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& Flora**

Saving Nature Together

GUIDANCE ON SETTING-UP
AND RUNNING SMALL AND
MEDIUM ENTERPRISES FOR
NATURE RESTORATION AND
CONSERVATION.

Practitioner's Toolkit for Nature-Positive Enterprises

Nature Positive Enterprise

"A financially viable business entity that sustainably derives value from natural and social capital in a land/seascape to attract and generate sustainable finance and positively contribute to nature conservation and restoration by ensuring local actors are equitably benefitted."

FUNDED BY:



ENDANGERED
LANDSCAPES
PROGRAMME



The Endangered Landscapes Programme (ELP) aims to restore natural ecological processes, species populations and habitats for a better and more sustainable future. Its projects signal "a shift away from a narrative of 'slowing declines' and 'no net-loss' to a positive and creative conservation agenda in which the value of our land and seas is recognised". The ELP is funded by Arcadia and managed by the Cambridge Conservation Initiative (CCI), a unique collaboration between leading biodiversity conservation organisations in and around Cambridge and the University of Cambridge.



Fauna & Flora (FFI) is the world's first international conservation charity, focussed on protecting biodiversity that underpins healthy ecosystems and is critical for life-support systems that humans and all other species rely on. FFI's Enterprise and Finance team provide technical support at the interface between conservation, businesses, and finance to develop financing mechanism for conservation and restoration. Developing Nature-positive Enterprises (NPEs) that attract or generate sustainable financing for nature preservation and restoration is an important part of the strategy. FFI is developing more than 25 NPEs in 15 countries globally to positively contribute to nature and local livelihoods driving a green economy at the grassroots.

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Cambridge Judge Business School (CJBS) is the business school of University of Cambridge, working towards advancing knowledge and leadership in the business sector. CJBS pursue innovation through inter-disciplinary insight, entrepreneurial spirit and collaboration while aiming to highlight the latest thinking from academia and professional practice and apply the combined knowledge to specific business situations to turn thinking into action. Cambridge Social Ventures is part of the Cambridge Centre for Social Innovation at the Cambridge Judge Business School. Cambridge Social Ventures support a whole range of businesses that have positive social and environmental impacts. Their programmes are designed for people who will drive their businesses forward to create real, scalable, lasting social or environmental change.

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Acknowledgements

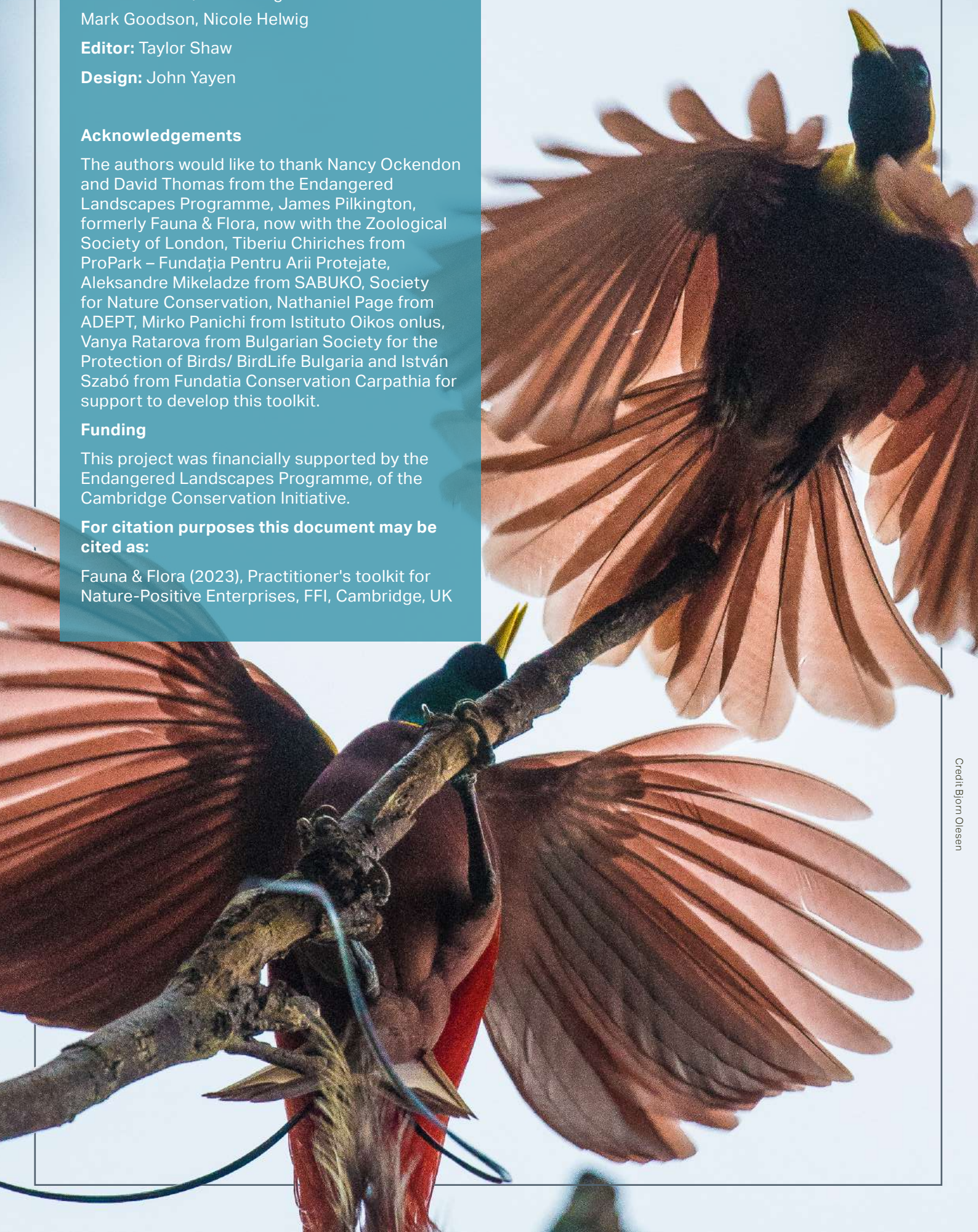
The authors would like to thank Nancy Ockendon and David Thomas from the Endangered Landscapes Programme, James Pilkington, formerly Fauna & Flora, now with the Zoological Society of London, Tiberiu Chiriches from ProPark – Fundația Pentru Aree Protejate, Aleksandre Mikeladze from SABUKO, Society for Nature Conservation, Nathaniel Page from ADEPT, Mirko Panichi from Istituto Oikos onlus, Vanya Ratarova from Bulgarian Society for the Protection of Birds/ BirdLife Bulgaria and István Szabó from Fundatia Conservation Carpathia for support to develop this toolkit.

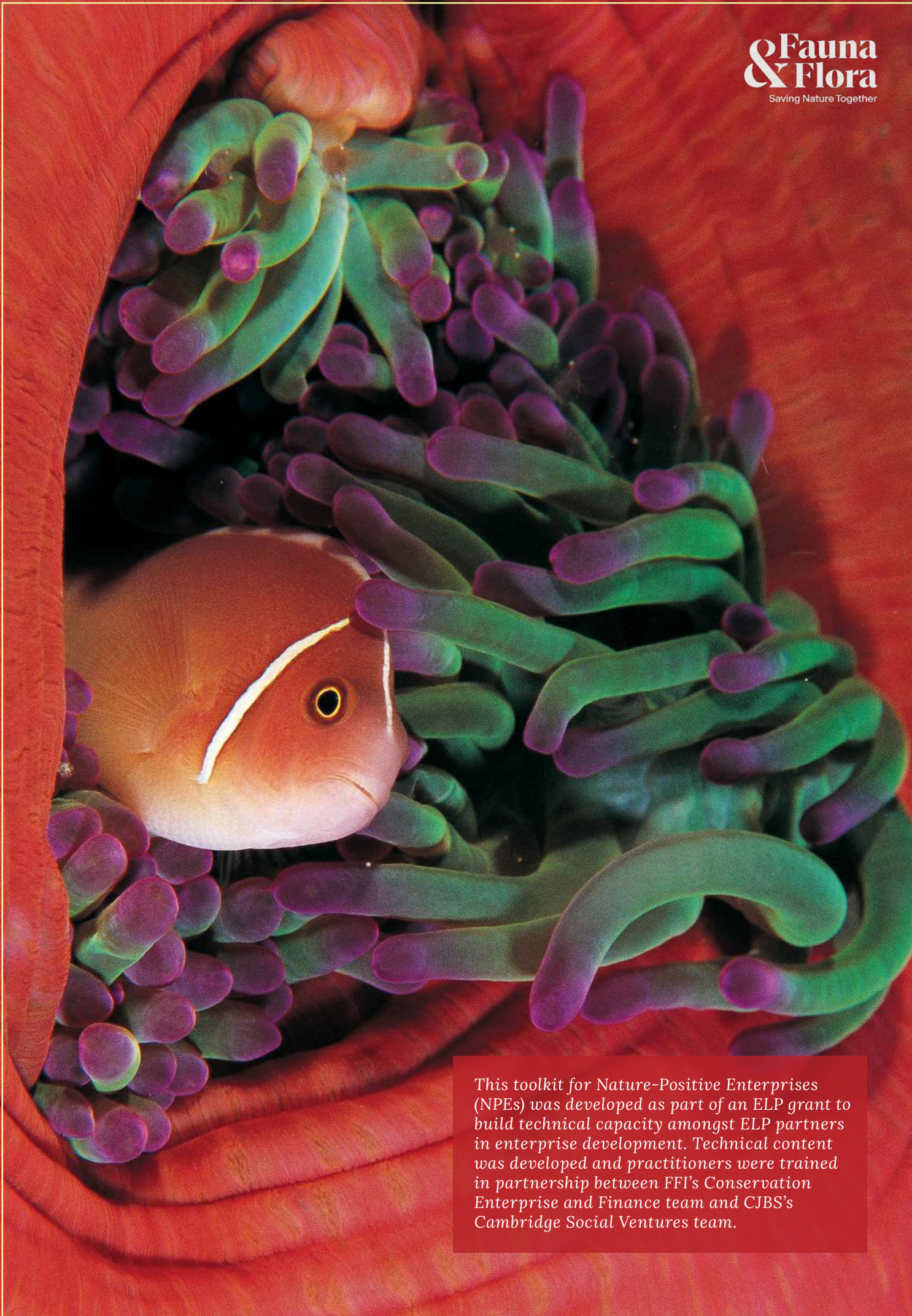
Funding

This project was financially supported by the Endangered Landscapes Programme, of the Cambridge Conservation Initiative.

