

Inclusive Business CHECKLIST



How to develop a Partnering Agreement

As companies build, adapt or expand their business model to include the base of the pyramid in a sustainable, commercially viable and scalable manner, multi-sector partnerships can play a critical role. How do partners formulate that partnership?

There are many different steps for building successful partnerships in inclusive business but being able to develop an effective partnering agreement (PA) should be a top priority for any company partaking in this journey.

1. How is a Partnering Agreement different from a typical contract?

A Partnering Agreement is not your typical business-to-business / principle-agent contract. Instead it is a mutually beneficial agreement, encapsulating the spirit of partnership and demonstrating the valuable contributions each organisation voluntarily brings to the table. In many cases these contributions cannot be 'purchased', for example bringing relationships with local communities or alignment of public investment in infrastructure. As discussed below, a partnering agreement might also be complemented by a more formal contract, particularly where funds are being transferred from one organisation to another.

Difference between Transactional contractual agreements and Partnering Agreements

Transactional contractual agreement	Partnering Agreement
Purchaser dictates the terms based on the procurement rules of the purchaser	Organisations jointly develop the terms, needing to fulfil both organisations' rules
Lays out exactly what the supplier will do for what payment	Lays out desired partnership aims, what each partner can bring to the table
Embeds the supplier being accountable to the purchaser	Embeds mutual accountability
Cements the power relationship	Seeks to build equity and transparency between the organisations
Cannot explicitly deal with non-tangibles (e.g. social capital)	Allows each organisation to bring non-purchasable, non-tangibles to the table
Legally binding and main control is legal censure	May or may not be legally binding; main driver / control is joint desire to achieve objectives
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Inclusive Business Checklists

provide a quick and simple way to determine how effective an idea, tool or model might be for your inclusive business project. They can be used by inclusive business practitioners, to develop and scale up business strategies. They are based on the real-world experiences of companies actively expanding opportunities for people at the base of the economic pyramid through their core business activities.

Access the other Checklists at <http://bit.ly/HubChecklists>



What's in a Name?

Depending on a country's legal implications associated with the name, the legal context of the agreement and each organisation's own internal definition of the term, Partnership Agreements (PA) may instead need to be referred to as:

- Memorandum of Understanding (MOU)
- Letter of Agreement (LOA)
- Collaboration Agreement (CO)

Be sure to gain early consensus from partners on which name they prefer to use.

2. Why is a Partnering Agreement needed?

If these agreements are usually non-contractual and non-legally binding, what's all the fuss about in getting them 'right' or having them at all?

Simple: it's the process which all stakeholders need to go through (and the subsequent trust this builds) in order to arrive at a signed document. Inherently inclusive businesses need to step outside their comfort zone in bringing in new types of businesses, community organisations or even government entities to reach this mostly untapped BoP market.

Do you want to ensure that:

- partners are speaking a common language;
- everyone is on the same page with the same understanding of what has been discussed;
- senior management in each organisation is fully aware of the implications and willing to commit to the partnership;
- partners have considered the essential questions;
- expectations have been met so stakeholders feel comfortable?

If so, set your sights on creating a Partnering Agreement together.

3. Why use different types of Partnering Agreements?

Developing agreements is an iterative process often impacted by different timelines, available information, management buy-in and other variables. You are likely to have more than one agreement, with different intensions, for example:

- early in the partnering process, a simple Letter of Intent which sets out a commitment to seek to work together in a particular area and begins to develop support among internal stakeholders;
- once partners have agreed to partner, a more formalised Partnering Agreement, detailing the overall partnership and capturing the commitment and resources of partners to achieve the partnership goals; the workplan specifics will adapt and change with time;
- before implementation, there may be a contractual agreement, applicable to various elements of the partnership to secure the 'legal non-negotiables' of each organisation, including how financial resources are utilised.

Tips for reaching a Partnering Agreement

In order to arrive at an eventual agreement, consider implementing the following steps:



Inclusive Business Know-How: Partnerships

Looking for the latest information, practical resources and good practice insights on partnerships for inclusive business? This new Know-How page developed by the Practitioner Hub and TPI has plenty of guidance, tools, case studies and more.

