



THE TIME FOR BIODIVERSITY BUSINESS: A GUIDE TO ENTERPRISE DEVELOPMENT FOR CONSERVATION ORGANISATIONS

Compiled by: K. Facer

IUCN Business and Biodiversity Programme

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BIODIVERSITY BUSINESS DEVELOPMENT IN BRIEF

ENTERPRISE DEVELOPMENT FOR CONSERVATION ORGANISATIONS

- The process of Enterprise Development includes a range of activities aimed at the establishment, growth, improved efficiency and competitiveness of enterprises within market contexts.
- This package looks at the role of conservation organisations as service providers and facilitators in the process of small enterprise development. Key aspects of this role include support to :
 - Leverage real and meaningful change in the enabling environment
 - Enterprise development coordination
 - Strategic input to (risk) management strategies, product design, innovation
 - Identifying and facilitating in-house or external technical and business development expertise and brokering strategic partnerships
- While the focus of this package is mainly on established, sector-based biodiversity goods and services, it includes principles and strategies applicable to biodiversity businesses more broadly.



SMALL ENTERPRISES IN A CONSERVATION CONTEXT

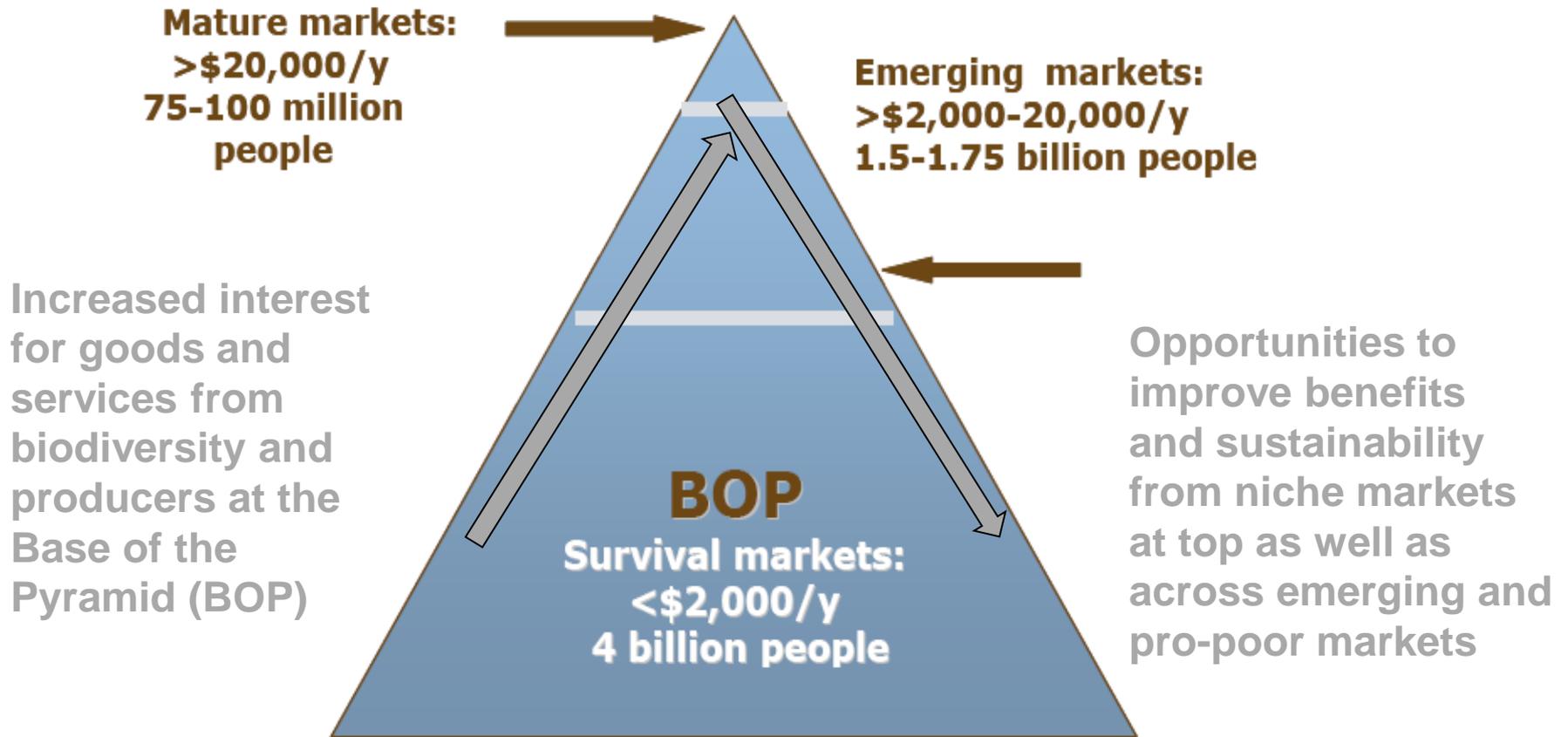
A biodiversity business is a commercial enterprise that generates profit and equitable benefits through biodiversity conservation and sustainable use activities

