# Business Partner Selection
# and Contracting

**Solidaridad** network
making our PROMIS a reality

# Contents

Solidaridad

# 1.    Introduction

Solidaridad projects aim to contribute to sustainable value chain development. To achieve our goals, we work with many different partners, each contributing to a specific part of our work from their specific role or expertise. Through our partners we can ensure that the interventions lead to a lasting and sustainable change for our target group. We need partners in implementing, financing and establishing lasting change. Therefore partners should be carefully selected and assessed.

This booklet covers two steps in the Solidaridad programme cycle: the process of partner selection and partner contracting. It provides you with definitions on different types of partners, guidelines for assessment and the basic requirements for registering a contract in PROMIS.



1. Programme Development and Fundraising
2. Project formulation
3. **Business Partner Selection**
4. **Contracting**
5. Implementation and Monitoring
6. Evaluation
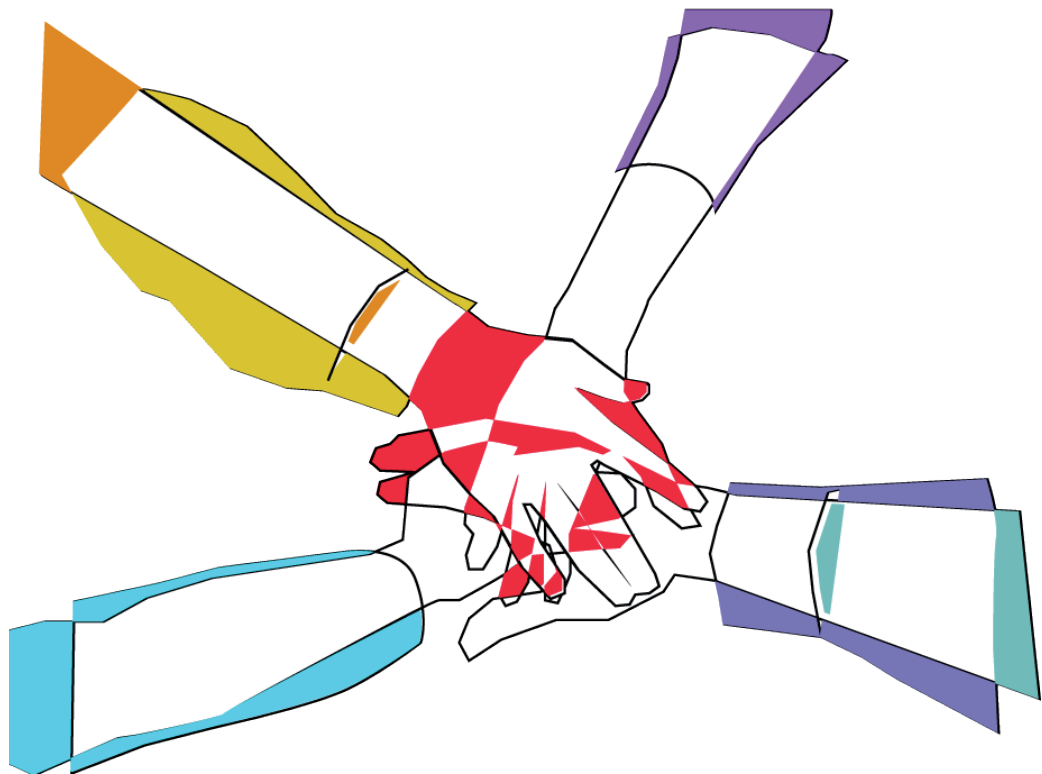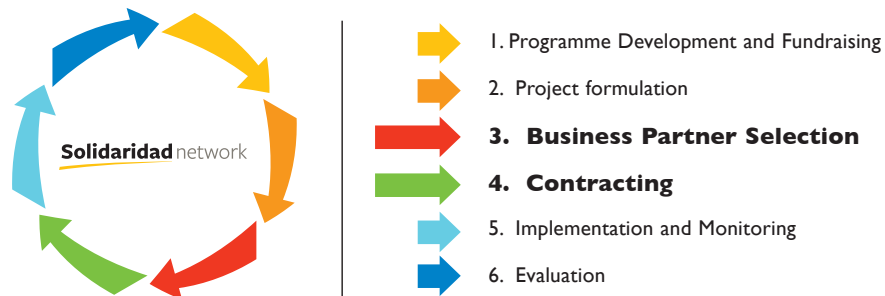
# 2. Who are our partners?

