth and clear flow of information among partners, and facilitate the creation of an efficient monitoring system for working groups that in turn fosters trust among partners. As regards the latter, under any organizational set-up it will be necessary to determine a mechanism for monitoring and controlling activities, the achievement of objectives, and the use of resources.

3. **Find out about the hierarchical relationships in different set-ups:** Using the results of the previous analysis a decision tree diagram is made of the partnership's organizational structure, which gives rise to different organizational models. These models represent the bases on which partnership design is founded. However, it is necessary for those in charge of designing the partnership to adapt these models to their own needs.

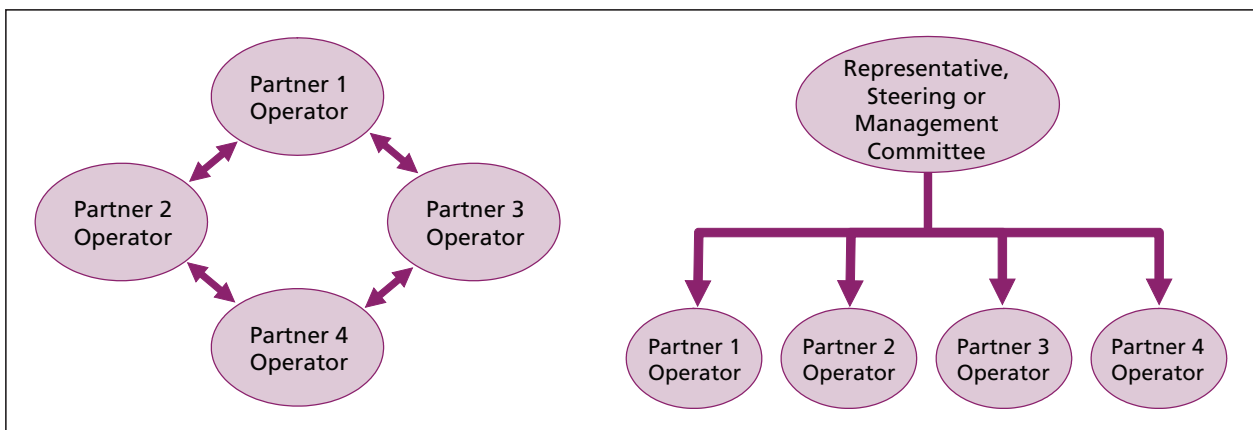
✂ **Tool 53** → **Decision tree diagram on organizational structure**



Looking at the decision tree diagram we can see that when opting for a formal structure, it can be either horizontal or hierarchical. When the structure is based on a **horizontal model** (Figure 1a) the parties work in a team, decisions are made by common consent, and there is no other overarching hierarchical structure. The parties give team members the responsibility for decisions on all partnership matters. However, in the agreement or signed contract it is stipulated that the parties gave their general consent to the partnership's objectives and activities. As already stated, this structure is more suited to partnerships with few members. On the other hand, **hierarchical models** (Figure 1b) have a higher decision-making level. This management level can take the form of a representative, steering or management committee:

- › **Representative committee model.** The role of a representative committee is limited to attending annual meetings where representatives learn about the progress being made and validate results. All decisions on objectives and work plans are taken at team meetings. An assistant can be hired to support partnership operation (organization of meetings and preparation of reports, among others). This structure is suited to partnerships with many actors, such as small producers, who are not likely to take a direct part in the activities but must be represented in decision-making.
- › **Steering committee model.** A steering committee represents each partnership member. Normally its role is to represent the partnership, take decisions on objectives and activities, and carry out monitoring and control activities. Below this committee there is the operational level, which, in partnerships that involve many actors, can be made up of technical committees dealing with specific partnership issues. The operational level is responsible for the organization and execution of work.
- › **Management committee model.** There is a board of directors that delegates executive functions to a partnership official. This executive officer is responsible to the board for preparing progress and activity reports. This model is especially suited to large-scale partnerships that have a legal basis. The model is also suitable for long-term partnerships involving several actors and significant resources.