For citation purposes this document may be cited as:

Fauna & Flora (2023), Practitioner's toolkit for Nature-Positive Enterprises, FFI, Cambridge, UK





This toolkit for Nature-Positive Enterprises (NPEs) was developed as part of an ELP grant to build technical capacity amongst ELP partners in enterprise development. Technical content was developed and practitioners were trained in partnership between FFI's Conservation Enterprise and Finance team and CJBS's Cambridge Social Ventures team.

Case Studies Table of Contents

The following organisations were chosen to provide actual case scenarios of the different topics described in this guide. This table of contents provides a background introduction of each organisation, an outline of the chapters in which they occur and what topic the case study exemplifies. They are numbered, and that number will be referenced throughout the following chapters.

INTRODUCTION OF ORGANISATIONS



Credit: Lizzie Duhie

FUNDAȚIA CONSERVATION CARPATHIA (FCC)

ORG. NO.: **1**

Fundația Conservation Carpathia (FCC) was founded in 2009 by 12 philanthropists and conservationists to stop illegal logging and protect a significant area of Carpathian forests in Romania by creating a protected area for future generations. They did this by purchasing and leasing hunting land to protect all-natural elements with private and public money.

Chapter and Theme Exemplified

Introduction: Case Study - Food Hub	page 1-2
Chapter 2: Case Study - Risk Management Planning	page 1-2
Chapter 3: Case Study - Business Challenges	page 1-2



Credit: Chris Loades

ZARAND ASSOCIATION

ORG. NO.: **2**

Zarand Association (AZ) is a key organisation promoting the importance of landscape connectivity and the harmonisation of grey and green infrastructure in Romania. AZ's practical approach is to present solutions for harmonising sectoral management based on scientific/technical best practices and adapted to address the local context, especially the needs of local communities.

Chapter and Theme Exemplified

Introduction: Case Study - Beekeeping for Honey and Ecotourism	page 1-2
Chapter 2: Case Study - Business Objectives	page 1-2



Credit: Fauna & Flora International

FUNDAȚIA ADEPT

ORG. NO.: **3**

Fundatia ADEPT, founded in 2004, is a biodiversity conservation and rural development NGO based in Saschiz, Romania. They aim to give the High Nature Value Farmed Landscapes of Transylvania and their communities an economic future and relevance in the 21st century without sacrificing sustainability and productivity. These landscapes are an important model for future productive and sustainable farming in Europe.

Chapter and Theme Exemplified

Chapter 1: Landscape Assessment - Options Tool Example	page 1-2
Chapter 2: Case Study - Value Proposition for NPE	page 1-2
Chapter 3: Case Study - Raising Capital	page 1-2
Chapter 4: Case Study - Diversifying Income Streams	page 1-2



AKDENİZ KORUMA DERNEĞİ MEDITERRANEAN CONSERVATION SOCIETY (AKD)

ORG. NO.: 4

AKD was founded in 2012 in Izmir, Turkey. Its mission is to work with local communities to promote sustainable practices and to use science-based approaches to protect this Mediterranean ecosystem. FFI has been supporting AKD to remove barriers to seascape recovery in Gokova bay, increasing climate change resilience and generating sustainable benefits for local people. One of the project's objectives is to explore, evaluate and introduce at least two mechanisms for generating revenues for local stakeholders through the sustainable use of marine resources.

Chapter and Theme Exemplified

Chapter 1: Seascape Assessment, Setting Sustainable Financing Objectives Example, Options Tool Example	page 1-2
Chapter 2: Case Study - Impact Evaluation	page 1-2
Chapter 3: Case Study - Operation Management	page 1-2
Chapter 4: Case Study - Strategy Review Process	page 1-2



ETHIO WETLANDS AND NATURAL RESOURCES ASSOCIATION

ORG. NO.: 5

Ethio Wetlands and Natural Resources Association (EWNRA) is a local non-governmental organisation established in 2000 with environmental and development objectives specifically focusing on natural resources and wetlands. EWNRA pioneers wetland issues in the country through integration with community livelihoods, water and food security, watershed management (soil and water) and capacity building (training and policy). EWNRA is implementing a Wild Coffee Conservation project in the Ethiopian forests.

Chapter and Theme Exemplified

Chapter 2: Case Study - Impact Evaluation	page 1-2
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PROPARK FOUNDATION

ORG. NO.: 6

ProPark Foundation was created in 2008 to find solutions for the existing problems and respond to specific challenges in Protected Areas.

They are the primary capacity-building provider for protected areas and conservation in Romania. They develop projects and offer consultancy and mentoring services locally, across European and globally through networks that aim to develop the capacity of Protected Areas and nature conservation professionals.

Chapter and Theme Exemplified

Chapter 3: Case Study - Business Challenges	page 1-2
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BULGARIAN SOCIETY FOR THE PROTECTION OF BIRDS (BSBP)

ORG. NO.: 7

The Bulgarian Society for the Protection of Birds is the Birdlife International partner in Bulgaria, working to conserve wild birds and their habitats nationally. It owns and operates one of the few nature conservation and information centres in Bulgaria - Poda, near the city of Burgas on the Black Sea Coast; and the other in Madzharovo – in the Eastern Rhodope Mountains close to the southern border with Greece. Both Centres are operated by the wholly owned commercial company of BSPB – BSPB Ltd to closely manage the protected areas within which they are placed.

Chapter and Theme Exemplified

Chapter 3: Case Study - Financial Management	page 1-2
Chapter 4: Case Study - Responding to External Shock	page 1-2
Chapter 4: Case Study - Diversifying Income Streams	page 1-2



MADAGASCAR BAOBAB ENTERPRISE

ORG. NO.: 8

Initiated by the Madagasikara Voakajy and carried out in collaboration with Label CBD Consulting, Fauna & Flora International and the Regional Department of Environment and Sustainable Development, the project aims to engage three beneficiary communities in making sustainable exploitation of baobab fruits an opportunity both for the conservation of the species and for the economic and social development of local communities by fruits processing and trade.

Chapter and Theme Exemplified

Chapter 3: Case Study - Equitable Benefit Sharing	page 1-2
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ISTITUTO OIKOS

ORG. NO.: 9

Istituto Oikos is a non-profit organisation operating in Europe and the Global South to safeguard biodiversity and promote the widespread adoption of more sustainable lifestyles. The organisation's objective is to conserve the natural and cultural heritage of the region where they work while also enhancing the well-being and income of the inhabitants of the local villages. The organisation supports sustainable community development by promoting soft technologies and renewable energy, ecotourism initiatives, conscious water resource management, and agricultural, fishing and forest practice trials.

Chapter and Theme Exemplified

Chapter 3: Case Study - Equitable Benefit Sharing	page 1-2
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Introduction



Credit: Juan Pablo Moreiras



Introduction

Landscape restoration projects often aim to facilitate the development of nature-positive economies by promoting sustainable land use and, in some cases providing training and facilitating enterprise development. However, while terms like 'Conservation Enterprise' and 'Nature-Positive Enterprise' (NPE) are widely used, there is little understanding of what makes them different from regular businesses. While NPEs can enhance the value derived by local communities and landowners from existing cultural practices and traditional resource use, they are distinct from social-enterprise models.

The elements of business models unique to an NPE will be covered extensively in this toolkit and include:

1. Sustainable use of natural capital - being at the heart of the business model;
2. NPEs tend to be established in different markets/sectors, and contrasting geographies, such as rural/remote areas as opposed to urban areas, when compared to social enterprises; and NPEs are likely to have different scaling-up strategies and impact metrics.
3. NPEs are likely to have different scaling-up strategies and impact metrics.
4. NPEs in restoration projects tend to have further distinctions, such as the ability to convert increased natural capital from project activities into enterprise activities.



Credit: Jason Smith

WHAT IS A NATURE-POSITIVE ENTERPRISE?

A working definition of an NPE, developed with ELP partners, is as follows:

“A financially viable business entity that sustainably derives value from natural and social capital in a land/seascape to attract and generate sustainable finance and positively contribute to nature conservation and restoration by ensuring local actors are equitably benefitted.”

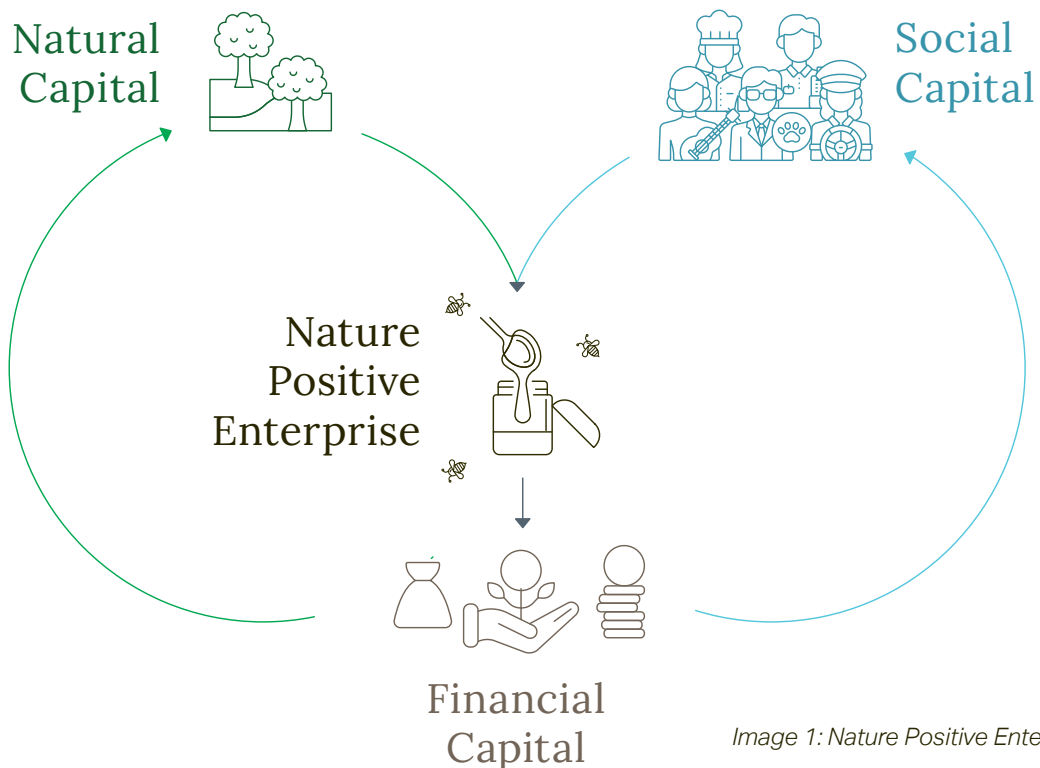


Image 1: Nature Positive Enterprise

CASE STUDY

THE FUNDAȚIA CONSERVATION CARPATHIA "FOOD HUB"

(Organisation 1, refer to Case Studies Table of Contents for more information)

Fundația Conservation Carpathia (FCC) is the largest Nature conservation organisation in Romania, which has protected 26,900 hectares of forest, established 78,000 hectares of hunting free zones and planted 3,717,992 trees in the last 13 years.