The Solidaridad Network is continuously seeking for partners who have good ideas and experiences on improving sustainable production techniques and other innovative methods for strengthening fair and sustainable supply chains. Key in the work of Solidaridad is the cooperation with companies.

## 2.1 Front runners and game changers

To find companies to work with and reach our goals we are looking for companies that have impact in the sector due to volume or strong brand reputation and have an innovative approach towards sustainable supply chain development. These front-runner brands and game changers are most likely to have a 'fit' with our ambitions.

Various criteria influence the positioning strategy of companies. First of all, brand credibility is very important for a broad range of stakeholders. Secondly, security of supply is becoming more important in many sectors due to the growing demand in emerging markets and increasing competition on crop production in developing countries. Besides this, companies differentiate their strategy on the compilation and character of their products.



The collaboration with these companies must have a basis in supply chain development. Either related with our projects to ensure market linkage or in a certification scheme.
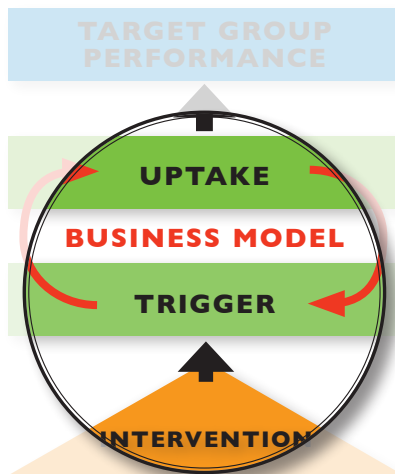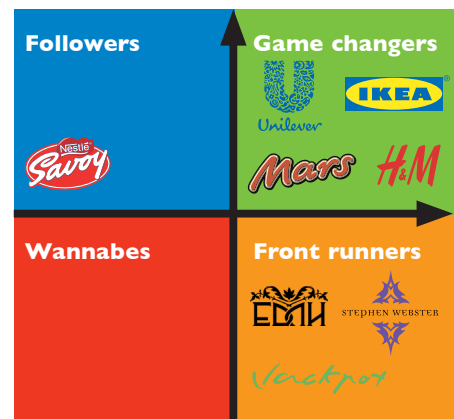


This is the most common partnership at present. For some commodities, trade companies play a dominant role too. In relation with the brands/retailers they supply, they play a role as a marketing communication partner towards consumers as well.

Our partners initiate or respond to changes and are crucial for the sustainable business models in our projects and programmes. Only where Solidaridad supports partners who trigger a change in the value chain, projects and programmes will have a long lasting impact.

**Rule of thumb**

In general Solidaridad only implements a project when no other partners or service providers are available. While implementing ourselves, we always try to enhance capacities of others (partners), who will take over the role of implementing partner in time.

## 2.2    The partnership pyramid

For Solidaridad, partnering implies sharing the same interest, vision and objectives on sustainable supply chain development, while all parties remain independent and autonomous. Solidaridad supports and collaborates with partners through co-financing, capacity enhancement, networking and information sharing. This can be done in either a formal or informal way.

**Formal partners**

Formal partners in the Solidaridad Network are named business partners in PROMIS.
There are two types of business partners:
- Donors who finance our work.
- Project partners or implementing partners who contribute to the implementation of our work. These are generally farmer or producer organizations, corporate partners, NGOs, knowledge institutions, local or national governments, government institutions or consultants. In certain cases projects are implemented by RECs themselves (called 'own project implementation' in PROMIS).

**Informal partners**

Informal partners are any organization or individual, with whom Solidaridad collaborates, and exchanges knowledge and experiences, based on a shared mission. Usually this concerns a non-financial equal relationship based on common interests for collaboration by both parties. When it is a cooperation assessing potential grounds for projects and a contractual or financial relationship, this type of partnership can be described in a Memorandum of Understanding (MoU).

Depending on the phase the sector is in and the duration of the relationship, the partnership is likely to expand more to the top of the pyramid (as shown below) over time.