Figure 1 → Organizational models



Source: Engler et al., 2004

PHASE 5 Negotiation workshops

Negotiation workshops are useful when the partnership's goal is to improve articulation in the chain, facilitating negotiation between the links. These workshops aim to:

- › establish closer ties between links in the chain, with the goal of promoting commitment or agreements aimed at improving trade relations, business partnerships and agribusiness;
- › identify development opportunities for new business and enhance chain competitiveness, taking into account the coordinated work of the different actors in the business and commercial chain of this product;
- › identify the critical aspects of different actors, and negotiate possible partnerships and joint action to solve them.

Given the importance of this phase of the process of promoting business partnerships, it is essential that prior to the collaborative workshops, intensive consultations and sensitization meetings are held with different actors – in particular, buyers and producers – in order to analyse and explore opportunities for the development of partnerships and business agreements.

Method: Business rounds

Technique

- Informal talks
- Business rounds

see Tools:

✂ *Tool 19* → **Final chain map** (page 29)

✂ *Tool 29* → **SWOT matrix** (page 42)

Methodological description

Steps

1. **Informal motivation talks.** Before starting business rounds two informal talks are organized to present the results of the previous stages (Tools 19 and 29):
 - agrifood chain characterization, highlighting Strengths, Weaknesses, Opportunities and Threats (SWOT analysis).
 - analysis of the importance of business partnerships from an economic point of view and from the perspective of clusters and transaction costs.
2. **Negotiation tables.** Negotiation tables are set up, in which producers are grouped by location. The producers are given a worksheet to keep a record of the talks, which they then share with producers in their area.
3. **Business rounds:** Once the tables have been set up business rounds are carried out. A round involves a buyer meeting with a supplier. Each company represents a potential buyer and each group of producers represents a locality or supplier.
 - Business rounds are bilateral meetings lasting 20 to 30 minutes.
 - Participants are told when there are five minutes left for discussions.
 - Then there is a break of five minutes to set up the next round, which consists of a meeting between a new pair of buyers and suppliers.
 - The process continues; potential buyers go from one table to another, in rounds.

It is very important to organize the rounds in advance, registering buyers and sellers. The sequence of buyers should not always be the same: it is not a good idea, for example, for buyer **A** to always come after buyer **B**, since a supplier's response will vary according to what happened in the previous round with the first buyer.

It is essential that only buyers and suppliers take part in these rounds. Facilitators or other actors must refrain from participating, staying away so as not to interfere in the round in any way. Assurances should be given that the discussions and results will only be known to the participants and that technical teams will not attend any of the rounds.

4. **Assessment meeting.** It will be of great value for the facilitator to find out about the experiences of buyers and sellers, to assess partnership progress. The results of the process can be reviewed by holding separate meetings with buyers and producers.
 - In the case of buyers, talks should focus on the kind of relationship that was established and compare results with expectations.
 - In the case of producers, the card method can be used, i.e. asking them to write down the positive and negative aspects of the various stages of the process and/or the process as a whole.

Estimated time



The time given for business rounds should not be too long, just enough time to get discussions going and for the buyers and suppliers to interact.

One option may be to assign 25 minutes per round with about 5 minutes between rounds.

The length of time for negotiation tables is variable and will depend on the terms agreed.

PHASE 6 Design and implementation of a pilot plan⁷⁷

Sometimes a partnership is formed to develop a new product or a new value chain. This involves a high risk situation, since both the partnership and product are new and have high levels of uncertainty. A way to reduce tensions in this situation is to start activities with a pilot project. A smaller-scale pilot project, perhaps also involving fewer participants, can test the feasibility of developing the product and lay the foundations for a strong partnership with high levels of cooperation and trust. This is more feasible if investment (and thus risk) is minor. Later it will be easier to expand this project on a commercial scale. The following is a summary of the steps required to develop such a plan⁷⁸:

Step 1 IDENTIFY A SUITABLE PILOT PROJECT

Identify one portion of your business that could be separated and operated differently as an independent test case. Examples include:

- a specific product
- a specific market
- a way of working with a specific partner.

⁷⁷ Extract from Agriculture and Food Council, op cit.

⁷⁸ Ibid.