- Make up 80-90% of enterprises and 50% of employment in forestry sector
- More than this (<95%) in tourism sector
- Strong presence in natural product and ecotourism sectors but also others...eco-agriculture, sustainable forestry, sustainable fisheries & aquaculture, ecosystem services and more
- A positive vehicle for the promotion of local resource management and knowledge systems
- Increase the visibility and value of biodiversity
- Notable potential to influence market standards, systems and benefits

THE ECONOMIC OPPORTUNITY

- Biodiversity conservation and ecosystem health can contribute directly to business profitability (e.g. ecotourism, payments for watershed protection)
- Growing consumer preference for sustainable and ethical products and services is creating more and higher return opportunities for biodiversity businesses (e.g. certification & standards)
- Globalization has increased the reach and flow of small business products and services to previously inaccessible markets and consumers (e.g. virtual marketing)
- New and specialised markets which create incentives and opportunities for small business innovation and investment (e.g. among venture capital firms)
- Local role in economy and among labour force enhance capacity to contribute to local economic development, poverty reduction and livelihood diversification
- Increased market access through changing trade regimes, lower taxes on products and fewer regulatory barriers to international markets
- Lower risks, improved savings and competitiveness through new business models, improved supply chains and value addition opportunities

NEW MARKETS AND BENEFITS FOR DEVELOPMENT



Adapted from : ADB 2004

FINANCING BIODIVERSITY BUSINESS

- Enterprise development activities have been a major area of donor intervention for over a decade and considerable effort has gone into improving the sustainability and effectiveness of interventions
- However, many organisations still struggle to locate and access funding
- Many factors affect the ability to secure funding for enterprise development including availability, general fundraising capacity and specific experience with business planning and perceived mismatch between profit and social or environmental benefit
- As a result biodiversity business development financing may need to pursue a mix of grant funding and commercial financing as the business develops and becomes more profitable. New opportunities may be emerging through the increasing visibility and establishment of biodiversity-oriented financial services agencies.
- Also, innovative financing strategies, including linking with or creating private sector entities, intellectual property arrangements, profits from premium and other incentive schemes have contributed valuable resources to such enterprises



KEY OPPORTUNITIES AND CHALLENGES



POSITIVE CHARACTERISTICS OF SMALL BUSINESSES

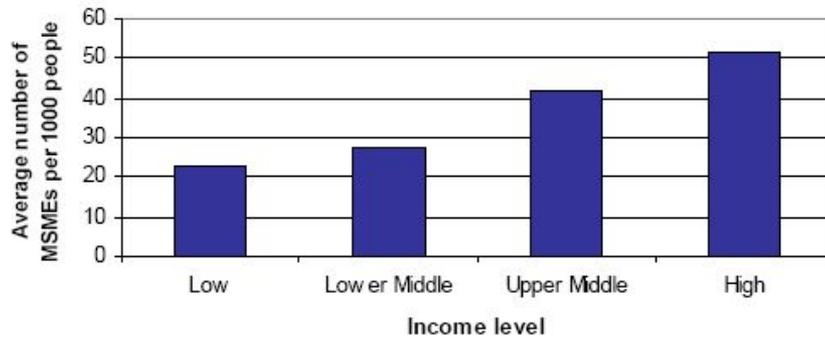
Source: WRI, 2006

- Are labour-intensive and providing more important employment opportunities especially for low-skilled workers
- Tend to have greater income distribution equality across lower income groups
- Are an important part of the supply chain for large multinational corporations
- Are necessary for agriculture-dependent nations transitioning to an industrial- and service-oriented economy
- Are excellent "beta-sites" for innovation and sustainable initiatives due to their inherent flexibility and risk-taking ability
- Provide all of these crucial benefits in developing countries despite their relatively smaller presence
- Demonstrate a vested interest in community development