At the start of a relationship the activities will focus at the basis: raising awareness within companies, sector initiatives and supply chain development. It is likely that this happens within the scope of standard development. Standards, certification and sector initiatives are an important platform to get into contact with leading brands and retailers. Nevertheless, they can also make relationships more complex, especially when expanding the partnership. The relationship grows when partners are interested in a broader approach including a community and/or regional approach, maybe including more than one commodity. In these cases there are more possibilities for joint communication. Only a few partners are up for a long-term strategic collaboration with Solidaridad from end-to-end sustainable supply chains.

There are many opportunities to expand the partnerships and it is our goal to build at least 5 "strategic partnerships" within the next 5 years. In these strategic partnerships Solidaridad aims to make sustainable market transformation possible.

**Strategic partner**
(marketing & business development)

**Communication partner**
(corporate, marketing and product)

**Partner in producer program**
(capacity building towards compliance and beyond)

**Strategic partner**
(sustainable purchasing and compliance)

**Figure 1**  Partnership pyramid

Solidaridad

# 3. Guidelines for partner assessment

The way of establishing new partnerships differs between one REC and another. The Solidaridad Network sometimes approaches implementing business partners directly; some RECs launch calls for proposals and in other cases partners approach Solidaridad themselves with new project ideas. New projects can also emerge from co-development between Solidaridad and an implementing partner with whom Solidaridad already worked with.

## 3.1    Why is partner assessment important?

Solidaridad's successful and effective functioning depends heavily on the capacities and experiences of the implementing partners; therefore it is very important to select the right partner. Partnering is a mutual commitment and investment, where time, money, ideas and experiences are exchanged in order to reach common goals. Besides sharing responsibilities to achieve a common goal, Solidaridad shares potential risk with their partners. This makes it essential to conduct a careful assessment in order to ensure a successful partnership. When Solidaridad invests in partnership without the right fit, this can seriously hamper the efficiency and impact of the work where scarce resources like time and money might be wasted.

Next to the assessment of new partners (including consultants and donors), current partners who have not been assessed within the last four years should be assessed before re-contracting as well. The assessment generally is a 2-step process starting by searching and inviting potential partners, followed by either a project partner assessment (paragraph 3.2), a consultant assessment (paragraph 3.3) or a donor assessment (paragraph 3.4).

## 3.2    Assessment of a project partner

The project partners of Solidaridad are generally companies and private enterprises (including producer organizations, estates and processing factories), NGOs, institutions, and governmental bodies or knowledge institutions. Project partners are key partners in the implementation of Solidaridad's work. The main purpose of the project partner assessment is to determine whether the partner is capable to deliver on the proposed project and trigger the desired change. Therefore, the assessment of a potential project business partner is best conducted when there is clarity about the scope, content and budget of the project and the specific experience required for the successful execution of the project.

Assessment of project partners is a formal requirement within the Solidaridad Network and the outcomes have to be registered in PROMIS. The minimum requirements for partner assessments (indicated with a P in the following chapters) are based on various existing and known models to assess organizational quality and performance (see text box on the next page). These models are combined with Solidaridad's knowledge from current practice and experiences.[1]

1. Based on PROMIS and the partner checklist of Solidaridad Farmer Support Programme.

**Models for assessing organizational quality and performance**

There are many organizational development models and approaches that are used for assessing the implementation strength of (partner) organizations. Evidently, every model comes with different criteria and requirements. A common denominator is that all of these models try to assess how the organization functions, while distinguishing components, departments or steps and their interaction in the product or service flow. Below we highlight three of them:

## 7-S model

This model is developed by McKinsey (1981) and is extensively used and considered one of the cornerstones of organizational analysis. The model describes seven organizational elements, which are interrelated and interdependent. This means that changes in one of the elements will affect other element(s):

- Strategy
- Structure
- Systems
- Skills
- Staff
- Style
- Shared values

**References for further reading:**

Waterman, R. H., Peters, T. J. & Phillips, J. R. (1980). "Structure is not organization", in Business Horizons, vol. 23, issue 3, p. 14-26.