A pilot project should meet the following criteria:

- › demonstrate the potential of larger-scale collaboration;
- › allow all parties to evaluate their involvement and decide whether to continue the arrangement;
- › provide clear measures of success, based on quantified objectives (e.g. increase, decrease, benefits, etc);
- › have pre-determined check-in points and an end date.

Before continuing, answer the following questions to assess competition:

? Key questions

- 1 *Can you foresee price wars or very thin margins?*
- 2 *Is outside competition an existing or potential threat?*
- 3 *Can other products be substituted for yours?*
- 4 *Is it easy for other companies to get into your market?*
- 5 *Will any suppliers or customers use their power to limit the chain's opportunities?*

If you answered 'yes' to any of these questions, you may want to revisit your idea.

Step 2 BUILD A PLAN

Involving chain partners in developing these plans is necessary to building commitment and trust. It also prevents later misunderstandings. Then the following should be defined:

- › goals – what you hope to achieve with the pilot project;
- › objectives – specific, practical and easy to understand steps to achieve your goals;
- › measures – indicators of reaching the goals (see the next topic);
- › action plans – a list of things that partners take on in order to fulfil their commitments, including timelines and who's responsible for completing each task⁷⁹.

Step 3 DEVELOP MEASURES

It is important to determine performance measures, since they can be used as an early warning sign that there may be a problem in the process and something may need to be changed or addressed. There are four main categories of measures:

- › cost – profit margins, return on investment, reduced capital costs, etc
- › speed – reduced time to market, decreased turn-around time, etc.
- › quality – improved quality of product/service, improved market image, customer satisfaction, etc.
- › volume – increased productivity, increased market share, sales into new markets, etc.

We should bear in mind that many measures require time, that some measures are difficult to set up and may not provide the right information or quality, and not all are always helpful. The parties must also understand the importance of these measures, because they represent project targets and expectations.

⁷⁹ At this stage you can also use a Gantt chart (see Tool 47, page 77), which illustrates the duration and timelines of project activities.

Step 4 IDENTIFY, MEASURE AND MANAGE RISK

In collaboration with your partners, identify all of the risks that might affect the project, assess the importance of each of these risks, and rank them so that the most important ones can be dealt with first. Once risks have been identified and prioritized, brainstorm for the best of four possible responses: avoid, transfer, mitigate or accept. Eventually we should develop a risk management strategy and integrate it into the plan.

Method: Collaborative planning sessions

- ⇒ The whole process described above can be discussed in collaborative planning sessions. These sessions should last a day or two and are conducted on neutral ground, preferably away from the workplace. The key decision-makers from each value chain member must attend. This could mean the steering committee where it exists. At the sessions, representatives reach consensus on critical issues and plans before the pilot project is fully underway. The Pilot Project Worksheet is defined at these sessions.
- ⇒ We recommend working with a facilitator and regularly scheduling personal meetings with steering group members to solve operational problems, revise strategies, assess progress and opportunities, and enhance working relationships.

✂ Tool 54 → **Pilot project worksheet**

Project name: _____		Date: _____
Developed by: _____		Partners: _____
_____		_____
Introduction/ Background		
Primary motivation or background for the project		
Goals		
Describe what is to be accomplished, and the end result of taking this action		
Objectives		
Specific, practical steps to achieve your goals		
Measures		
Indicators of reaching the goal or objectives		
Action plan		
Steps/Action	Who is responsible	Completion date

Source: Agriculture and Food Council of Alberta, 2004

The project plan briefly outlines the business problem, goals, objectives, measures and action plans. A good plan is an excellent tool for fostering and sharing information with the team, sponsors, clients and stakeholders. It can also be used when applying for funding.

There are a variety of formal methods for assessing risk. In general these methods involve creating a matrix to identify risks and the characteristics of each. The following is a risk matrix that considers a number of characteristics:

✂ Tool 55 → Risk matrix

Name of risk	Associated risk	Impact (C, S, M; m; n) ⁸⁰	Probability (%)	Management/mitigation measures

The importance of this matrix goes beyond merely identifying risks, because it also identifies:

- associated risk – relation to other risk factors, both inside (the partnership) and outside, e.g. in the market
- possible impact – consequences:
- likelihood – in terms of percentage or perceived risk (high, medium, low)
- management/mitigation measures – action to be taken to prevent occurrence, reduce impacts or correct courses of action.