SME CHALLENGES AND MARKET FAILURES

Adapted from: WRI, 2006 and IUCN, 2009

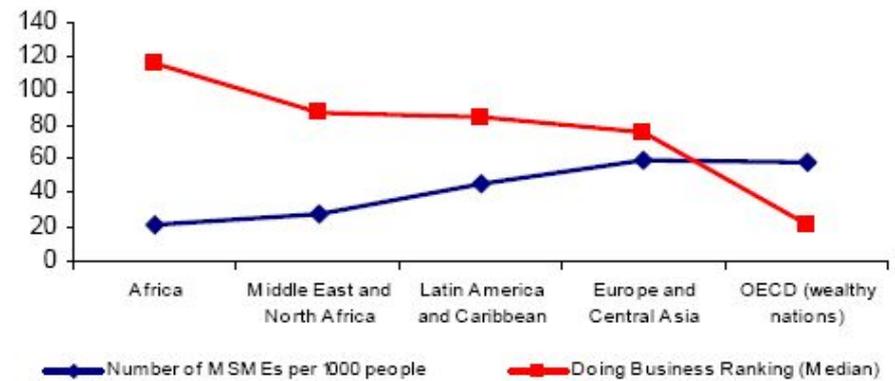
Figure 1: Micro, Small, and Medium Enterprise (MSME) Density by National Income Level



- High levels of informality and bureaucracy hinder presence in emerging economies
- Low capacity makes compliance difficult
- Lack of available finance stifles growth and entrepreneurship
- Insufficient incentives for value addition
- Price distortions which encourage unsustainable production and trade

There is a substantial gap between the size of the SME sector in developing and developed countries, highlighting a gap of opportunity and need for support for small enterprises to emerge

Figure 2: Micro, Small, and Medium Enterprise Density and Business Enabling Environment



AN OVERVIEW OF COMMON CHALLENGES

- Businesses are faced with increasingly demanding global markets, especially in terms of quality and other product and service standards which may not be known, are difficult to match, or require expensive inputs
- Limited access to market information, experience and business capacity hinders competitiveness and market responsiveness
- Small biodiversity businesses may be subject to less immediate returns and favourable risk scenarios for investment due to lesser known markets, lower margins and lack of experience
- Lack of credit to finance advancements in technology and infrastructure
- Disorganised and inefficient supply chains can limit benefit capture at bottom of chain and result in higher returns by intermediaries and larger firms
- Regulatory or other constraints which distort market dynamics and pricing
- Challenges to produce sufficient flows/volumes of goods and service sustainably
- Capital asset and business acumen deficiencies translate to limited bargaining power



CRITICAL SUCCESS FACTORS

(Adapted from IISD, 2008)

1. Leadership : The commitment and continuity of enterprise leadership and coordination
2. Partnerships: The ability to negotiate and maintain a core set of relationships for the benefit of the enterprise and benefit sharing
3. Proof and clarity of innovative concept and demonstration of market potential
4. Business planning and marketing skills
5. Triple bottom line planning
6. Short and long term incentives and management of stakeholder benefits
7. Successful long term community and stakeholder engagement
8. Risk management: Demonstrated planning for mitigation of risks and externalities helps ensure long term functioning of the enterprise



TYPES OF BIODIVERSITY BUSINESSES

BIODIVERSITY BUSINESS TYPES

The focus of most biodiversity businesses is on the generation of benefits through trade in biodiversity goods and services and risk mitigation. Different service or activity oriented business types can work independently or as complements in a landscape to promote biodiversity conservation.