## 5-C Model

Morgan and Baser developed the 5-C Model, consisting of five core capabilities:

- Capability to commit and engage/act
- Capability to carry out technical, service delivery and logistical tasks (e.g. deliver on development objectives)
- Capability to relate to external stakeholders and attract resources and support
- Capability to adapt and self-renew
- Capability to balance diversity and coherence

Assessment of 5-Cs can be used within (partner) organizations, but also within networks and value chains.

**References for further reading:**

Baser, H. & Morgan P. (2008) "Capacity, Change and Performance. Study Report." (Discussion Paper, 59B) Maastricht: ECDPM.

**MIDCA**

The MIDCA (in Spanish: Integral Model for Development of Cooperatives and Associations) is an assessment model that specifically applies to producer organizations. This model was initially developed by MDF, and further improved by Avance. The MIDCA distinguishes itself from other models because it includes an assessment tool, scoring organizational strengths and weaknesses in the product flow from farmer to market, with a focus on:

- Production
- Internal organization
- Marketing and Sales

When problems in the flow occur, they can often be attributed to missing services or tasks in one or more of these areas.

Solidaridad considers the following four themes key for assessing organizational and programmatic capacities:

- Organizational structure and administrative capacity of the partner organization
- Expertise and proven track record
- Financial position
- Reputation and reliability

The four themes are described below, including suggestions on how to assess these themes. Solidaridad promotes to conduct partner assessments in a participatory way. Meaning that partners are asked to assess themselves on the respective themes, followed by a joint discussion, where the partners' and your assessment of the partner's capacities are compared. This will provide you with a good basis for formulating a conclusion on the partner's capacity. In addition, the joint assessment might be a meaningful and capacity strengthening exercise for the partner. In any case, it is advisable to visit the partner several times, visit their field activities, talk with project staff and target groups involved in a partner's project.

| 1. Organizational structure & administrative capacity of the partner organization | **What to assess?** |
|---|---|
| | Assess the organizational structure of the organization. |
| | Assess the capacity of the partner to: |
| | - Manage projects financially and administratively |
| | - Operationalize the implementation of the project (e.g. adequate number of staff) |
| | - Manage staff and strengthen their capacities |

**How to assess?**

The organizational structure of an organization is normally visualized in an organogram, an important input for your review. When reviewing an organization you can research among others the following aspects:

- Level of (de-) centralization: Are there clear functional management lines between the different layers, or is it a so-called 'flat' organization? In flat organizations there is a tendency to have one managing director at top with a very large span of control. What are the risks when that one director would leave for the continuity of the services?
- Checks and balances: Does the organization have a clear division of tasks and responsibilities? Among which a division of tasks at operational and programmatic management level? Centralization of tasks can affect transparency.
- Are procedures for administration / bookkeeping adequate and clearly described?
- The history of the organization, and whether there have been many organizational changes (growth, downsizing) going on recently. This gives you an idea of the phase the organization is in and it's level of (management) experience.

You can discuss the following with the partner (staff and/or management):

- Are the various job positions described in job descriptions and if so, are people aware of these job descriptions? This is not always the case and is considered important for a clear division of roles and responsibilities.
- Is the number of staff involved in the project and the proposed budget to carry out the project realistic? Especially when community based organizations (CBOs) are heavily relying on volunteerism, the implementation strength might be weak.
- Their capacity strengths and weaknesses and discuss with the organization in which domains they feel their capacity could be strengthened, which ones could become a part of the partnership agreement with Solidaridad.

| 2. Expertise and proven track record | **What to assess?**<br>Assess the capacity of the partner to:<br>▶ Execute the proposed project (technical expertise/skills)<br>▶ Report on progress<br>▶ Measure results<br>➡ Show a proven track record explaining experience in the sector and implementation of sustainable new market approaches |
|---|---|

**How to assess?**
Field visits
▶ Go and visit field activities, observe the partner's approach to raise awareness, training, market mobilization etc. (depending on type of project). Are they applying a sustainable approach? Do they have a good relation with the envisaged target group of the project?