Visit <http://www.inclusivebusinesshub.org/page/know-how-partnerships-for-inclusive-business>

4. What are some of the recommended elements of an effective Partnering Agreement for inclusive business?

In order to ensure both private sector and other partners have thought through and agreed on the essential initial aspects of a partnership, consider each of the following.

WHO

- A short description of partners (including legal status, overall mission)
- Some identification of representatives of each partner organisation and their status/role in the partnership (can have multiple contacts if one is needed at management level and the other 'in the field')

WHY

- Vision statement (purpose and goals of partnership)
- Overarching drivers / reasons for involvement of each of the partners (beyond but including making profit)
- Objectives of the partnership:
 - shared by all parties and
 - specific benefits each party hopes to gain from the collaboration
- Demonstrable VALUE created through partnering (i.e.: development benefits from the inclusive business project – number of people with jobs, lives improved because of a new product etc.)

WHAT

- Mission statement
- Context and target of the partnership activities
- Roles and responsibilities of each of the partners
- Expected resource commitments of each partner and external resources (both cash and in-kind investments)
- Measures of success
- Work plan with activities, timelines, clear measurable outputs / outcomes and performance indicators



Jita, an inclusive enterprise in Bangladesh set up as a partnership between Care Bangladesh and the Danone Foundation, has helped thousands of women improve their livelihoods.

SearchInclusiveBusiness

SearchInclusiveBusiness, the first online database of inclusive business publications, lists over 140 resources that explore partnerships in inclusive business and more than 1,400 publications overall that cover a wide range of sectors, geographies and topics.

Visit www.searchinclusivebusiness.org

HOW

- Governance / accountability structure including decision-making principles
- Operational structure (coordination /management arrangements)
- Reference to financial arrangements (details may be in a separate contract)
- Measures to strengthen partner capacity to implement commitments where necessary (use of partnership health checklist for ongoing success)
- Procedures for transparency and on-going partner communications
- Timeframe and procedure for ongoing partnership review and revision
- Metrics for monitoring & measuring partnership performance against each partners' objectives & shared objectives
- Sustainability strategy for sustaining partnership 'outcomes' beyond the Partnering Agreement

WHAT IF

- Risks / threats to the partners or partnership and how these might be mitigated
- Grievance mechanism to resolve differences
- Rules for individual partners to leave or join
- Exit ('moving on') strategy for partnership as a whole
- Legal disclaimer (even though a non-legally binding document, most often obligated by your friends in legal)

EXTERNAL COMMUNICATIONS AND INTELLECTUAL PROPERTY

- Rules for branding (using own, each other's) and other rules for the public profile of the partnership
- Intellectual property and confidentiality rules
- Protocols for communicating with constituents and other interested parties

Bottom line on Partnering Agreements; don't worry about getting it 'right' the first time but get the process started early. Use the aforementioned checklist as a guideline to help steer the initial conversations and eventual negotiations. When it comes to getting it all down on paper, have one organisation take the lead in preparing a draft (sample Partnering Agreement templates downloadable at www.thepartneringinitiative.org) to circulate to other members for edits and additions versus a writing by committee approach. Good luck and enjoy the journey!

This Checklist is published by the Practitioner Hub for Inclusive Business and The Partnering Initiative and sponsored by the UK Department for International Development. It is written by **Todd Kirkbride**. In addition to drawing on direct experiences brokering and supporting partnerships over more than 10 years, this checklist is based on a range of TPI Tools and Toolbooks, including The Partnering Toolkit, and the Partnering Agreement Scorecard. For further resources see:

- The Hub-TPI Inclusive Business Partnership Know-how page: <http://www.inclusivebusinesshub.org/page/know-how-partnerships-for-inclusive-business>
- The Partnering Agreement Scorecard developed by TPI and the Partnerships Resource Centre at the Rotterdam School of Management (Erasmus University): <http://thepartneringinitiative.org/tpi-tools/the-partnering-agreements-scorecard/>
- Checklist: Why go it alone? How partnerships can help a company address constraints to inclusive business: https://drive.google.com/open?id=0B6V_5PHejphTQkpremd2TVFWTDg
- SearchInclusiveBusiness, a database of inclusive business publications including those covering partnership: www.searchinclusivebusiness.org



For further information and to view other Checklists, go to:

Practitioner Hub on Inclusive Business: www.inclusivebusinesshub.org

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