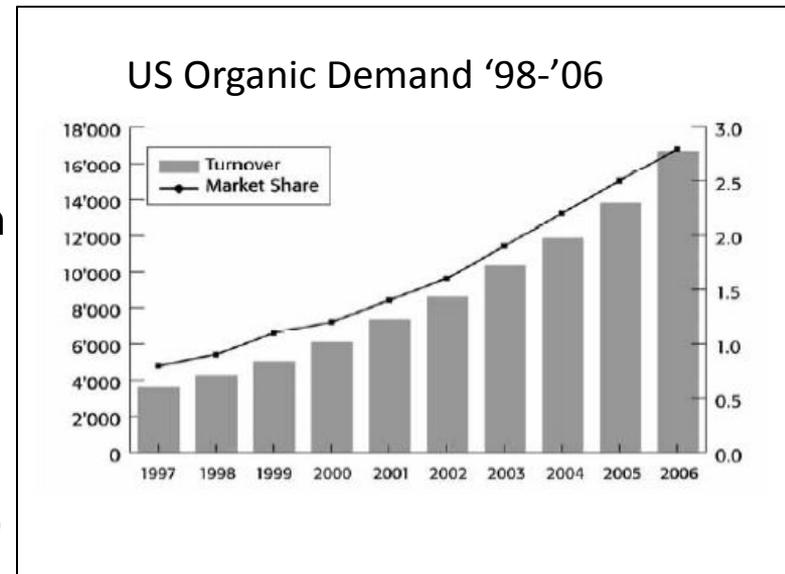


SUSTAINABLE AGRICULTURE

Green, eco- or sustainable agriculture seeks to improve the benefits of agricultural production by reducing threats to and enhancing benefits to biodiversity through production through improved management, practise or technology.

Features and Opportunities

- The creation and protection of biodiversity areas in and around farms
- Sustainable crop production methods, including organic products and biofuels
- Apiculture and sustainable livestock production
- Consistent and rapid growth in global markets for organic and sustainable food products
- E.g. Organic food sales valued at approximately 20 billion in the US alone (2007) with an average 18% annual growth to at least 2010
- Opportunity for responsible biofuel production





SUSTAINABLE FORESTRY

Sustainable forestry refers to the production of timber and other forest products within a broader system of biodiversity conservation and natural resource management

Features and Opportunities

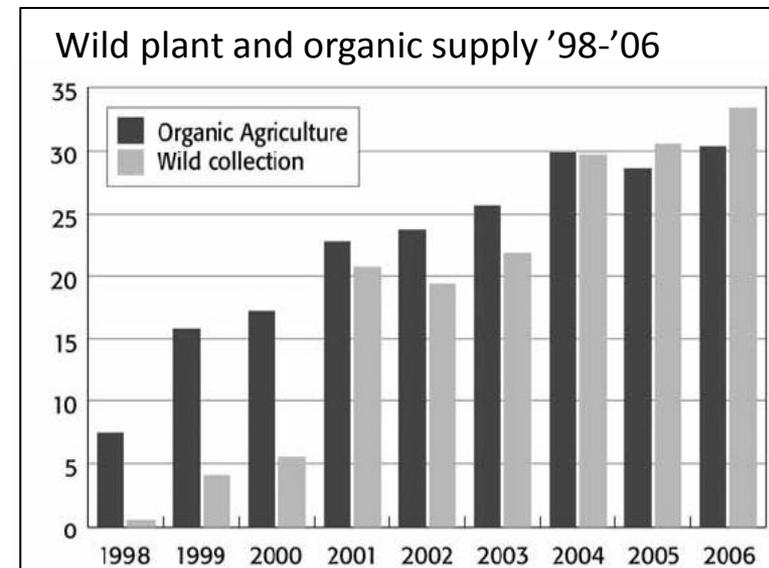
- Sustainable timber and non-timber forest product (NTFP) production
- Wood processing; seed collection; fuelwood and charcoal production
- Enhanced livelihoods through Joint Forestry Management, Community Forestry and Agroforestry
- Voluntary mechanism and agreements for improved legality and transparency
- Strong global demand and systems for management through certification and standard systems (e.g. FSC)
- Improved processing technology for wood products for improved efficiency

NATURAL PRODUCTS

Natural products are plant products also known as non-timber or non-wood forest products (NTFPs and NWFPs). They are both wild harvested and cultivated plants and plant parts used for food, medicinal, utilitarian and other applications.

Features and Opportunities

- Provide critical safety nets and opportunities for livelihood diversification amongst the most vulnerable
- Are well adapted to local conditions and require few inputs to maintain
- Are accessible and known to community members offering a competitive advantage in production
- Well-suited to and increased niche market opportunities for ethical and sustainable products
- A major global growth industry with a value of USD 7-10 billion for top 110 products and USD 110 billion for medicines and cosmetics



SUSTAINABLE FISHERIES

Sustainable Fisheries are based on the use of environmentally-friendly practises which promote biodiversity conservation, ecosystem integrity and the long-term health of the industry.

