

# How to! Develop strong partnership agreements



Leanne Rasmussen

**Working with and through market actors to affect systemic change is a key tenet of market systems development programmes. Structuring these relationships, however, is not always straightforward. A balance must be struck between ensuring ownership of initiatives by partners, and sufficient support from the programme to generate momentum in the right direction.**

## The challenge

Partnership agreements must be flexible enough to allow for changes in the level and nature of support provided by programmes, based on the differing characteristics of partners and the inevitability of changing market conditions, new learning, and strategic shifts. At the same time, programmes have to deal with donor demands for transparency and value for money, hold partners accountable to what they said they would do, and clearly communicate expectations about the relationship. This requires some level of documentation and planning/forecasting, usually detailed in the form of a partnership agreement.

This note gives an overview of **GROW Liberia's** current process for structuring partnership agreements. This has emerged from learning about how to address the differing capacities and incentives of partners, as well as how to ensure a streamlined yet collaborative process.

## GROW Liberia's approach

There are two documents involved in the partnership process: a partnership justification/ proposal, and a partnership agreement (PA). When an intervention manager identifies a potential partner, they meet with them a few times to collect information that indicates whether a mutually beneficial partnership could be struck. During this phase of the partnership justification, the intervention team gathers and evaluates information about:

- The proposed partner's core business
- Which market systems changes the partner could contribute to, tagged to the sector results chains (including projections)
- Evidence of the partner's motivation/will to pilot a new way of doing business
- Evidence of the partner's capacity/skill to pilot a new way of doing business
- Reasons why this partner is more suitable than any other options
- Preliminary ideas on activities that could be undertaken
- Risks that could be associated with the partner or intervention
- Expected impacts on environment, gender, and youth
- Preliminary estimate of budget

If the intervention manager is satisfied that the partnership has potential, a partnership justification document is sent to the programme's senior management team (SMT) for review, although usually a member of the SMT has already been involved in meeting the partner and advising the intervention manager. Together, the SMT discuss and send the document back to the intervention team with comments and questions, often followed by a meeting with the team. The partnership justification may go back and forth a few times, as the intervention team collects any missing information or considers any questions raised by the SMT.

If approved, the proposed partner and GROW then negotiate a partnership agreement. GROW currently uses two basic templates for partnership agreements, although this may change in the future.

The first template is the "fully loaded" agreement. This is intended for businesses of reasonable sophistication and formality. This comprehensive agreement structure is used in situations where the partnership involves considerable sums of money, or where money may be directly transferred to the partner as part of a cost-share agreement, which necessitates a high level of diligence around use of funds. For example, GROW has used this agreement with an inputs distributor and a large cocoa trader. The terms and conditions of the agreement are substantial and formal, and there is more detail on what the partner and GROW are expected to do.

The "fully loaded" agreement includes:

- standard terms and conditions as per a formal contract

- › Schedule 1: Commercial partnership strategy. This section includes: background on the business; a commercial business plan; an implementation strategy for the partnership; and a monitoring plan
- › Schedule 2: Partnership budget
- › Schedule 3: Payment plan and schedule of deliverables.

The “lighter” agreement is intended for businesses that are typically small, semi-formal, and which have relatively low capacity. These agreements usually involve less money, and GROW’s contribution to costs is paid directly to a third-party service provider, rather than directly transferred to the partner. The terms and conditions cover almost all the same points as the ‘fully loaded’ agreement, but they are considerably shorter and simpler, and unnecessary clauses such as procurement guidelines are removed. This is because there is a lower risk associated with these partnerships, and a need to make it more easily understandable by business people who often have not had a formal education. GROW often uses this agreement with small to medium-sized traders, for example in the vegetables sector. Although the agreement is still clear on what the partner and the programme are expected to do, it is shorter than the fully loaded agreement.

The “lighter” agreement includes:

- › a short rationale and background on the partnership, followed by a table on activities, costs, and timing of each party.