FCC operates in the Făgăraș Mountains Natura 2000 landscape in the southern Carpathians, which is unique in its natural beauty, large tracts of wilderness, virgin forests and high population densities of large carnivores. They work to protect wolves, lynx, chamois, red deer and capercaillie, among other species and have prioritised the protection and restoration of native forest areas, reduction of legal/illegal logging and the promotion of natural forest regeneration in the area.

FCC worked with Conservation Capital to understand the socio-economic context in the Făgăraș landscape and identified opportunities for enterprise development in the sectors of ecotourism, forest restoration activities and food production. The focus of the proposed conservation enterprise is to create jobs and income generation opportunities for locals and to financially contribute to the protected area administration and conservation easements for land ownership.

As a first step towards this plan, FCC is working towards establishing a dedicated conservation enterprise investment programme funded through donations, third party investments and loans. A fund managed by financial specialists is expected to make strategic investments in conservation businesses.



Credit Fundația Conservation Carpathia

Produce from the food hub, FCC, Romania

One of the portfolios of the enterprise is a "food hub", which centralises the marketing, distribution and sale of local and traditional food products from the Făgăraș Mountains produced by local smallholders. The hub supports farmers by marketing, branding, and packaging fresh and healthy food products produced by local farmers and family businesses.

Economic objective

FCC is helping to provide market access to local smallholders.

Social objective

The conservation enterprise will assist livelihood improvement of local smallholders through branding, packaging and regulatory standards required to reach a wider market. An example of this can be seen through the brand, The Fruits of the Mountains, which was created to aggregate produce and sell under a single brand name in the food hub.

Ecological objective

Their overarching goal is to develop economic incentives for local communities and prove that the protected area is more beneficial for them than the current extractive economy by promoting sustainable income streams for local smallholders not reliant on forest resource extraction.

CASE STUDY

ZARAND ASSOCIATION'S BEEKEEPING FOR HONEY & ECOTOURISM

(Organisation 2, refer to Case Studies Table of Contents for more information)



Credit: Juan Pablo Moreiras

Zarand Association is an organisation dedicated to promoting the importance of landscape connectivity and the harmonization of grey and green infrastructure in Romania. Their practical approach is to present solutions for harmonization of sectoral management based on scientific/technical good practices and adapted to address the local specifics, especially the needs of local communities.

Fauna and Flora works jointly with Zarand Association to protect the Zarand region's diverse and distinctive landscape. The partnership focuses on improving

connectivity within the area by promoting land management that supports biodiversity, restoring habitats and landscape features, addressing human-wildlife conflict, informing policy and raising awareness. Through this work, the aim is to improve local livelihoods by supporting small-scale sustainable agriculture and other rural business enterprises.

The partnership between Fauna and Flora and Zarand Association has promoted the creation of a unique Zarand honey brand, which farmers have used to differentiate their products from other local honey sources. By

marketing with this distinctive brand, farmers have been able to showcase their unique and premium honey derived from the Zarand landscape and sell their products at a higher price directly to shops and fairs. This also helps consumers recognise that they are buying a traditionally produced, natural honey of a higher quality than many other products on sale. After successfully launching its honey brand, Zarand Association is now establishing its ecotourism enterprise and will be starting with a biodiversity trail for tourists around the Zarand landscape.

Economic objective

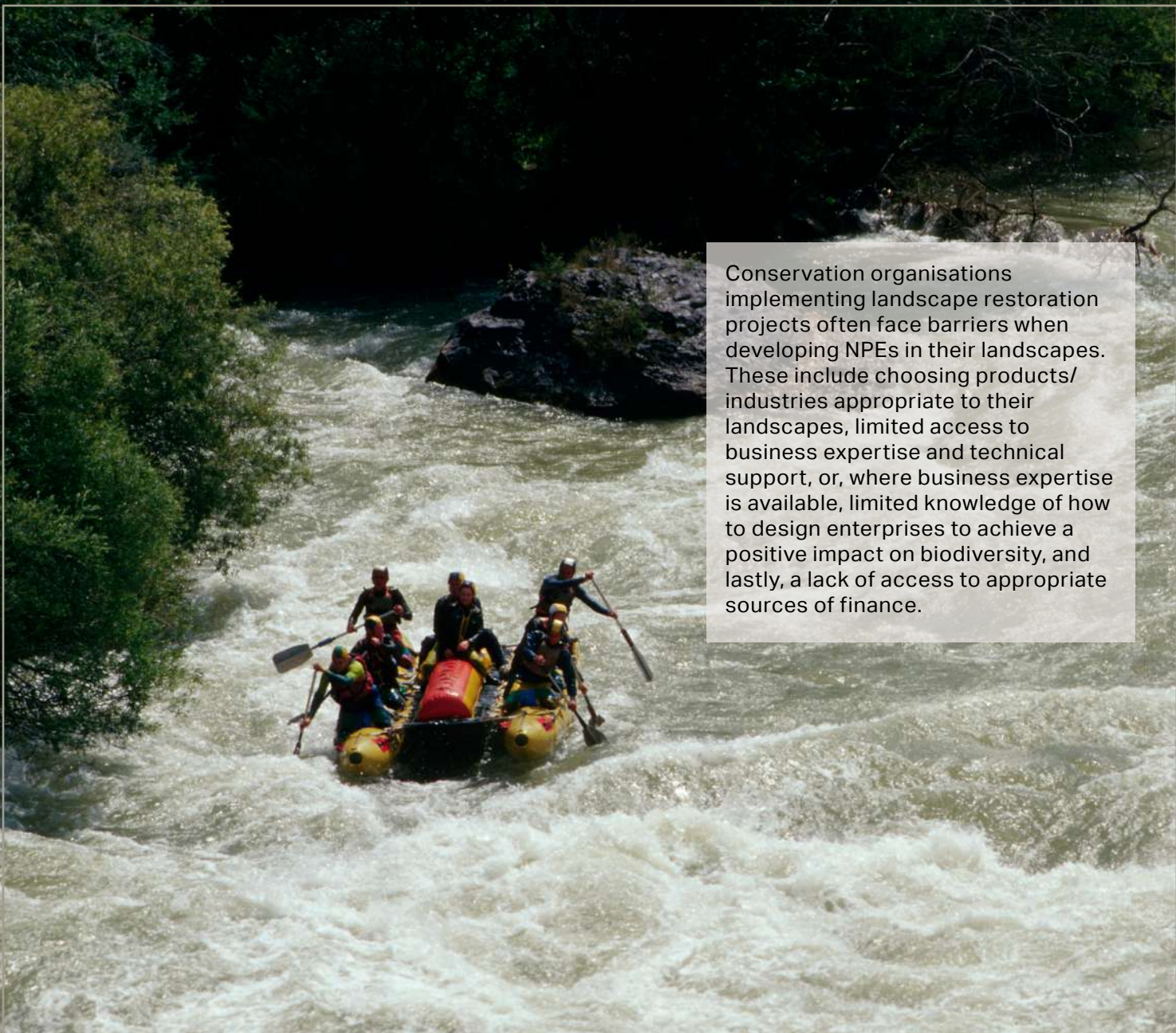
To encourage locals to preserve their natural environment through economic incentives derived by nature-positive business models.

Social objective

Beekeeping and ecotourism are aimed at improving livelihoods and creating local jobs in the area, which is essential in a landscape where the young population generally moves away from their rural villages to earn higher incomes elsewhere.

Ecological objective

The long-term objective of the Zarand Association is to have different nature-positive enterprises that bring a financing mix which supports environmental conservation and community development work.



Conservation organisations implementing landscape restoration projects often face barriers when developing NPEs in their landscapes. These include choosing products/ industries appropriate to their landscapes, limited access to business expertise and technical support, or, where business expertise is available, limited knowledge of how to design enterprises to achieve a positive impact on biodiversity, and lastly, a lack of access to appropriate sources of finance.

Credit: Juan Pablo Moreiras

This toolkit has been developed to address such barriers and build the capacity of practitioners responsible for facilitating NPE development by creating a body of knowledge on how to develop an NPE and improve access to finance. A community of practice has been initiated for this purpose which can be accessed [here](#).

The objectives of this toolkit are to:

1. Support managers of landscape restoration and conservation projects to enable enterprise development.
2. Help enterprise technical staff in conservation and restoration organisations to assess potential business ideas, avoid common pitfalls and adopt the most efficient approach to developing NPEs.
3. Share case studies of NPEs and the factors that determine their success.



The toolkit includes sections designed to guide NPE practitioners in assessing opportunities for an NPE, how to design an appropriate NPE business model based on identified opportunities, how to launch an NPE and finally, the best practices for management and governance of an NPE. Case studies based on real NPEs' experiences will be used to illustrate all chapters, and their background information can be referred to in the 'Case Studies Table of Contents' provided at the beginning of this guide. Content details of each chapter are summarised in Table 1.

Chapter 1 Assessing Opportunities	Chapter 2 Business Design	Chapter 3 Launching a business	Chapter 4 Managing the business
<ul style="list-style-type: none"> • Landscape / seascape assessment • Setting sustainable financing objectives • Options analysis tool • Sense-checking if an NPE is an appropriate model for your landscape 	<ul style="list-style-type: none"> • Objectives • Customer • Value proposition • Operations • Finance • Governance and legal structures • Impact evaluation • Risk management planning 	<ul style="list-style-type: none"> • Raising capital • Marketing • Financial management • Equitable benefit-sharing • Establishing private sector partnerships • Operation management • Legal incorporation 	<ul style="list-style-type: none"> • Adaptive management • Governance assessment • Conflict management • Scaling up and diversification

Table 1: Toolkit summary

DEFINITIONS:

Business model

A high-level document which articulates the mechanism by which an enterprise will achieve its objectives. It identifies sources of revenue, the intended customer base, products, and basic financial projections. These are usually used internally to coordinate an enterprise's activities.

Business Plan

A detailed strategy of an enterprise which describes the business concept in detail, covering all aspects of its future business strategy including marketing, finance and operations. These are often used to present to an external audience like potential stakeholders.

Conservation Enterprise

See "Nature-positive enterprise".

Equitable benefit sharing

Fair and equitable distribution of benefits refers to the measures taken to ensure that the benefits arising from the utilisation of biodiversity and associated traditional knowledge, as well as the subsequent applications and commercialisation, are shared in a fair and equitable way among all those organisations or communities identified as having contributed to resource management, research and development, and/or commercialisation.