Features and Opportunities

- Aquaculture, Marine and Freshwater Commercial and Recreational Fisheries
- Sustainable fish, crustacean and mollusc farming and harvesting
- Seaweed harvesting, community fisheries
- Organic fish farming and sustainable harvesting programs

- Growth of Marine Stewardship Council (MSC) seafood certification system
- Wide ranging marketing and awareness initiatives by conservation organisations (e.g. WWF Sustainable Seafood Guide)
- Voluntary standards and industry codes of practise (e.g. FAO Code of Conduct)
- Improved techniques for harvesting, including for the marine aquarium trade

ECOTOURISM

Ecotourism is known as responsible travel to natural areas which contributes to biodiversity conservation and local livelihoods.

Features and Opportunities

- Ecotourism products and services are found across tourism supply chain from flight and accommodation providers to tour operators and restaurants
- Recreational activities such as nature-viewing, hunting, fishing, scuba diving or snorkelling etc.
- Global examples of best practise for tourism relevant community-based natural resource management schemes (e.g. The CAMPFIRE Program)
- A principal earner of foreign exchange among the poorest nations
- *“The fastest growing sector of the largest industry on earth”*, with annual exports up to US\$100 billion and growing three times faster than other segments of the tourism sector (www.world-tourism.org, www.ecotourism.org)

ECOSYSTEM SERVICES

Ecosystem services are the natural processes of ecosystems and the associated biodiversity which provide benefits (provisioning, regulating, supporting, or cultural services) to humankind. Payments for Ecosystem Services (PES) generate profits through 'sales' of the management and maintenance of these services.

Features and Opportunities

- Plant pollination, erosion control, carbon sequestration and conservation of habitat for wild species
- Watershed services (e.g. filtration, regulation, and provision)
- Opportunities for public-private sector partnerships
- Can lead to improved land tenure and benefits for upper watershed communities
- Building markets through enhanced awareness, improved demand
- Identifying a diverse and flexible range of well defined ecosystem service commodities
- Integrating ecosystem service schemes with existing natural resource management and poverty reduction strategies

BIODIVERSITY OFFSETS

Biodiversity offsets are conservation activities used to compensate for the residual, unavoidable harm to biodiversity caused by economic development projects.

Features and Opportunities

- Trade for offsets of similar size, biodiversity value and structure
- Can be one-off, legally mandated, or voluntary measures
- International examples in wetland mitigation and conservation banking, etc.

- Can be now or in the future – Biodiversity banking provides offsets in advance of development
- Provides a means to generate direct biodiversity benefit from development projects
- Can support policy makers in balancing economic and conservation objectives

BIOPROSPECTING

Bioprospecting is the systematic search for genes, compounds, designs and organisms that might have a potential economic use and lead to a product development.

Features and Opportunities

- High sampling and research intensity, low development rates
- Includes investigation for novel products for pharmaceuticals, cosmetics, industrial and other uses
- Can occur in all natural areas, not necessarily linked to biodiversity rich areas
- Large but disputed industry size (in the tens or hundreds of millions USD)
- Improved screening technologies to identify higher value natural products
- Improved intellectual property and benefit sharing arrangements with local stakeholders
- Development of bioprospecting monitoring systems and country level trade and research capacities



A CHECKLIST OF THE KEY STEPS TO ENTERPRISE DEVELOPMENT



DEVELOPMENT CHECKLIST

- ✓ Identify targets and determine objectives
- ✓ Product and market assessment
- ✓ Analyse value chain and market niche
- ✓ Outline value proposition and market strategy
- ✓ Develop financial and partnership strategies
- ✓ Operationalise Plans and Monitor Performance

1. IDENTIFY TARGETS AND DETERMINE OBJECTIVES

Agreed targets and objectives which lay the foundation for enterprise development planning, future decision-making and problem-solving

Aim: to define and focus the expected social, economic and environmental benefits of the enterprise

What this should include:

- Realistic consideration of potential impact of enterprise development activities
- Identification of conservation and sustainable use targets including threats and opportunities
- An understanding of the local livelihood context, beneficiaries and their economic goals
- Participatory definition of goals and decision-making processes
- Identification of champions
- Establishment of a committed stakeholder group to move process forward



1. IDENTIFY TARGETS AND DETERMINE OBJECTIVES

Issues this can help address:

- Understanding and ownership of process by key stakeholders
- Establishment of trust, transparent communication and problem-solving
- Development of incentives for participation and cooperation

How this can be achieved:

- Poverty and Livelihoods Assessments; Wealth Ranking; Poverty Toolkit
- Participatory Appraisal and Site Selection; Conservation and Threat Assessment
- Participatory Learning; Gender-based stakeholder engagement methods

Top Tools

International Institute for Environment and Development (IIED) – Power Tools Series