Step 5 EVALUATING THE PILOT PROJECT

This is a specific assessment of the pilot project developed in the previous phase. The aim is to complete a final review of the pilot project⁸¹:

? Key questions

- 1 *What was accomplished?*
- 2 *Can more be accomplished by continuing?*
- 3 *Can we add to the objectives?*
- 4 *Are there any new areas we can work on together – cost reduction, safety, quality, new products or new markets?*
- 5 *What can we do together that can't be done independently?*
- 6 *Are there any new opportunities?*

Again, we get the answers to these questions in meetings, whose purpose is to identify lessons learned and, from these, carry out the steps required to establish a more permanent relationship and chain. It is essential to let each member know the results, distributing written copies of the results of the project and all management records.

⁸⁰ Critical (C), serious (S), moderate (M), minor (m), negligible (n)

⁸¹ Agriculture and Food Council of Alberta, op cit.

PHASE 7 Partnership expansion

As mentioned in the previous phase, starting up a full-scale project is quite risky, because there are new partners and new actions to be taken. Therefore, if the pilot project has been successful, we can move on to the expansion (or scaling up) phase. The reason why we move on to this phase is to exploit economies of scale, that is, we can reduce the cost of producing each unit by merely producing a larger quantity. Some reasons for this are: better use of investment, cheaper purchases, lower marketing costs, and so on. The size to which the partnership can be expanded will depend on:

- market size
- type of buyers
- the company's previous history
- the number of partners and resources
- the type of link or enterprise, etc.

We recommended that a limited number of partners should be included in previous phases. For example, you can work with about 5 groups of producers, each with 5 to 8 members in the first year. A work plan is established with each group. The method suggested for the pilot project can be used in this phase. It is recommended that the members of each group have previous experience in collaborative work.

Method: Repeat the partnership development process

- ⇒ The partnership is expanded in the same way as it was created, namely diagnosis, preparation, implementation and evaluation. However, the knowledge we now have and the lessons we learned allow us to simplify this process.

Methodological description

Steps

1. **Chain diagnosis.** The team presents the diagnosis: the chain map and its characteristics, available resources, the market, and analysis (see Component II, Agrifood chain diagnosis).
2. **Preparation for partnership development.** The new members are involved in actions to build the capacities required for the creation of partnerships (see Component III, Partnership development preparation).
3. **Business Partnership Development.** The project is developed and budgets drafted following the methodology previously presented (see Component IV, Business partnership development).

Business partnership development

Summary

This fourth component presents methods that help to develop and implement a business partnership. Perhaps the most complex aspect of this stage is that it ceases to be a wholly linear process with a sequence of predetermined stages. In this sense, the methodologies support the processes of planning, organization, financing, negotiation, implementation and expansion. The duration of these processes and the outcomes of each will depend on the partnership and activities.

V Monitoring and evaluation

The monitoring and evaluation component essentially aims to determine whether or not what has been achieved corresponds to what was planned. In both cases – good outcome or bad outcome – this implies that certain activities were planned to achieve certain results. So we can compare the extent to which planned activities are being carried out with the results achieved. In other words, monitoring and evaluation are a natural complement to planning; they should be used as early as the first activity.

At the same time, one must take into account that evaluation and monitoring are two processes that take place at different times and have different objectives. On the one hand evaluation seeks to determine whether expected changes have been achieved: that is, whether or not the long-term targets have been reached. This means that evaluation takes place when the project has finished, or in the case of a business partnership, when it has come to fruition. This makes it impossible to make adjustments or changes to the action plan. On the other hand, monitoring seeks to determine whether activities are being carried out according to plan. This means that monitoring takes place while the project is being implemented, so adjustments or changes can be made to the plan of action. However, changes do not equate with us necessarily being sure that the actions undertaken will achieve the expected results or changes.