Lean Start-up

A methodology used to attract funding for a new enterprise or to introduce a new product on behalf of an existing enterprise. The lean start-up method advocates developing products for which consumer demand has already been demonstrated. The theory behind this approach is that a market will exist as soon as the product is launched, as opposed to developing a product in the hope that demand will emerge.

Nature-positive enterprise (NPE)

A financially viable business entity that sustainably derives value from natural and social capital in a land/seascape to attract and generate sustainable finance and positively contribute to nature conservation and restoration by ensuring local actors are equitably benefitted. *

* Also known as a "conservation enterprise"

Small- and medium-sized enterprise (SMEs)

Although other more technical definitions exist, the definition adopted here includes any entity that doesn't have 'public accountability' or is not listed on a recognized stock-exchange¹.

Sustainable financing

In a restoration or conservation context, sustainable financing involves generating profits from enterprise operations to directly finance project activities and create economic incentives for nature-positive behaviour change.

Triple bottom line

Also referred to as "triple p" or "trip bottom-line". The theory that a business should give equal weighting to considerations on social impact (people), ecological impact (planet), and financial gain (profit).

Natural Assets

Natural assets are assets of the natural environment. These include biological assets (produced or wild), land and water areas with their ecosystems, subsoil assets, and air.

Natural capital

Natural capital are natural assets in their role of providing natural resource inputs and environmental services for economic production².

Enabling environment

The social, legal and political environment and how supportive it is of your project objectives.

Sustainable financing mechanism

The social, legal and political arrangement by which revenue is created on an ongoing basis. See also Sustainable Financing.

¹ In line with International Financial Reporting Standards (IFRS)
https://www.ifrs.com/overview/IFRS_SMES/IFRS_SMES_FAQ.html#q2

² <https://stats.oecd.org/glossary/detail.asp?ID=1730>



Chapter 1: Assesing Opportunities

Chapter 1: Assessing Opportunities

STEP 1 LANDSCAPE ASSESSMENT

The first major step in developing NPEs and other sustainable finance mechanisms is to carry out a landscape-level assessment of the various assets already available in the project site that NPE models could draw on. This assessment process will help identify the ecosystem services and natural assets critical for the enterprise to operate successfully. This process also ensures that the business model aligns with the conservation goals and theory of change of the project landscape.

Key questions to guide through the process of mapping assets and the wider enabling environment are suggested below. However, you may not immediately have all the information required to answer these questions thoroughly, so it is recommended that you start by capturing the available information and then developing a plan with the project team and partners to collect missing information.

1 Landscape Goals and Activities

- 1.1 *What are your conservation/restoration goals?*
- 1.2 *What are the key threats to biodiversity in the landscape?*
- 1.3 *What is the landscape theory of change?*
- 1.4 *What are the current project activities?*

2 Landscape Boundaries

- 2.1 *What is the landscape area and the administrative or jurisdictional boundaries, community boundaries, or existing conservation intervention area?*
- 2.2 *What are the physical characteristics of the landscape? (e.g., geographical characteristics, boundaries, coordinates, maps.)*
- 2.3 *What is the current land designation and ownership? Are the carbon rights clarified? If yes, who owns them?*

3 Contextual Analysis

- 3.1 *List the landscape's natural assets (e.g., species of fauna and flora, soil for agri-based enterprises, forest resources for wild-harvested products, attractive climate or natural landscapes with tourism potential.)*
- 3.2 *List the landscape's key ecosystem services. Subdivisions and associated examples are listed below.*
 - *Regulatory: purification of water and air, carbon sequestration;*
 - *Provisioning: food (including seafood), crops, wild food and spices, raw materials, genetic resources, medicinal resources, energy (hydropower);*
 - *Cultural: biodiversity values, cultural values and amenity values for tourism. e.g., variety and uniqueness of the landscape, resources and wildlife; educational value or attracting scientifically orientated niche tourism markets.*

4 Local Economy

- 4.1 *List any successful enterprises/businesses already present in the landscape.*
- 4.2 *List any supply chains of major companies operating in the landscape.*
- 4.3 *Are you aware of any like-minded private sector actors already operational or who may have expressed interest in operating in the landscape? If so, list them.*
- 4.4 *Are there any third-party complementary tourism products in the landscape, such as cultural museums, archaeological or historical sites? If yes, list them.*
- 4.5 *Is the local economy seasonal? For example, are there sectors only active for a few months in a year or are activities constant throughout the year?*
- 4.6 *What is the level of connectivity? For example, what is the standard of infrastructure in areas such as roads/rail and internet?*
- 4.7 *Are the landscape's major markets easily accessible?*
- 4.8 *What are the available financial sources for enterprises and communities (e.g., bank loans, micro-finance)?*

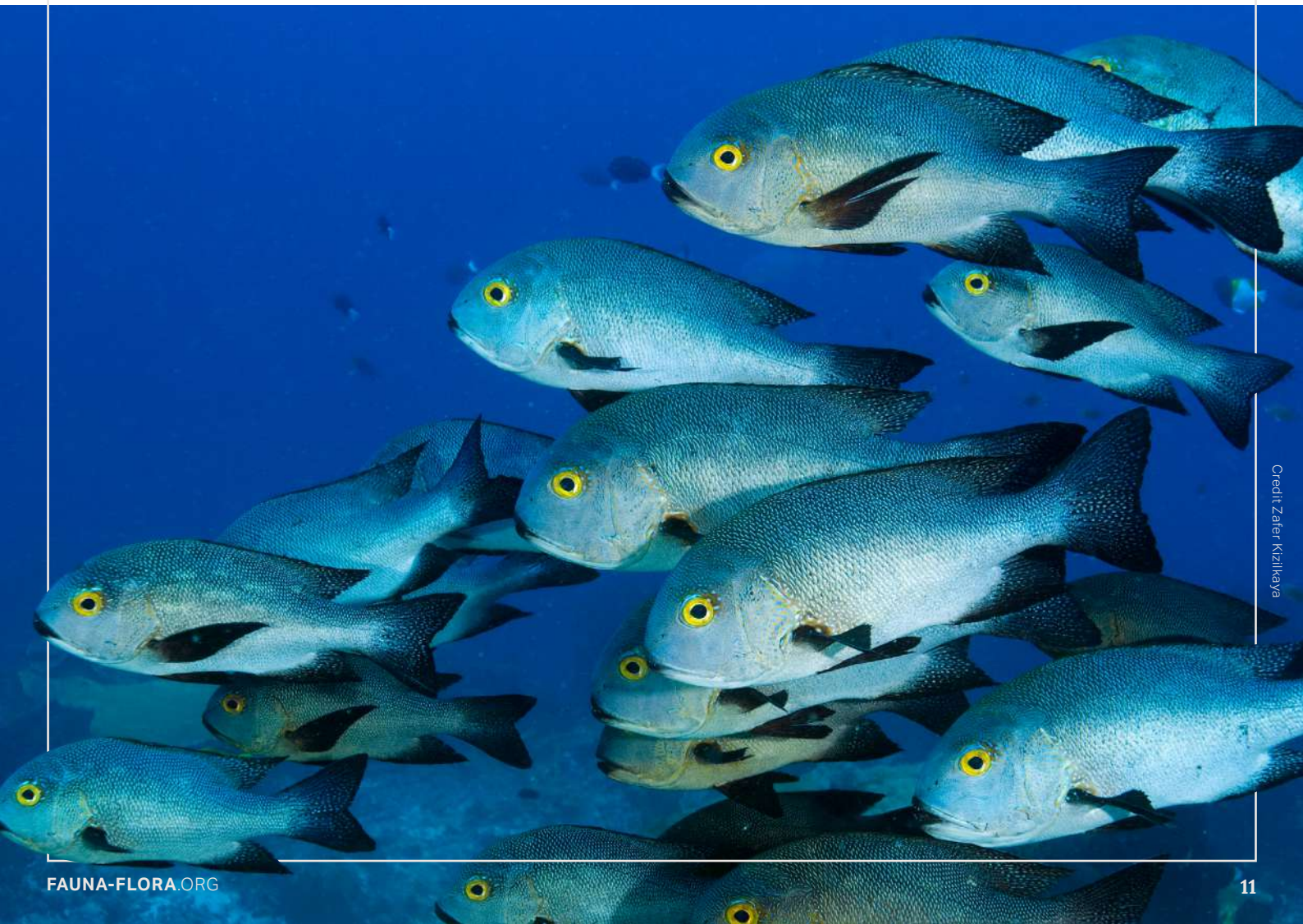


5 Local Society

- 5.1 *Provide data on the population size, urbanisation, employment, and state of education and health services in the landscape (e.g., poor/satisfactory/excellent services).*
- 5.2 *List social organisations, including community groups, cooperatives, or social development organisations, which are active in the landscape.*
- 5.3 *Do community members share the same culture, values, language and history?*
- 5.4 *Is there a history of successful or failed collective or political movements in the landscape? If so, expand on this.*
- 5.5 *Is there a history of conflict in the community? If so, expand on this.*
- 5.6 *List known key skills held within the local community, including traditional knowledge.*
- 5.7 *What is the level of community engagement level in conservation (poor/satisfactory/excellent)? If engagement is poor, what can be done to promote community participation?*

6 Macro-economic conditions

- 6.1 *What is the ease of doing business in the landscape (poor/satisfactory/excellent)?*
- 6.2 *What is the country's current credit rating?*
- 6.3 *List the multi-stakeholder platforms/structures already existing in the landscape. (e.g., cooperatives, Sustainable Tourism Board, Sustainable Agroforestry Platform etc.)*
- 6.4 *List the institutions responsible for landscape or seascape governance, including forestry/ marine ministries, enterprise, finance and social development. Do you anticipate any challenges with stakeholder management due to political*



Credit: Zafer Kizilkaya

LANDSCAPE ASSESSMENT EXAMPLE: FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

1. LANDSCAPE GOALS AND ACTIVITIES

Conservation/restoration goals:

- Protect Transylvania's unique high-biodiversity landscapes by working with the small-scale farming communities that manage them.
- Improve conservation of EU-protected grassland habitats and species, especially wildflower-rich hay meadows.
- Increase farmer incomes, an additional incentive to continued traditional low-impact farming.