In both cases, partnership agreements can be easily amended through a simple addendum, ensuring that both simple and more detailed agreements are flexible and can be adapted to changing circumstances. The addendum simply states what is to be added or modified in the partnership, and both parties sign and attach it to the original agreement. The partnership agreement usually goes through a few iterations as both GROW and the partner clarify what is expected and explore opportunities more concretely.

In both cases, GROW reserves the right to cancel partnerships for a variety of reasons, including when the partner is not holding up their end of the agreement. The agreements make it clear that fraud is grounds for immediate termination and possible legal action.

## An ongoing process of adjustment

GROW went through a few iterations to get the current partnership process right. Originally, there was just one partnership agreement template – the “fully loaded” template. When it became clear that this template was not appropriate for some partners, a second template was developed. Based on team feedback, the structure of the partnership justification was also modified slightly to clarify the characteristics of what makes a good partner. For example, a section on partnership

will/motivation was added, and the section on risks was more clearly divided between partner-specific risks and general risks of the intervention. When the team realised that something needed to be added to a recently signed partnership agreement, the addendum process was developed as the need arose. The process of engaging with the SMT has also been improved, following team feedback that the process was leading to delays; the SMT now engages earlier and prioritises in-person meetings instead of a chain of email exchanges

## Working with co-facilitators: MoUs vs. partnership agreements

The team has found an easy way to choose when to use a partnership agreement and when to sign an MoU. The programme uses MoUs when it enters into an agreement with a partner that it does not consider to be a “market actor,” i.e. the partner is not a permanent part of the market system. Generally, this refers to other development programmes or donors with whom the programme is coordinating or collaborating; for example, GROW has signed an MoU with GIZ to coordinate their respective work in the cocoa sector. For partnerships where GROW is expecting the partner to directly and sustainably contribute to pro-poor market systems change, the programme signs a partnership agreement.

MoUs have a short, simple structure. The MoU gives a background on each party and their relevant objectives; it gives a brief note on the context for entering into the MoU, and then it lists the roles/responsibilities of each party along with expected outcomes. These agreements generally do not involve the exchange of funds.

Sometimes, MoUs are also appropriate for local government collaboration, but other times it is more appropriate to look at the government body as a market actor and to sign a full partnership agreement. One advantage to using an MoU with governments is that its non-binding nature makes approval through bureaucratic procedures easier. However, sometimes the programme may want something more comprehensive than an MoU; in these cases, the template may be adjusted to strike a balance. This may end up looking more akin to the “lighter” version of the partnership agreement template.

## Protecting confidentiality

Partners, large and small, share concerns about confidentiality. In all partnership agreements, GROW makes it clear that personal information or internal business data will not be shared without the partner’s consent, either during or after the programme’s lifetime. However, GROW is also clear that the programme maintains the right to speak in generalities about the partner and what GROW is working on with them, along with any positive results achieved, and that GROW expects to access internal business data as part of its internal monitoring and learning. Each

agreement outlines these details in a slightly different way: the “fully loaded” agreement responds to larger actors’ needs for comprehensive and clear legal terms that protect their competitive advantage; the lighter template to smaller actors’ need for straightforward agreements with clearly outlined objectives and processes.

The key to navigating partnership confidentiality is to be explicit about expectations from the beginning. All PAs list the specific business documents that GROW expects to have access to, and also states a reason why each document is important for monitoring and learning. For example, GROW typically wants to see monthly sales data to understand if the partner is growing as a result of the changes they have made. Often, GROW will include partner capacity-building in records and financial management in the agreement if the current data is not reliable, especially for low-capacity partners.

## Going forward

GROW’s experience with developing its approach to partnerships indicates that there is no “optimal” way to structure a partnership. In addition to having appropriate options for different types of partners, it is important to iterate on the partnership process based on what is working and what needs improvement. Even now, GROW is looking at developing a third template for partnership agreements, which will allow for a large number of very light-touch agreements which can evolve into more substantial arrangements based on partner self-selection. Additionally, the team continues to look for ways to make the process more efficient and streamlined.

**Published: January 2017**