Desk study
▶ To assess the partner's capacity to report on progress and measure results one can ask the partner organization for documentation like (annual) reports, evaluation studies, references etc. In addition media items can provide you with information. Conduct a short desk-study on this documentation and assess whether you can deduct the partner's track record on progress reporting and result measurement.

| 3. Financial position | **What to assess?**<br>▶ Financial audits<br>▶ Internal financial procedures<br>The financial position of partners can be sensitive to assess. Transparency and good governance of financial management is, however, key for organizational operational strength and credibility. |
|---|---|

**How to assess?**
Desk study
Ask the organization for:
▶ Financial reports and audit reports / audited accounts. If available, ask your administrator/controller to evaluate whether the reports are satisfactory.
➡ Written procedures for financial management and when relevant include time registration. If they are not available, this could be a potential theme for capacity strengthening.
▶ Information on diversified resources (e.g. variety of donors or other sources of income). Discuss with the organization whether it is possible for them to co-finance a project.

| Reputation and reliability | **What to assess?**<br>Assess whether the partner could imply a reputational risk to Solidaridad. |
|---|---|

**How to assess?**
Desk study
➡ Collect recommendations from independent experts whom the partner has worked with in the past, and who can confirm that the organization is credible and reliable.
➡ Verify whether Solidaridad or other organizations have blacklisted the organization.
▶ Do an Internet search and ask around in the community/region.

The themes and questions above should provide you with a sound basis for conducting a partner assessment. However, these themes and related questions are not intended to be exhaustive. And although some RECs use some checklists, the information should be interpreted in the context of each partnership, because the relevance of the questions highly depend on the type of partnership you aim for and the size and level of experience of the partner organization.

2. Criteria indicated with 'P' should also be registered in PROMIS.

## Partner-ship

Imagine yourself considering booking a cruise holiday on a cruise ship called the Pitanic. You've been saving some money over the past years, and would like to treat your family on a trip. You have received a brochure with information, but before booking the trip, you would like to receive a bit more information about the cruise.

A friend tells you that the ship is currently based in the harbor of the city where you live, and you decide to go for a visit. During the visit you look around and ask questions like:

- For how long has the cruise ship been operating? Is it in good shape to operate in potential heavy weather such as storms?
- Is the captain qualified and is there enough staff on board to provide the services?
- Are the rooms comfortable, and according to what is promised in the brochure?
- Who are the regular clientele of the cruise?
- Is the cruise trip considered to be good value for money?

After visiting the cruise, and talking with the staff and previous guests, you probably have a good idea on whether you will book the trip or not. Once the booking is made, you can start to look forward to a rewarding holiday with your family!
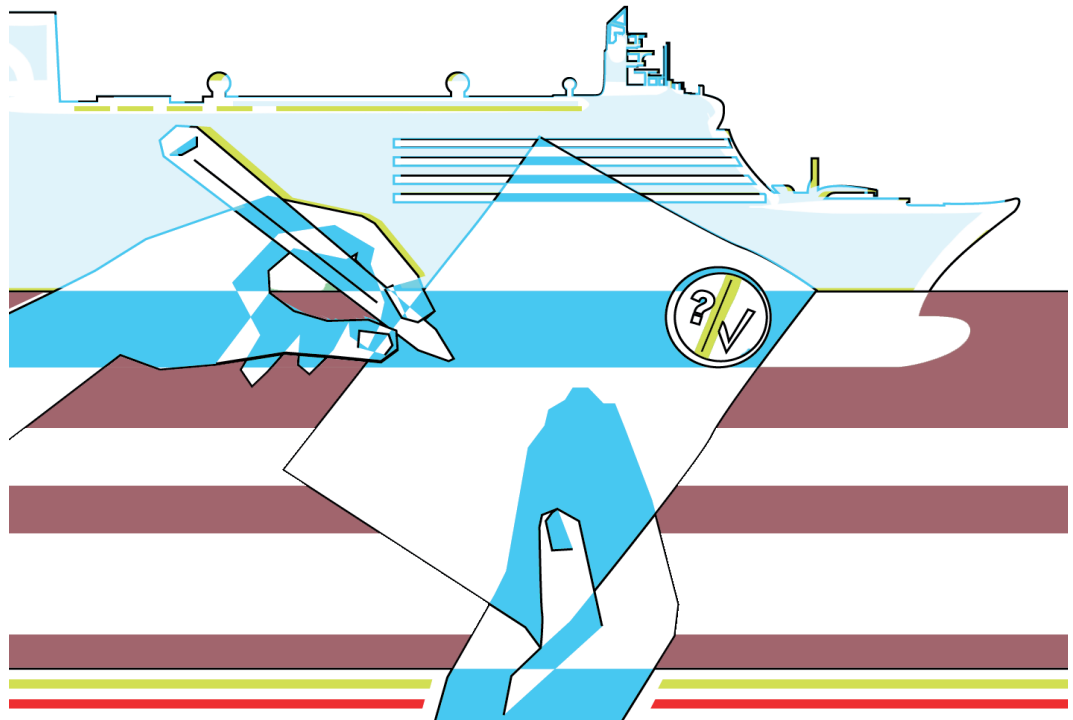
### 3.3	Assessment of a consultant