Key threats to biodiversity in the landscape:

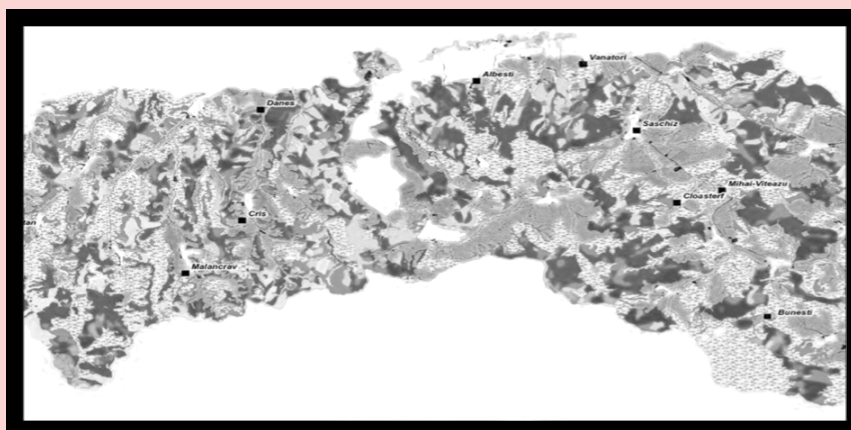
- Overgrazing, land abandonment and land conversion.

Theory of change:

- Increasing local incomes through an economic activity linked to environmental protection or nature conservation will incentivise farmers to invest more in actions that protect natural resources.

Current project activities:

- Working with the local farmers' and breeders' associations to set up management plans that are beneficial for nature and generate additional revenues



2. LANDSCAPE BOUNDARIES

Physical characteristics of the landscape:

- The 89,265 ha Târnava Mare region of Transylvania is one of Europe's most important High Nature Value farmed landscapes. It has some of the highest plant diversity recorded anywhere in the world and is richer in biodiversity than in many wilderness areas. This results from the survival of traditional small-scale agriculture in the area, creating a dynamic mosaic of habitats. Given its biodiversity values, this landscape was declared Natura 2000 site.
- Its survival is threatened by economic and demographic change. Conservation of the area can only be achieved with the strong support of local farmers and communities who live in and around the area. To engender local support, conservation must be seen as promoting, not hindering, local prosperity.
- It is a man-made landscape, not a wilderness area, including about 30 villages organised into eight communes (each commune is an administrative area under a single town hall). The area is a leading example of how low-impact human modifications to the landscape can create high biodiversity, arguably higher than would be found without any management. It has become a model in Europe for sustainably farmed landscapes that benefit local communities and habitat and species diversity.

LANDSCAPE ASSESSMENT EXAMPLE: FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

3. CONTEXTUAL ANALYSIS



Landscape's natural assets:

- The Târnavă Mare grasslands have the highest species diversity recorded for any habitat globally. Meadows in the area have 30-45 species in standard 0.5m x 0.5 m quadrats.

The area is dominated by priority habitats (habitats of special importance defined in the EU Habitats Directive), which support a rich diversity of flora and fauna, including many species protected under the Habitats and Wild Birds Directives.

- The combination of small land parcels, traditional livestock farming methods and low fertiliser inputs has created a complex mosaic of different habitats. Rare in lowland Europe, this farmed landscape still supports large healthy populations of apex predator species such as bears, wolves and birds of prey, indicating a healthy ecosystem and a wide range of mammals, reptiles and invertebrates, including rare butterflies.
- Many species threatened in Europe are still stable and even quite common in this area. The area is large enough to support these threatened species populations, and the mosaic provides variation in habitats and in the timing of habitat management, connectivity channels and 'stepping stones' such as trees, tree lines and other landscape features.

Landscape's ecosystem services:

- Important ecosystem services include carbon sequestration, water retention, flood prevention and soil health.

LANDSCAPE ASSESSMENT EXAMPLE: FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

4. LOCAL ECONOMY



Businesses and supply chains present in the landscape:

- Meat production, milk production, cheese production and tourism.
- Average farm size is now 2.5 ha, but these holdings are made up of very small management parcels, typically between 0.2-0.5 ha.

Like-minded private sector actors:

- A network has been established that has strengthened the relationships between tourism service providers (not only guest houses but also local artisanal food producers), Town Halls and local communities. There is potential for the ecotourism business to be viable in the landscape.

5. LOCAL SOCIETY

Demographic data:

- This is an area in the process of great social and economic change. Land-use change in the form of increasing farm size, driven by economic pressures, is a major threat to the economic viability of smaller farms.
- In Romania as a whole—discounting farms under 1 ha—average farm size increased by 62% (from 7.5ha to 12.2ha) in the last ten years. At the same time, the number of farmers in Romania has decreased by 32%. Fortunately, this trend is much less marked in the Târnava Mare area, where the number of farms remained stable at about 2,650 on 31,441 ha of farmland (11.8 ha average holding size).
- Most of the population in the area lives on semi-subsistence farming, and 93% of holdings are less than 5 ha: of the 2,942 farms in the area, 1,854 are less than 1 ha, and 908 are 1-5 ha; only 180 farms are over 5 ha. The average farm size is 2.57 ha.

The average age of the head of the farming household is higher for the smaller farms. There is a prominent trend of an ageing population of small-scale farmers and a lack of attractiveness of such farms to the next generation.

- The individual income from small holdings makes it difficult to maintain traditional farming practices.

LANDSCAPE ASSESSMENT EXAMPLE: FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

5. local society cont'd



Traditional knowledge and skills in the landscape:

- The landscape of Târnava Mare was created mainly by 'Saxon' farming families who arrived in the area between the 12th and 13th centuries from Mosel/Luxembourg regions. The built heritage of the Târnava Mare area is important. The small farming villages in the area still retain medieval village structures. Five villages and towns in the area have UNESCO World Heritage Site status. This represents important cultural and spiritual heritage for the local people and is a source of income owing to its attractiveness to tourists who visit the area for its built and natural heritage

History of conflict in the community:

- Most families have a longstanding history of farming with traditional systems dating back as far as 600 years, despite trends of depopulation and land ownership shifts associated with the communist regime.

6. MACRO-ECONOMIC CONDITIONS

Institutions responsible for finance:

- The EU LIFE programme is the main source of grant funding for projects for restoration, conservation and good management of Natura 2000 areas. Târnava Mare, through ADEPT, has implemented one LIFE project from 2010-2015 and is implementing another from 2021-2023.

- EU Common Agriculture Policy (CAP) supports farmers through land-based payments. This supports farmers in managing their land while meeting certain simple land management criteria (Pillar I) and supports farmers who enter voluntary schemes (Pillar II, Rural Development Programme).

Multi-stakeholder platforms:

- The establishment of farmer associations has been encouraged by the government to help farmers gain access to certain payments, including for common grazing. However, many associations have failed due to insufficient management ability.

SEASCAPE ASSESSMENT EXAMPLE: AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

1. LANDSCAPE GOALS AND ACTIVITIES

Conservation/restoration goals:

- To reduce and remove barriers to seascape recovery in Gökova bay, increasing climate change resilience and generating sustainable benefits for local people.

Current project activities:

- To explore, evaluate, and introduce at least two mechanisms for generating revenues for local stakeholders through the sustainable use of marine resources.
- Three mechanisms have previously been identified and explored: a fish price levy based on a market premium, a voluntary tourist user fee (aimed primarily at divers) and a low-impact yacht mooring system. Blue Carbon opportunities – carbon stored in coastal and marine ecosystems - are also being explored under a consultancy with UNEP-WCMC and Bangor University.
- Setting up low-impact yacht moorings has been delayed by a change in personnel at the Ministry of Environment.
- FFI has requested a review of previously identified and emerging sustainable financing opportunities to identify which are best suited for the seascape. This will include a field visit to engage local stakeholders, obtain field data and conduct a participatory review of existing options.

2. LANDSCAPE BOUNDARIES

Physical characteristics of the landscape:

AKD works in three priority areas in southwest Turkey's Mediterranean coastal landscape: Gökova Bay, Göcek Bay and Kaş, as seen in the map below.

Figure 2. Map of priority areas for AKD's work in Turkey



SEASCAPE ASSESSMENT EXAMPLE: AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

3. CONTEXTUAL ANALYSIS

Landscape's natural capital:

Marine Fauna

- Commercially valuable fish species in small numbers
- Charismatic megafauna – monk seals and sandbar sharks
- Increasing numbers of invasive species

Marine Flora

- Extensive seagrass beds, primarily Posidonia sp.
- Sponges
- Carbon potential

Natural Beauty

- Beautiful islands & beaches
- Wild valley (Gökova)
- Wetlands and lakes
- Underwater archaeology
- Reliable winds for water sports
- Attractive dive sites

Below are three maps of the natural capital of Gökova Bay, Göcek Bay, and Kaş areas:

Figure 3a. Gökova Bay Natural Capital Map

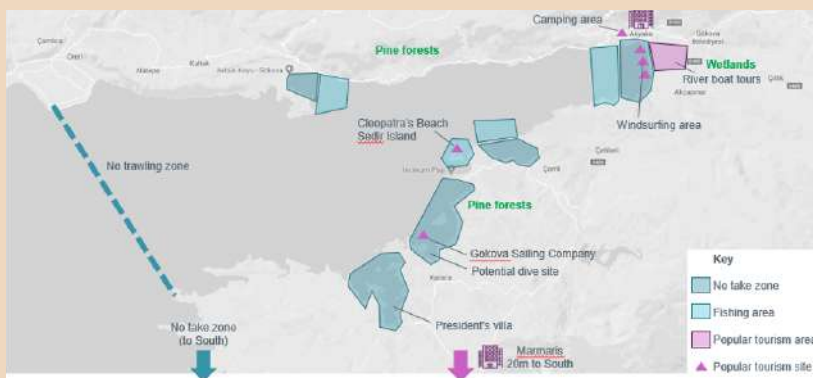


Figure 3b. Göcek Bay Natural Capital Map



Figure 3c. Kaş Area Natural Capital Map



Other Key Assets Identified
Mediterranean monk seals
Sandbar sharks
Posidonia beds
Purple dye snail
Shorebirds bandwatching (to east)
Rare Lays orchid
Popular hiking trail to north

SEASCAPE ASSESSMENT EXAMPLE: AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

3. contextual analysis cont'd

Human capital:

Fishers

- Knowledge of fish species and their movements
- Small boats and small-scale fishing equipment

Tour Boat Operators

- Knowledge of sites, how to provide satisfactory tourist experiences and skills in guiding various activities. Own boats.

Hospitality/ tourism workers

- Skills in cooking, cleaning, managing and marketing tourism businesses. Own hotels & restaurants.

Marine activity workers

- People working in sailing, diving, kayaking, coasteering, mountain biking, hiking and others.