Another aspect that differentiates monitoring from evaluation is that it should be carried out by the project team. Its dynamic nature and strategic value mean that this responsibility cannot be given to people outside the partnership. However, evaluation can be carried out by other people, especially if there are clearly-defined criteria and indicators. Sometimes outside evaluations may be desirable, because they can address sensitive, strategic or power issue. These require a strategy or preparation that takes into account the implications (of the results or questions) for the participants, vested interests or personal agendas, and the participation of the weakest or most vulnerable. An outsider would not be under peer pressures.

From this brief introduction, we can see that this stage involves two core activities: verification that planned activities are being carried out and verification that objectives have been achieved. The latter could involve the goals of the partnership, or the institution or organization promoting it. The phases of this component are:

Phase 1. Process monitoring

Phase 2. Partnership evaluation

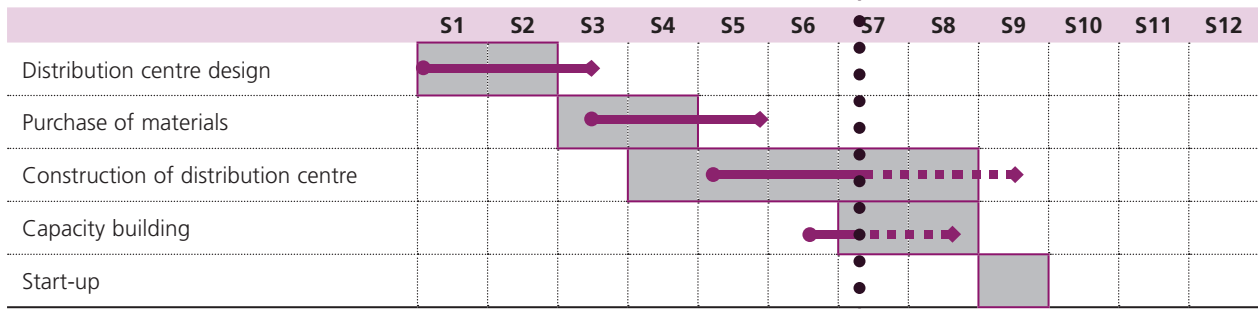
PHASE 1 Monitoring the process

As indicated above, monitoring (or control) is closely linked to planning: in fact, it is an extension of it. Monitoring essentially compares the activities carried out and resources deployed to what was planned, as well as finding out the partners' level of satisfaction with the progress being made.

Method: Monitoring progress

⇒ The goal is to compare the activities carried out against the Gantt chart, and actual expenditure with the budget, and evaluate the fulfilment of actors' expectations.

✂ Tool 56 → Activities carried out



Source: authors' own elaboration

The Gantt chart created in the planning stage is now used to analyse progress made. The horizontal lines represent the activity carried out, showing the start and end dates (when finalized), with the vertical dotted line representing the current week. Horizontal dotted lines can be added to indicate the rescheduled progress of ongoing activities. The example shows activities that started as scheduled (design), those starting late (purchase and construction) and those starting early (capacity building). Clearly, start-up should be delayed, which means adjusting all other activities that depend on this.

✂ Tool 57 → Expenditure matrix

	Month 1	Month 2	Month 3	Month ...
Income	+	+	+	+
Operating costs	-	-	-	-
General expenses	-	-	-	-
Investment	-	-	-	-
Net income	=	=	=	=

Source: authors' own elaboration

List the expenses in a worksheet similar to the one for the budget. Then compare them to what was budgeted, both in terms of amounts and in relation to best possible use of spending. Those responsible for spending must account for any significant deviations, both positive and negative.

✂ Tool 58 → Evaluating participant satisfaction

The team in charge should also monitor whether goals are being achieved. This requires regularly scheduled meetings to assess the level of satisfaction with the partnership.

? Key questions

- 1 Are the goals being achieved?
- 2 Have the goals changed?
- 3 Are all partners satisfied with progress?
- 4 What needs to be changed to increase satisfaction and ensure continued support?

The answers to these questions are discussed in regular meetings, scheduled at the beginning of the project. At these meetings, participants describe progress, problems, and new opportunities related to the pilot project. By analysing these observations the next steps can be defined.