A consultant or consultancy company can be hired for specific assignments that support the implementation of our work.  These assignments do not necessarily concern core project activities, but temporary support in terms of advice, training or facilitation. The consultant's qualification for carrying out the specific assignment should be assessed. It is highly recommended to conduct the consultant intake assessment based on a Terms of Reference (ToR).  A ToR describes the specific deliverables of a consultant and preferably the related expected knowledge and experience the consultant should have for the job. The ToR is often an integral part of the contract with the consultant. The consultant's experience and capacities required for the specific assignment can be fully assessed with the support of ToR's.

When interviewing or reviewing the credentials of a potential consultant you can assess:
- Relevant thematic expertise: this depends on the type of assignment that you are hiring the consultant for, but here you can think of knowledge about the sector, sustainable market transformation, certification, gender, etc.
- Required skills and experience (depending on the assignment). Here you can think of experience and proven skills related to facilitation, training, assessments and evaluation, policy development, fundraising, marketing experience, etc.
- Interpersonal and communication skills. These skills are necessary to establish and maintain constructive relationships with all project stakeholders, directly or indirectly involved in the project.
- Knowledge of the region and culture, etc.
- It is strongly recommended to verify references and ask the consultant to submit samples of previous work.

Since a consultant has to be registered in PROMIS as a business partner, the assessment is a mandatory step in the process. In PROMIS you are asked to register the field of expertise, kind of consultant and fee.

### 3.4	Assessment of a donor

To finance our work we generally work with the following types of donors:
- Public donors: Ministries, governmental agencies, embassies, local authorities, and inter-governmental agencies, European Union/ European Commission.
- Private donors: Private companies, foundations linked to companies, family funds or funds from philanthropists or other private initiatives that raise money to support 'good causes'.
- NGOs: Charity organizations that do their own fundraising and have public support, like Hivos, Oxfam etc.

Assessing donors is not very common within the Solidaridad Network yet, but since we are gradually receiving more and more (co-) funding from corporate partners and institutional donors, who could affect our reputation and influence project implementation, it is recommended to assess this type of partnership and the funds they provide as well. Below you find some key questions as food for thought when considering submitting a proposal to a donor (either an existent or new donor):
- Is there a clear match in ideology between the donor and Solidaridad?
- Is there a history of the donor being involved in illegal or unsustainable activities?
- Has the donor special interest in promoting sustainable private sector development?
- Is there a fair balance between the amount of potential programme funding and administrative requirements?

# 4. Contracting a business partner

When the business partner is positively assessed and selected, the project enters the next phase of the Solidaridad project cycle. This step is about contracting a business partner.

Besides a financial agreement, a contract can be used as a management tool. You can explicitly describe the expected project outputs (e.g. development of a market strategy), outcomes and capacities to be strengthened (within a certain time frame) in the contract. This can be used as a tool for management and decision-making.

The standard contract procedure for business partners, as developed in PROMIS, is applicable for three types of partners:
- Partner project implementation: contract for core project activities that are outsourced by a REC to an implementing partner.
- Own project implementation: this contract procedure is used when a REC implements (part of) a project itself, and is therefore registered as a business partner called REC XX Own Project.
- Consultancy: this contract procedure is used for project related activities or services like advice or facilitation by an external consultant.