4. LOCAL ECONOMY

Businesses and supply chains present in the landscape:

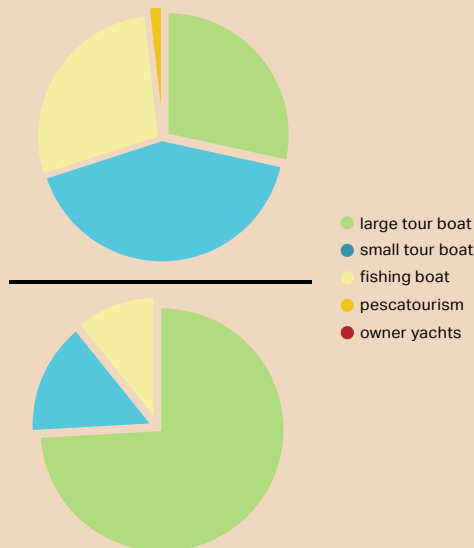


Figure 4a. Gökova Marine Economy

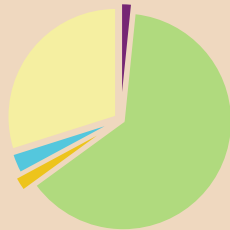
Gökova

The adjacent graphs (Figure 4a) show the results of interview surveys conducted by AKD with fishing cooperatives, dive industry firms and marinas. The top graph shows the estimated proportion of boats in the Gökova harbour by type as a proxy for the marine economy make-up; the bottom graph shows the estimated direct contribution to the marine economy by boat type. Results from this survey indicate that the marine economy in Gökova is dominated by domestic tourism, primarily day trips to Cleopatra's beach and the river tours, as well as being a major kitesurfing destination (not included in the graphs below).

SEASCAPE ASSESSMENT EXAMPLE: AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

4. local economy cont'd



Estimated direct contribution to the marine economy by boat type

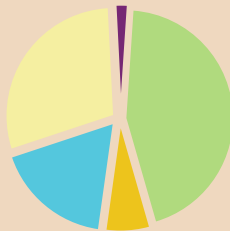


Figure 4b. Gocek Marine Economy

Gocek

The adjacent graphs (Figure 4b) show the results of interview surveys conducted by AKD with fishing cooperatives, dive industry firms and marinas. The top graph shows the estimated number of boats in the Gocek harbour by type as a proxy for the marine economy make-up; the bottom graph shows the estimated direct contribution to the marine economy by boat type. Survey results indicate that the marine economy in Gocek is dominated by high- and mid-end recreational yachting, primarily owners and bareboat charters from overseas. Day trips to Emir Yagun are also popular, and there is a significant contribution from fishing the bay and its surroundings.



Estimated direct contribution to the marine economy by boat type

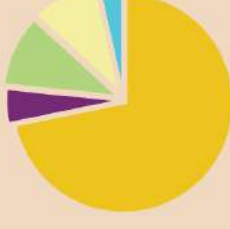


Figure 4c. Kaş Marine Economy

Kaş

The adjacent graphs (Figure 4c) show the results of interview surveys conducted by AKD with fishing cooperatives, dive industry firms and marinas. The top graph shows the estimated number of boats in the Gocek harbour by type as a proxy for the marine economy make-up; the bottom graph shows the estimated direct contribution to the marine economy by boat type. The marine economy in Kaş is heavily dominated by domestic tourism, which aligns with its image as Turkey's outdoor adventure capital. Dive boats bring in the majority of revenue, with kayaking, coasteering (not included) and day trips to local archaeological sites also making a significant contribution.

SEASCAPE ASSESSMENT EXAMPLE: AKDENIZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

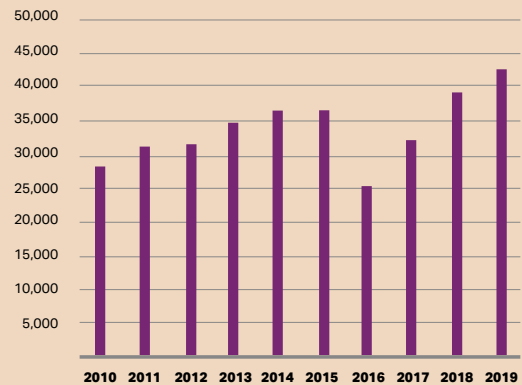
4. local economy cont'd

Supply chains in the seascape:

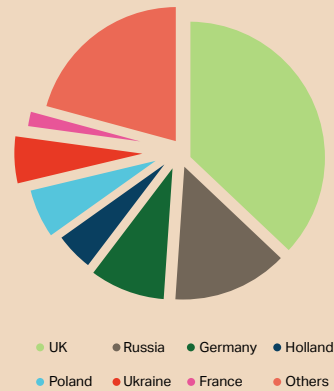
Regional Tourism

- Southwest Turkey is, after Istanbul, the main destination for tourists in the country. With its temperate climate, stunning scenery, beautiful beaches and Mediterranean lifestyle, it consistently attracts domestic and foreign tourists throughout the season, from May to October.
- Political instability in the country in 2016 did reduce visitor numbers, but numbers have since rebounded and are now above their previous peak (Figure 4d(a)).
- While Russians and Germans form the largest numbers of visitors to the country, overall, the UK provides the largest proportion of visitors to this region, supplying nearly a third of overseas visitors to Mugla (Figure 4d(b)). Many British people have also settled in the region as ex-pats or own accommodations or yachts and are a relatively organised and networked expat group.
- Overall, tourism numbers are evenly balanced between domestic and foreign visitors. However, there is a large variation according to location. For example, foreign visitors are concentrated in Marmaris, Ortaca and Gocek (not shown), while Datca, Akyaka and Kas (not shown) are primarily domestic tourism destinations (Figure 4d(c)).
- Although several large tourist towns (Marmaris, Bodrum and Fethiye) in the region, smaller tourist areas have tended to specialise and offer a niche experience, such as sailing, windsurfing, or diving.

(a) Turkey foreign tourist arrivals ('000s)



(b) Mugla province arrivals by country



(c) Mugla province tourism split

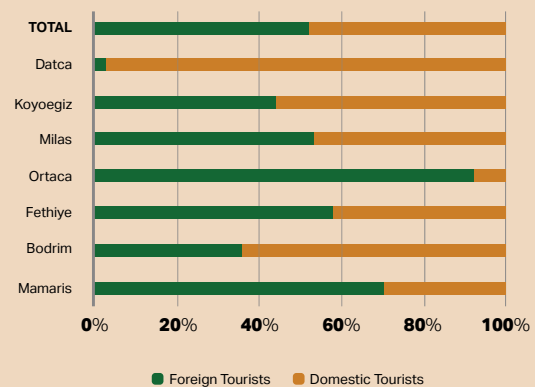
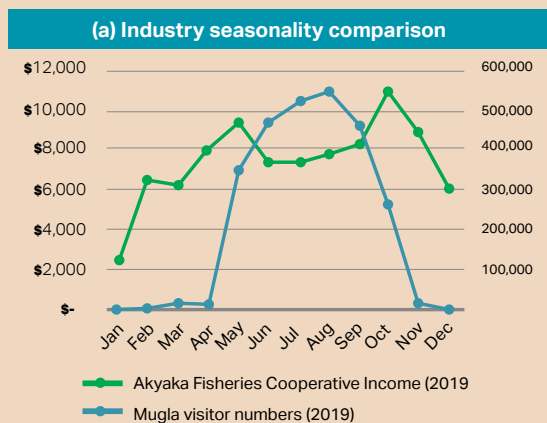


Figure 4d. Tourist arrivals in Turkey

SEASCAPE ASSESSMENT EXAMPLE: AKDENIZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

4. local economy cont'd



Name of Species	% in total (b)
Kima Mercan (Common pa pandora)	31%
Lahoz Türleri (White grouper)	25%
Cipura (Gilthead seabream)	15%
Kilkuyruk Mercan (Threadfin bream)	7%
Kefal (Flathead grey mullet)	6%
Istavrit (Atlantic horse mackerel)	5%
Barbun (Red mullet)	4%
Karides (Shrimps)	3%
Dil (Common sole)	2%
Sinagrit (Common dentex)	1%



Figure 4e. Fishing industry overview in Turkey

Supply chains in the seascape:

Fishing Industry

- Fishing in the region is primarily artisanal in nature. Fishers use small boats (approx. 9m) with one to two crew members, fishing nearshore and inshore areas, often adjacent to the SEPAs established by AKD. Fishers primarily use gill nets and long lines.
- Many fishers also operate tour boats, which explains a dip in catch value over the main tourism months (Figure 4e(a)). Catch value peaks in spring and autumn and declines in winter.
- Fishers are heavily reliant on a small number of species. Nearly two-thirds of the catch by volume and 81% by value comes from just four species in Akyaka (Figure 4e(b)).
- Fish are primarily sold through cooperatives and off the docks to residents, fishmongers and restaurants, as local demand exceeds supply. Higher-value fish are transported to regional markets in Ismir and Istanbul.
- Fishers have anecdotally been heavily impacted by the recent arrival of invasive tropical species through the Suez Canal in response to warmer sea temperatures caused by global warming. Large numbers of pufferfish, significant numbers of rabbitfish species, and, most recently, lionfish have been reported. At present, these species do not have market value and are therefore considered bycatch and not targeted for fishing.

SEASCAPE ASSESSMENT EXAMPLE: AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

5. LOCAL SOCIETY

The population of Turkey is over 70million and 98% Muslim. Well over half of its citizens live in cities. Cultural practices, social attitudes and lifestyles vary significantly across the country.

Major cities like Istanbul and Ankara are typically very modern and multicultural. However, many classic Turkish institutions remain very popular. For instance, local bazaars continue to be the main trading centres instead of shopping centres.



Credit: Zafer Kizilkaya

Institutions responsible for seascape governance:

- The Special Environment Protected Areas (SEPAs) in Turkey, including MPAs, are under the authority of the Ministry of Environment and Urbanization's (MoEU) General Directorate for the Protection of Natural Assets (GDPNA). A list of management activities is prepared for the site level, but decisions on which will be funded are made at the national level.
- Under current legislation, any revenue generated at the site level is remitted to the central level. There is no connection between income generated on-site and budget allocations to that site within GDPNA.
- The GDPNA cooperates with numerous local/regional governmental agencies to address the management needs of SEPAs through the actions of local agencies. This leads to cost-sharing to a certain degree but weakens the management leadership, authority and ownership necessary for effective site conservation.
- The GDPNA does not have the financial means to employ a local management unit at the site and acquire necessary equipment, so enforcement and patrolling of the SEPAs are not carried out on-site. The Coast Guard Command, nominally in charge of patrolling SEPAs, are busy with other issues, primarily clandestine migration to Greece.
- Changes in government structures and financing of local government are driven by inter-party politics that starves opposition-led authorities of funds and realigns local government boundaries to deliver changes in control.