Centre for International Forestry Research (CIFOR) – Guide to Participatory Tools for Forest Communities

2. PRODUCT AND MARKET ASSESSMENT

The product and market assessment provides a thorough and multi-faceted appraisal of the setting in which the enterprise seeks to operate

Aim: to understand existing strengths and weaknesses and resources available for enterprise development

What this should include:

- Systematic review of biodiversity goods and services in target area
- Inventory of goods and services for potential commercialisation
- Evaluation of potential opportunities against enterprise objectives
- Investigation of existing market dynamics, product characteristics and access
- Identification of fundamental gaps and constraints to development
- Definition and application of selection criteria to eliminate non-viable options
- A mechanism to refine list and prioritise products for further analysis

2. PRODUCT AND MARKET ASSESSMENT

Issues this can help address:

- Recognition of 'deal breakers' and factors outside the influence of the enterprise
- Unrealistic expectations or misplaced investment on the part of stakeholders
- Early insight into local knowledge, priorities and potential trade offs
- Identification of potential synergies with other products or chains and opportunities for livelihood diversification or enhancement

How this can be achieved

- Resource survey, Species distribution lists, Seasonal Calendars
- Market, Ecological, Socio-Economic and Technological Criteria Ranking
- Product Selection Matrix, Scoring Sheet, Pairwise Ranking

Top Tools

FAO – Market Analysis and Development (MA&D): Phase I

UNDP – Local Business for Global Biodiversity Conservation

3. ANALYSE VALUE CHAIN AND MARKET NICHE

Market analysis is fundamental to demystifying the complexity of markets and market forces and identifying a strategic position for the enterprise

Aim: to maximise the chances of enterprise success through research, analysis and strategic decision-making

What this should include:

- Value chain mapping to document the flows of the good or service from production to consumption, market performance and key interdependencies
- A quantitative and qualitative analysis of value and profit distribution along chain
- Determination of knowledge, technology and resource inputs at different points
- An appreciation of demand/supply and institutional factors affecting the market
- Insight into the roles of key competitors, potential partners and intermediaries
- Identification of major gaps and bottlenecks in the market system and potential points of entry and value capture or addition opportunities available

3. ANALYSE VALUE CHAIN AND MARKET NICHE

Issues this can help address:

- Determination of market niche and competitors/factors for success
- Knowledge of technical and resource requirements of market
- Identification of priorities for advocacy in the enabling environment
- Understanding of pricing, movement of goods and intermediary profit margins

How this can be achieved:

- Tools for identifying key functions, flows, actors and influences on supply chain
- Market Maps, Subsector or Value Chain Analysis, Scenario tools, Venn Diagrams