Depending on the type of partnership, different assessment questions are applicable as explained in the previous chapters and the PROMIS manual. The main content and procedures for preparing a standard contract with business partners are described in the next paragraph.
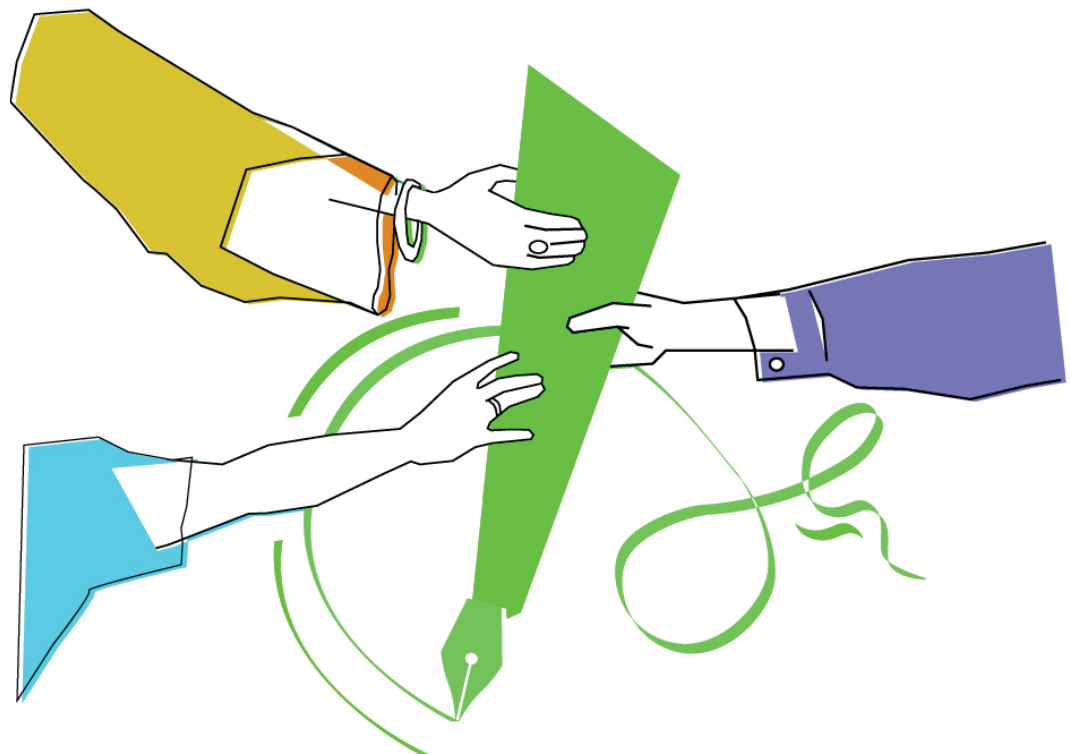
## 4.1    Minimum content of a contract

There are certain terms and conditions that are suggested to include in any partner contract:

- ▶ Project title and unique reference number.
- ▶ Project summary that includes project details like activities and results aimed for and region/countries and if applicable additional project partners. Refer to annex project proposal.
- ▶ Project duration with start date and end date of the contract and key deliverables.
- ▶ Amount of funding, payment schedule and conditions for approval of requests for payment.
- ▶ Reporting schedule and reporting requirements.
- ▶ Legal matters such as signatories, which court of law is applicable in case of conflict, consequences when requirements are not being met, consequences when donor reduces the grant, consequences of currency fluctuations, etc.
- ▶ Always add the approved and signed project proposal as an annex to the contract. The project proposal describes in detail what the project is about, a timeframe, who is responsible for what, communication and PME.
- ▶ When an addendum, refer to a master contract.
- ▶ When relevant, refer to a non-disclosure agreement (NDA).
- ▶ When relevant, additional (donor) requirements. These could be requirements for monitoring, time registration, budgeting, audits, etc.
- ▶ When relevant, agreements on partner capacity enhancement support by Solidaridad.
- ▶ When relevant co-funding objectives and requirements of the partner in the project.

Preparing a contract is done by Solidaridad, but throughout this process, the partner should be involved, so that both parties are very well aware of the content, agreements (including evaluation criteria) and the legal obligations of the contract.

In PROMIS contract details are entered including a project summary, reporting and payment schedules. PROMIS will produce a unique contract number. After approval and signing of the contract in hardcopy by all parties involved, the contract is approved in PROMIS and reports can be entered and payments can be approved.  When a contract has ended, a so-called contract closure procedure is initiated in PROMIS.

## Colofon

**Solidaridad** network