Credit: Juan Pablo Moreiras

STEP 2

SETTING SUSTAINABLE FINANCING OBJECTIVES



The next step is to determine the sustainable financing objectives for your landscape. The landscape assessment (Step 1) will have helped you collect information on the context of the project landscape and should inform your objectives.

The sustainable finance objectives should reflect the project or landscape's Theory of Change (ToC) and should give balanced consideration to ecological, social and economic factors. These key objectives will also inform the NPE's vision and mission, which will be covered in Chapter 2. You will also return to these objectives when choosing impact measures, which will determine whether the NPE is succeeding in delivering its objectives.

Referring to your landscape's ToC, use the following questions to guide you in determining the sustainable financing objectives for the project:

- Are there activities that need long-term financing to achieve intended outcomes?
- Is the objective of sustainable finance to generate income for restoration/conservation action (and reduce dependence on grant finance), to create economic incentives for the local community to conserve their natural resources or a combination of both?
- Who are the key stakeholders in the chosen landscape whose collaboration/support is important to achieve the project goals?
- What are the aims of the project partners? Consider setting up discussions to ensure the NPE objectives align with their organisational goals.
- What are the requirements of the local communities? Consider running the exercise in partnership with key stakeholders to ensure that all relevant perspectives are included in the design phase.

CASE STUDY

AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD), TURKEY

(Organisation 4, refer to Case Studies Table of Contents for more information)

The project's sustainable financing objectives are:

Restoration of marine ecosystems, increasing climate resilience

- The theory of change (ToC) for the project illustrates that new income streams will provide financial support for the restoration of marine ecosystems through funding operations like ranger patrols, which in turn protect the biodiversity within the marine protected area and encourage climate resilience.

Generate at least \$300k/year in unrestricted funding for core activities

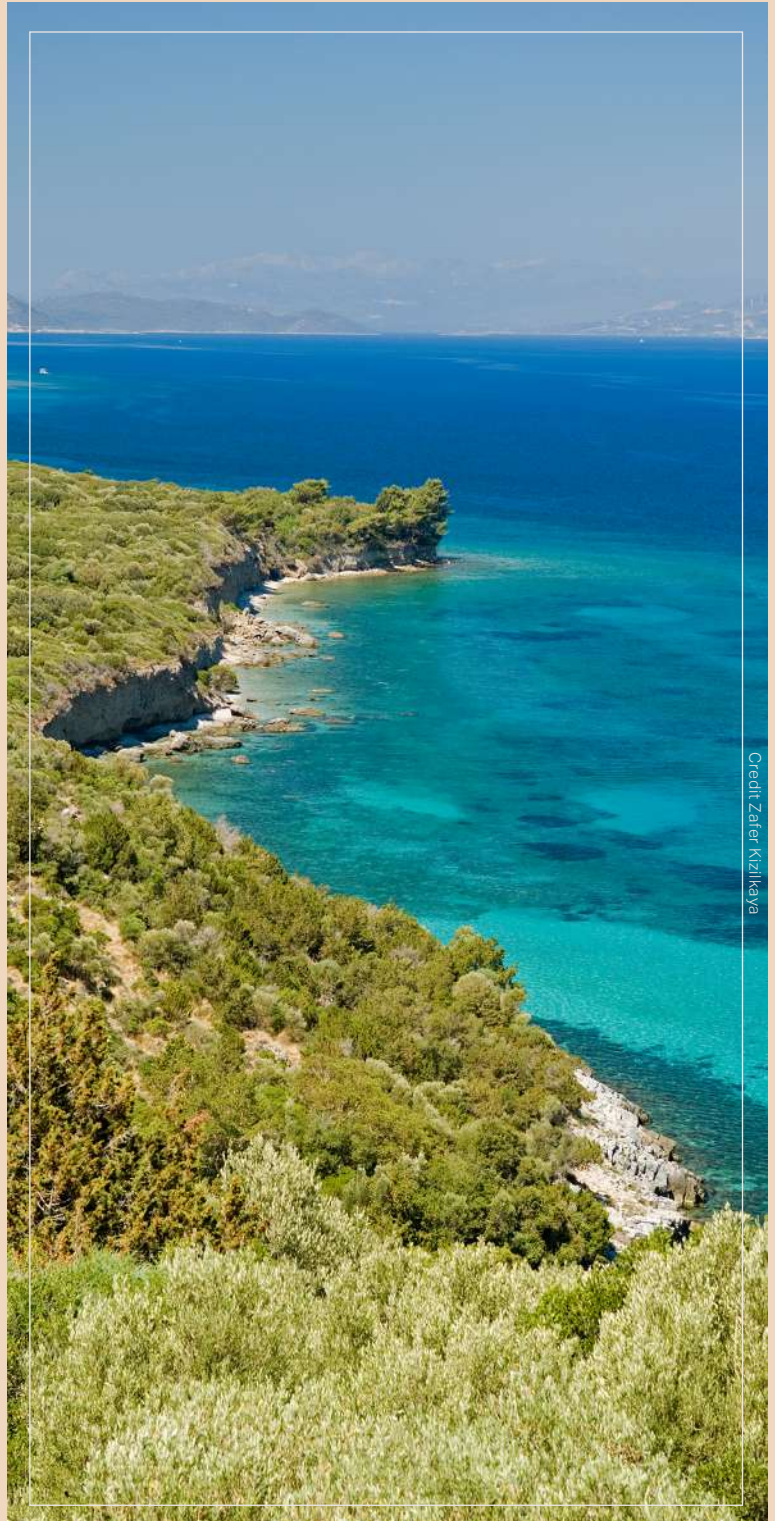
- The ToC links the increase in income for fishers' livelihoods to new income streams to support the operations of the marine protected area. Create incentives for fishers to target invasive species to reduce their population size, therefore, their detrimental impact on the ecosystem
- The ToC demonstrates that increased consumer demand will drive targeted fishing, resulting in better control of populations of invasive species.

Reduce impacts of recreational yachting and tour boats on the marine environment

- The ToC links the increase in biodiversity as a result of project activities to an increase in natural assets for tourism companies, which increases financial support from these stakeholders and increases motivation to comply with mooring regulations.

Maintain high legitimacy and engagement with local fishers

- The ToC links protecting fishers' livelihoods to financial support for MPA activities, both encouraging conduct which controls invasive species' populations and creating motivation to comply with regulations.



Credit Zafar Kizilkaya

STEP 3 LIST OF POTENTIAL PRODUCTS/ SERVICES AND OPTIONS ANALYSIS

Potential products & services

The next step is to choose the product or service that will form the concept of the NPE business model.

This requires a long-list exercise for potential products and services. List each product or service separately, as it is important to assess each potential option individually, even though the business model may end up using just one or two products or/and services.



Credit: Zafer Kizilkaya

CASE STUDY

AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

*(Organisation 4, refer to Case Studies
Table of Contents for more information)*

Below is an example of the list of potential products and services listed as part of the long-list exercise done for the sustainable financing project in the Gokova seascape in Turkey.

- Ecotourism
- Wildlife viewing
- Wild harvest products
- Pesca-tourism
- Agritourism
- Mooring buoys
- Dive levies
- Visitor centre
- Ultra-luxury villa
- Scientific diver training/ data collection
- Exclusive diving in closed areas
- Invasive fish food festivals
- Lionfish sales
- Place-branded premium fish
- Rabbitfish export
- Model fishing boat
- Prawn fishing
- Fish pet food
- Outdoors centre Kayak etc
- Experiences for flotilla yacht companies
- Fundraising – British expats/homeowners in region
- Cistus Incanus herbal tea
- Red Pine honey export
- Conservation coffee brand
- Tetrodotoxin (TTX) extract from pufferfish



Credit: Zafer Kizilkaya



Credit: Juan Pablo Moreiras



Credit: Juan Pablo Moreiras



Credit: Jason Smith



Credit: Zafer Kizilkaya



Credit: Edy Susanto

Options Analysis Tool

Once the list of potential options is ready, it needs to be narrowed down to a shortlist of one or more products or services to be sold or offered by the NPE. An Options Analysis Tool can be used to ensure this process is logical and systematic. It is recommended to run the exercise with as wide a stakeholder group as possible and that stakeholders, including local communities, are involved in the decision-making process from the NPE concept stage. Note that it is important to keep records of the results of the exercise and minutes of the discussion(s) if possible, as it provides the "justification" for why the selected NPE concept was chosen. It may be convenient to revisit this long list in the future if there is interest in exploring further products or services at a later time.

The Options Analysis Tool can be adapted to the specific requirements of the NPE (refer back to Step 2 on objectives for guidance). First, each criterion (listed as columns in the table below) should be given a basic score of 1-5 based on the extent to which the option meets the criteria. For example, if the scale of impact achieved by a product is expected to be high, then that product would score a 4 or a 5 in the "scale of impact" column.

If necessary, further adjustments to the scores can be made by giving a "weighting" between 1 and 3 to each aspect (1 being less important and 3 being more important). For example, stakeholder relationships may have a weighting of 3 because a project is unlikely to be feasible without support from the local community. If the basic score was 4, the final score would then be 4 multiplied by a weighting of 3 to give a final score of 12.

It is vital that sufficient consideration is given to all three aspects relating to People, Planet and Profit. If you choose to alter the tool, it is important to carry out a sense-check before starting the exercise, as well as once it has been completed (see Step 4 below), to ensure particular aspects are not under or over-weighted.

The below table is a template Options Analysis tool.
While using this tool, consider the following:

- Does it need to be adjusted for your NPE project?
- Considering your NPE objectives, would you increase the weighting for any of the aspects?

Enterprise/ sustainable source of income for conservation activities	Commercial Viability	Scale of Impact		Alignment to our vision for sustainable finance for conservation activity	Inclusion of gender, youth, marginalised community members	Do you have the technical capacity to develop this business?	Sustainability How environmentally and socially sustainable is it?	Scalability/ Replicability Can the enterprise be scaled to landscape level?	Business Risk	TOTAL
	Market trend is promising, Finance needed available, Right level of competition, Private sector partnership available	Income generated: volume x price margin	Number of people benefitted							
Score 1-5 (1 being low and 5 being high)										
e.g. ecotourism service (fill in from your long-list)	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Score 1-5 (1 being low and 5 being high) Weightage: 1/2/3	Sum of scores

CASE STUDY

ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

Enterprise/ sustainable source of income for conservation activities	Scale of Impact		Alignment to our vision for sustainable finance for conservation activity	Inclusion of gender, youth, marginalised community members	Do you have the technical capacity to develop this business?	Sustainability How environmentally and socially sustainable is it?	Scalability/ Replicability Can the enterprise be scaled to landscape level?	Business Risk	TOTAL
	Income generated: volume x price margin	Number of people benefitted							
Score 1-5 (1 being low and 5 being high)									
Ecotourism products	Weightage: 1/2/3	Weightage: 1/2/3	Weightage: 1/2/3	Weightage: 1/2/3	Weightage: 1/2/3	Weightage: 1/2/3	Weightage: 1/2/3	Weightage: 1/2/3	
1. Guided tours	3	1	2	1	1	1	2	5	16
2. Accommodation and food	4	2	1	3	1	2	2	2	17
Wild harvest:									
1. Berries	4	4	4	5	4	4	5	3	33
2. Honey	3	2	5	4	3	5	3	5	30
Agriculture, Agroforestry									
Livestock	4	5	5	5	3	5	4	3	34
Cheese Production	5	5	5	5	5	5	5	4	39

CASE STUDY

AKDENİZ KORUMA DERNEĞİ (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

AKD chose sales of invasive fish because it scored the best across the chosen measures.