PHASE 2 Evaluating the partnership

As we can see from this guide, partnerships are not an end in themselves but rather a means to achieve a common goal agreed by the parties. This situation, together with the fact that they are open and change over time, means that an evaluation needs to be made of the partnership⁸². This should involve a systematic collection of information on the characteristics of the partnership with the aim of improving the way it works, ensuring efficient use of resources, its ability to respond to the demands and needs of the parties, and the provision of information for making decisions on the partnership's future. Evaluation is not a single activity but a process that accompanies the partnership in its entirety, and contributes to success. Improved evaluation of operations must be reflected in improved partnership design, re-establishing evaluation priorities, a plan for gathering information, and a schedule for submitting progress reports and reviewing work. Evaluation areas include administration, management, communication and leadership, factors that contribute to a well-conducted partnership, and the creation of synergies that are generated through mutual knowledge and use of complementary resources. The organization that coordinates the partnership – a steering committee or other – is responsible for establishing mechanisms to monitor and evaluate progress.

The most important aims of evaluation include⁸³:

- › understanding the collaborative process of the partnership and ensuring it works well;
- › evaluating whether the partnership generates or will generate expected results and how efficiently it does it;
- › identifying the strengths and weaknesses of the partnership in the areas of administration, management, leadership, and the synergies produced in these areas;
- › learning how to improve the collaborative process while there is still time to take corrective action;
- › documenting the value of collaborative processes with partners, donors and the community;
- › making the partnership more proactive for members and the community at large;
- › involving partners in leading and administering the partnership.

It should be borne in mind that evaluation should be based on the goals set by the partnership (see page 3 *et seq.*)

Method: *Evaluating indicators*

- ⇒ From a methodological point of view⁸⁴, evaluation seeks to gather information in two areas.
 - The first is the partnership's achievements, namely the progress made in terms of objectives. It is based on the evaluation of activities and measurable results for which indicators are used.
 - The second concerns the processes that occur in the partnership, namely the way the partnership operates, such as compliance, communication, conflict, etc. Essentially these are perceptions and thus are measured through judgments, using an evaluation sheet or via self assessment.
- ⇒ In both cases it is best to summarize the evaluation results in what is called a 'comparison matrix'.

An indicator is a variable that can be directly measured and used to assess a condition that cannot be measured directly. For example, income is an indicator of quality of life.

⁸² Engler *et al.*, *op cit.*

⁸³ *Ibid.*

⁸⁴ This method is based largely on Florez *et al.*, *op cit.*

The indicators used will depend on the objectives and activities carried out by the partnership. The important thing is that the indicators are as direct and simple as possible. For example, the partnership is being used to improve chain coordination, since this would lead to greater profitability and thus improve the quality of life of the parties. Given that it is difficult to measure quality of life and profitability, price or sales volumes can be used as indicators.

Some indicators that can be used include:

- › production costs – changes in production costs in the various links of the chain;
- › yields per unit – changes in profits per chain unit, for example, production per hectare, or amount of processed product;
- › value of final product – change in value (in constant currency) of the final product;
- › sales volume – changes in total volume of sales (kilograms);
- › sales value – value of sales in constant currency.
- › distribution of benefits – changes in the distribution of the final value of the product within the chain;
- › profitability – changes in the product's gross or net profitability (profitability can be calculated simply in the different links to identify actors that can earn a larger share of the profits);
- › percentage of revenue from activities related to the chain – this indicator may include the sale of products, job creation, or elimination of purchases as a result of competitive strategy.
- › different sources of income and income stability over the year – changes in the diversity and security of sources of income in the target population over the year, and the chain's contribution to these two factor;
- › improvement of processes – increases in the efficiency of internal processes both within individual companies and companies in a chain;
- › improvements in products – introducing new products or improvements to existing products faster than rivals; this implies changes in the processes of developing new products within enterprises and among enterprises;
- › improving functions – increases in added value through changes in the activities carried out in an enterprise (for example, taking responsibility for quality in the chain) or by moving the focus of activities to different links in the chain (e.g. from production to marketing);
- › market penetration – changes in the product's share of the market or market segment.

