

## Cost-Sharing: General Guidelines

### **What types of things are appropriate for sharing costs and when should we share costs?**

The following are good guidelines to consider:

- Let's not share costs unless we are sure of a strong commitment by the partner to the process of changes we are promoting; this commitment is demonstrated by action and actual improvements already made or underway (ownership, ownership, ownership).
- Use cost-shares after having exhausted other options for getting a target firm to try something new; cost-sharing should rarely be the first approach.
- Use cost-shares to help target firms overcome uncertainty or the risk of **trying something new**, to gain knowledge and experience. Cost-sharing should never be used as a reward to a target firm, this creates dependencies on the project and unrealistic expectations. Also, if the firm is already doing an activity (e.g., providing spraying services), there's no need to share the costs for doing more of the same.
- Use cost-shares to **create role models**; cost-shares are not expected to be provided to everybody.
- The contribution from firms should be sufficiently high to force target firms to effectively manage the costs of the activity. If you sense that a firm is padding the budget, it's likely they aren't having to spend nearly enough of their own money.
- The total costs of the activity should be within the financial capacity of the target firm, regardless of cost sharing. We want target firms to be convinced of the value of the activity (e.g., radio spots, coordination meetings with village agents, etc.) and undertake these activities on their own in the future. We also want other firms to copy the activity, which won't be possible if it's not affordable without assistance!
- Sharing costs of expensive goods and materials becomes problematic (e.g., grain dryers). We risk overly favoring one firm over many others. We need a very high degree of certainty about the commitment of the target firm toward the changes we're promoting.

### **How we structure cost-sharing agreements**

- See templates for cost-sharing agreements.
- Agreements must have clear mechanisms for assuring that activities take place and both parties fulfill their obligations, and for both parties to measure to impact of the joint activities.
- Adding conditions or extra responsibilities to the cost-share agreement are good ways of ensuring the success of activities: for example:
  - Cost-sharing radio advertisements: firms must allow us to check their records for sales revenue prior to the advertisements and for a period afterward to determine the cost-effectiveness of the activity
  - Moisture meters: Equipment suppliers must provide after-sales and calibration service
- Transactional nature: What specifically do you expect from the firm in return? If they don't meet their obligations, what are the consequences? Don't make it easy for firms that are not committed to the change to get resources!