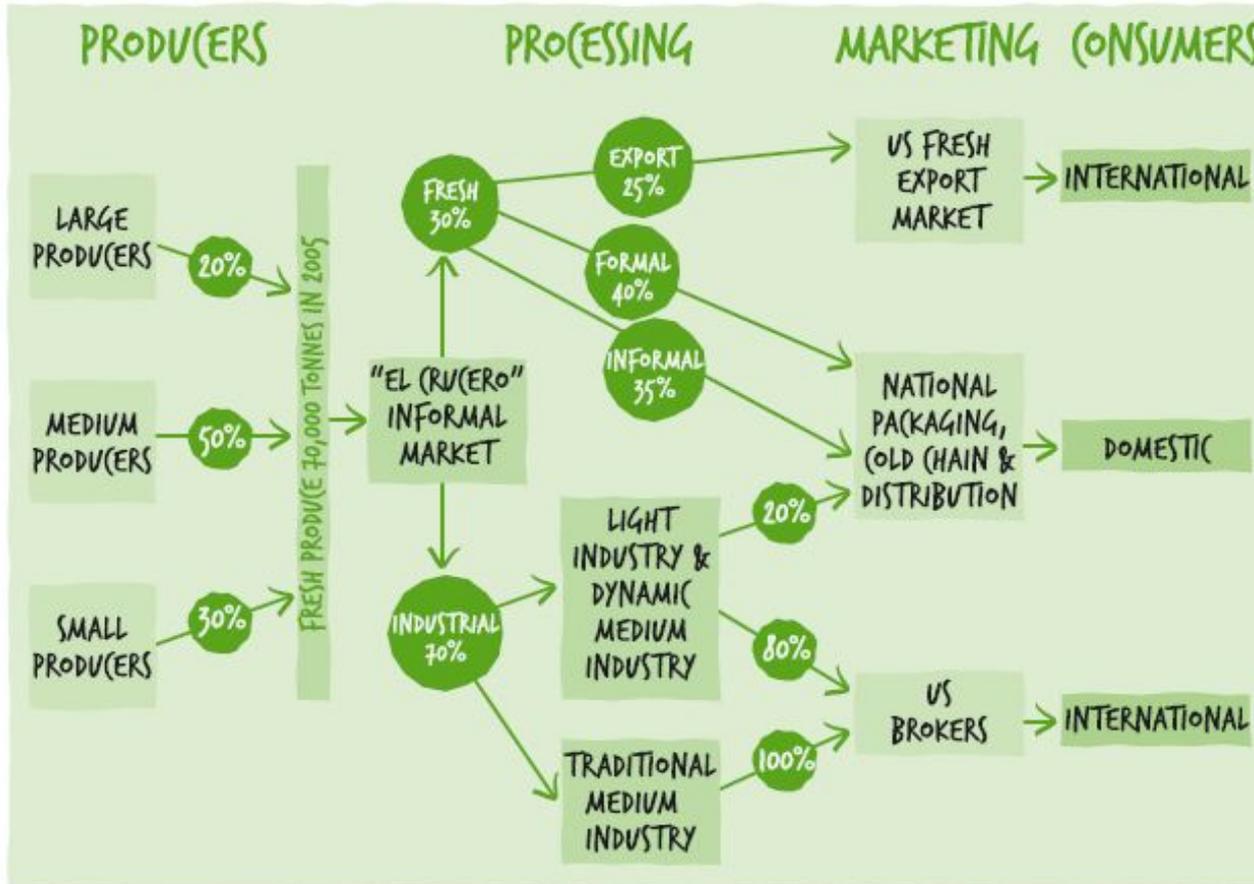
Top Tools

Wageningen University and International Institute for Environment and Development – Chain Wide Learning for Inclusive AgriFood Market Development

Markets4Poor – Making Value Chains Work Better for the Poor

EXAMPLE VALUE CHAIN MAP

Strawberries in Mexico



The visual representation of product functions, market players and channels helps to analyse key aspects of the market environment.

Here, additional information on product quantity and channels is used to locate specific intervention opportunities.

Source: Wageningen and IIED, 2008

4. OUTLINE VALUE PROPOSITION AND MARKET STRATEGY

A marketing strategy ensures that enterprises are equipped with the means to take advantage of opportunities and avoid pitfalls in achieving sufficient market access

Aim: To define enterprise value proposition and outline means of marketing

What this should include:

- Further research into markets including best practise, trends and changing dynamics and development of market information system
- An analysis of strengths, weaknesses and opportunities in key market segments
- Understanding and articulation of competitive offering of enterprise
- Identification of possible value addition opportunities through improved production, processing or marketing
- Definition of marketing strategy including plans for '5 Ps' – product, price, place, people, promotion
- Product development and market testing

4. OUTLINE VALUE PROPOSITION AND MARKET STRATEGY

Issues this can help address:

- Identification of strategic marketing opportunities including through innovation, certified or other high value niche markets
- The ability to respond to changes in the market through regular input and review of market information
- Informed negotiation with others in the supply chain and cost assessment

How this can be achieved:

- Extensive market research within each target market and segment, pricing studies
- Supply chain and consumer surveys, comparative products

Top Tools

Aspen Institute - Branding and Marketing Toolkit: Community-Based Businesses and Products

Asia Network for Sustainable Agriculture and Bioresources (ANSAB) - Enterprise Development for Natural Products Manual

5. DEVELOP FINANCIAL AND PARTNERSHIP STRATEGIES

The establishment of strong partnership and financial strategies is critical to the ability of small biodiversity enterprises to locate and attract resources and support

Aim: to develop means to manage finances, identify and engage potential strategic partners

What this should include:

- Identification of strategic partners in government, supply chain and private sector towards improved market access, incentives and technical support
- Clear definition of shared interests, roles and principles of partnership
- Define initial, start-up and running costs of enterprise
- Identification of internal and external capital investment opportunities and plans
- A short and longer term financial plan that aims for increasing self-sufficiency through commercialisation revenue
- A framework for equitable benefit sharing among stakeholders and beneficiaries

5. DEVELOP FINANCIAL AND PARTNERSHIP STRATEGIES

Issues this can help address:

- Engagement with private sector and other strategic alliances
- Identification and formulation of basic financial management systems
- Identification of local capacity and business development service providers

How this can be achieved:

- Private-Public-Partnership or joint-research and development arrangements
- Multistakeholder Dialogue, Training in basic bookkeeping and accounting skills
- Financial planning with identified costs, potential revenue and profit streams
- Establishment of financing schemes – grant funds, microfinance or joint-venture project, development of cooperative, capital loan etc.