Tool 59 → Indicators

Indicator	Source of verification
Production costs Yields per unit Profitability Distribution of benefits	Interviews or regular workshops with different strategic actors in the chain
Value of final product	Survey of the product's final market value
Improvement (process, product, functions, chain)	Direct observations Regular interviews or workshops with different strategic actors in the chain
Market penetration Sales volume	Regular interviews and workshops with different strategic actors in the chain Periodic surveys on the chain's target markets
Sales value	Regular interviews and workshops with different strategic actors in the chain Periodic surveys on the chain's target markets Review of secondary data on market prices
Revenue generated by the chain as part of the livelihood strategies of the local population	Regular interviews and workshops with different strategic actors in the chain
Diversification and security of income sources	

Source: Lundy *et al.*, 2004

Methodological description

- › The indicators are defined when formulating strategy.
- › All indicators should be related to a project goal.
- › We should define the way in which information for the indicator is collected.
- › We should define whether the indicator is absolute or measures change between two situations:
 - absolute – It measures the total level of achievement, for example crop surface area or number of trained people.
 - incremental – It measures partnership productivity changes, for example increases in planted areas or more training courses. When using these types of indicators, we should look into the possibility of establishing a baseline. This baseline is the value of the indicator prior to intervention; from this we can estimate the change produced.

We can use the following evaluation worksheet⁸⁵

Tool 60 → Evaluation worksheet

Indicators		++	+	-	--	Comments and observations
Objectives	We have jointly set cooperation goals					
Compliance	Partners comply with agreements and schedules					
Communication	There is dialogue, response is quick and there are appropriate means of communication					
	Partners recognize the points of view and motives of others					
Conflicts	Areas of conflict were identified in advance and were dealt with adequately					

Source: Florez *et al.*, 2002

Methodological description

- › Each partner assesses the partnership using the criteria defined above.
- › Each partner presents his or her assessment to others, providing examples to illustrate it.
- › The contributions are complemented to obtain a single evaluation matrix. Particular care should be taken in answering questions such as:
 - Are commitments, benefits and risks fairly distributed among partners?
 - Are partners still prepared for change when it comes to implementing it?
 - How do we maintain the partnership? Is it strong?
 - Is the role of each organization in the partnership clear?
 - Does each organization fulfil its duties?
- › Conclusions are reached and measures agreed to improve the partnership as an experience of cooperation.

⁸⁵ Lundy *et al.*, op cit.

✂ Tool 61 → Partnership self-assessment⁸⁶

- ▶ This is a process of reflection and evaluation within the partnership itself. A useful tool for self-assessment can include qualitative indicators on the status of the partnership. The idea is for members and non-research organizations to carry out the exercise and share, openly or anonymously, their perceptions about how the partnership is working. Key activities in self-assessment include:
 - **a questionnaire** – At least one representative from each participating organization completes a questionnaire. The questionnaire must be given to at least three different individuals involved in the partnership, including at least one representative from the public sector and one from the private sector.
 - **an algorithm for analysing questionnaire data** – The triangulation of collected data generates a snapshot of the partnership status, which basically refers to two problematic situations: there are different perceptions of an issue, or perceptions are bad.
 - **one or two reflection meetings** – These are used to discuss the results of the analysis, offering options to improve the way the partnership works and to draft an implementation plan.

Whatever method is used it is advisable to create what is known as a comparison matrix, because it facilitates the comparison of what has been achieved or observed with what was planned, in terms of activities, budget, objectives or outcomes. It highlights differences and their causes⁸⁷.

✂ Tool 62 → Comparison matrix

Planned	Achieved	Difference	Cause of difference

Source: authors' own elaboration

Monitoring and evaluation

Summary

In this final component we present methods and tools to monitor progress in the partnership and evaluate the achievement of short, medium and long-term results. Partnership monitoring seeks to find out whether the activities are being carried out according to plan and if the participants are satisfied with the process, mainly in relation to whether initially set goals are being achieved. Results assessment on the other hand determines if the results generated by the partnership are what were expected, not only in quantity terms but also in quality terms, and in the way they are distributed among the actors. As such this is a more long-term vision. In both cases it is clear that they are closely linked to the planning process described in previous components.

⁸⁶ Engler *et al.*, op cit.

⁸⁷ Florez *et al.*, op cit.



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