Top Tools

IIED – Company Community Forestry Partnerships: From Raw Deals to Mutual Gains?

RA and TIES - Practical steps for funding certification of tourism businesses

6. OPERATIONALISE PLANS AND MONITOR PERFORMANCE

The operational or business plan acts as a blueprint, guiding enterprise decision-making, planning and adaptation prior to and following enterprise establishment.

Aim: to consolidate earlier development activities into a single adaptive management tool for planning, implementing and monitoring enterprise development activities and performance over time.

What this should include:

- The development of a regular market, environmental and enterprise risk monitoring, feedback and management systems
- An action plan to address operational and resource needs and means of achievement and pilot product in market
- A strategy for the further development of business products or services, human resources and use of profits for social, infrastructural or other investments
- An operational plan outlining organisational structure, human and financial resource management strategies as well as social and environmental mechanisms

6. OPERATIONALISE PLANS AND MONITOR PERFORMANCE

Issues this can help address:

- Attracting investment and consumers through a sound business case and social and environmental claims
- Clear strategies to respond to internal (e.g. Staffing, financial projections) and external (e.g. market trends, infrastructure) challenges or changes
- Adaptive management procedures and defined roles and responsibilities
- Unsustainable practises leading to the loss of market share

How this can be achieved:

- Consolidation and presentation of key strategies affecting business success
- Definition of risk analysis and management strategies across economic, market, environmental, institutional and technological areas of business
- Environmental management, impact assessment and standards systems (e.g. certification)

Top Tools

Deloitte and Touche - Writing an effective business plan, The World Bank and African Capacity Foundation - Managing Environmental and Social Impacts of Local Companies: A Response Guide and Toolkit



TOP 20 RESOURCES



TOP 20 RESOURCES

Guiding Resources for Sustainable Small Enterprise Development

1. [Local Business for Biodiversity Conservation, Improving the Design of Small Business Development Strategies in Biodiversity Projects, United Nations Development Programme \(UNDP\)](#)
2. [Handbook for developing and implementing Pro-Biodiversity Business Projects, RSPB](#)
3. [A business guide to development actors: Introducing company managers to the development community, World Business Council For Sustainable Development \(WBCSD\)](#)
4. [Critical success factors and performance measures for start-up social and environmental enterprises, International Institute for Sustainable Development \(IISD\)](#)

TOP 20 RESOURCES

Thematic or Sector Specific Tools

1. [Market Analysis and Development Series, Food and Agriculture Organisation \(FAO\)](#)
2. [Enterprise Development for Natural Products Manual, ANSAB and EWW](#)
3. [Guidelines for community-based ecotourism development, World Wildlife Fund](#)
4. [Community fisheries: lessons from southern Lao PDR, MGAR](#)
5. [Gateway to Payment for Ecosystem Services, IUCN](#)

Value Chain Analysis

1. [Chain-Wide Learning for Inclusive Agrifood Market Development: A guide to multi-stakeholder processes for linking small-scale producers to modern markets, International Institute for Environment and Development \(IIED\) and Wageningen University](#)
2. [Making value chains work better for the poor: A toolbox for practitioners of value chain analysis, Markets4Poor](#)

TOP 20 RESOURCES

Other key Resources

1. [Policy Power Tools Series, IIED](#)
2. [Guide to participatory tools for forest communities, CIFOR](#)
3. [Practical steps for funding certification of tourism businesses - Rainforest Alliance and The International Ecotourism Society](#)
4. [Branding and Marketing Toolkit: Community-Based Businesses and Products – Aspen Institute](#)
5. [Writing an effective business plan – Deloitte & Touche](#)
6. [Connecting communities to markets: developing small-scale markets for FSC-certified community forest operations – Imaflorea and International Institute for Environment and Development](#)
7. [Producer Organisations: A Guide to Developing Collective Rural Enterprises – Oxfam](#)
8. [Managing Environmental and Social Impacts of Local Companies: A Response Guide and Toolkit, the World Bank and African Capacity Foundation](#)
9. [Building Biodiversity Business, IUCN](#)