Product	Scale	Capacity	Alignment	Sustainability	Quick pilot	Score
	How big is potential production, market and financial return?	Do we have or can acquire the skills and assets to produce it?	How well does this product fit with our objectives?	How environment/ socially sustainable is production?	Can we start up without waiting for government?	
Other invasive fish sales	●●●	●●●	●●●●●	●●●●●	●●●●	20
Pufferfish toxin	●●●●●	●●●	●●●●●	●●●●	●●	19
Experiential philanthropy	●●	●●●●	●●●	●●●	●●●●●●	17
Mooring buoys	●●●	●●●	●●●●●	●●●●	●●	17
British expats fundraising	●●	●●●●	●●●	●●●●	●●●●	17
Gokova adventure sports	●●	●●●●	●	●●●	●●●●	14
Kas dive levies	●●	●●●●	●●●	●●●●	●	14
Pescatourism	●●	●●●●	●●●●	●●	●●	14
Scientific diver training	●	●●●●	●	●●	●●●●●●	13
Luxury villa rental	●●	●●●	●	●●	●●●●●●	13
Gokova red pine honey	●●	●●	●	●●●●	●●●●	13
Model fishing boat	●	●●●●	●	●●	●●●	11
Cistus incanus herbal tea	●●●	●●	●	●●●	●●	11
Visitor centre	●	●●	●●	●●●	●●	10

STEP 4 SENSE-CHECKING IF AN NPE IS AN APPROPRIATE MODEL FOR YOUR LANDSCAPE:

T Project implementers and partners must take an important strategic decision at this stage on whether to go ahead with the launch of an NPE. They should base this decision on a final assessment of whether investing time and financial resources into the business model concept is likely to produce the required results.

As each project and landscape will have its strengths and weaknesses, it is important to be aware of the enabling factors and be prepared to focus on the project activities that create the conditions needed for the businesses to succeed. Some key enabling conditions for an enterprise to succeed are suggested below, based on FFI's experience.

At site level:

- Existence of a supply chain with like-minded private actors for the chosen commodity.
- Access to markets, especially those that pay premium prices for biodiversity-friendly products.
- Existence of necessary physical infrastructure such as roads, electricity, network connectivity and water supply.
- Access to appropriate finance for the business.
- Pre-existing skills relevant to NPE exist among community members and as part of the land/ seascape's social capital.

At the organisational level:

- Existence of entrepreneurial capacity in the organisation, including a business mindset and experience working with the private sector.
- Existence of basic financial and organisational management skills.

At the macro-economic level:

- Clarity of rights over natural assets.
- Ease of doing business in the country/landscape.
- National credit ratings.
- Existence of chambers of commerce, responsible tourism or other multi-stakeholder platforms.

These considerations should give you a holistic view of the viability of the NPE business model by using the Options Analysis Tool. It provides a way of "sense-checking" the result before moving on to the next stage, Business Design. In the event that your prioritised NPE business model no longer seems well suited to the context, revisit the options analysis, make any relevant amendments in line with your updated understanding, and choose the next most viable option.

Chapter 2: Business Design

Chapter 2: Business Design

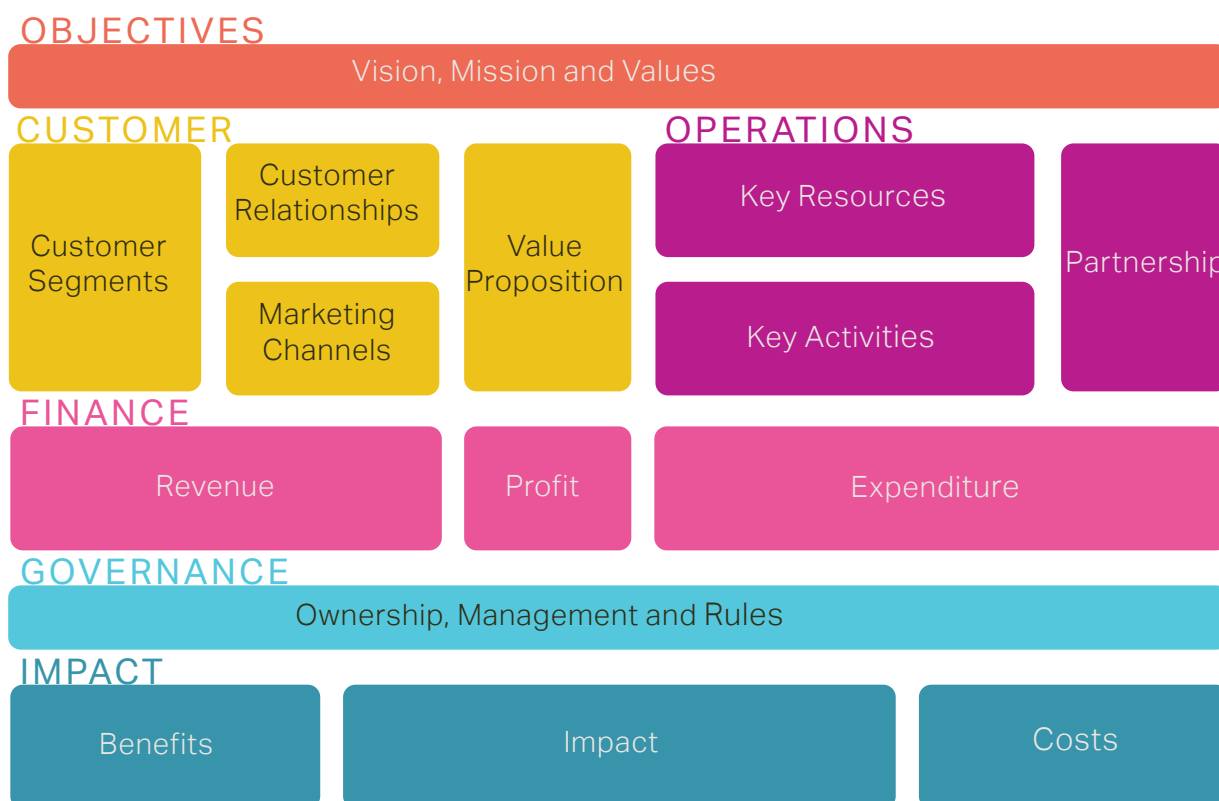
Now that you have chosen a concept for your NPE based on your objectives and the natural and social capital available in the landscape, you can begin to design your business model.

USING THE BUSINESS MODEL CANVAS FOR NATURE POSITIVE ENTERPRISES

The Business Model Canvas (BMC) for NPEs is based on the approach developed by Alexander Osterwalder, which was intended to be used as a tool for start-ups to choose the right business model without the need to develop a complex and time-intensive business plan. In the NPE context, it helps describe how your NPE will operate while achieving its ecological, social and economic objectives. It will assist you in developing an initial plan for your NPE, which will eventually inform the development of a detailed business plan. Crucially, the synthesised information in the BMC can be used to inform the donors, investors or other stakeholders in the landscape about the plan for your NPE.

Using the BMC to design your NPE will ensure it is coherent and all aspects of its design are well integrated and functional. For example, if you are developing a product for a specific type of customer, the operational part of the BMC helps identify what needs to be produced to meet this customer's needs. It will also help you assemble some basic financial projections. By guiding you in estimating the costs of starting up and then running your NPE, it should start to give you an idea of how much you need to charge for your product or service to cover your costs and when you will 'break even'—the point at which all costs are covered by revenue.

Figure 1 below shows the BMC in a template format which helps visualise how the six areas of your NPEs design are related, as well as providing an actual canvas for carrying out the BMC as an exercise with stakeholders. Each section of the BMC will be explored in more detail in the following sections, and a template will be provided at the end of this chapter for you to complete the exercise with your proposed NPE.



"Business Model Canvas" by [Strategyzer.com](https://strategyzer.com) is licenced under [CC BY-SA 3.0](https://creativecommons.org/licenses/by-sa/3.0/)

Figure 1: Business Model Canvas Template

I OBJECTIVES

In the previous chapter, we looked at the overarching objectives for your landscape and the conservation/restoration project within it. This first section of the BMC is designed to help clarify these objectives in a succinct way to define the business model. In addition, the objectives will lay out the value that the enterprise will add to the supply chain, which is fundamental to the sustained operation of the enterprise.

The BMC does this by first guiding you to determine a vision, mission and values for your NPE. Next, it is important to refer back to the overarching landscape objectives and ensure that they remain integrated into this first building block of the business model.

These statements must be fairly short (no more than a few sentences), but should summarise the purpose of the business and provide focus, coherence and direction for the NPE. Although they are short, they form the backbone of your NPE business model.



Credit: Jeremy Holden

For example:

Vision: "To achieve national recognition for biodiversity and social values" (i.e., how you want your brand to be seen)

Mission: "Establish a thriving community-based enterprise that sells sustainably caught local fish to environmentally conscious customers" (i.e., a summary of how the enterprise will operate)

Values: "At source: promoting local biodiversity and fair prices for fishers. At market: providing the best quality fish at a fair price" (i.e., what you believe in as an enterprise)

It is important that this exercise is carried out with the whole project team and a wider group of stakeholders if appropriate, as it is key to have full buy-in from these groups to the agreed objectives.

CASE STUDY

ZARAND ASSOCIATION

(Organisation 2, refer to Case Studies Table of Contents for more information)

In the Zarand landscape, few families are developing small businesses to gain income from their products, and most locals rely only on land subsidies and self-subsistence agriculture. To tackle this, Zarand has set up an enterprise to develop a self-sustainable local honey enterprise to promote high-quality honey products that encourage traditional natural practices in the landscape.

The vision, mission and values that form the objectives of Zarand's enterprise are:

Vision:

Zarand landscape is internationally recognised for its biodiversity and cultural values.

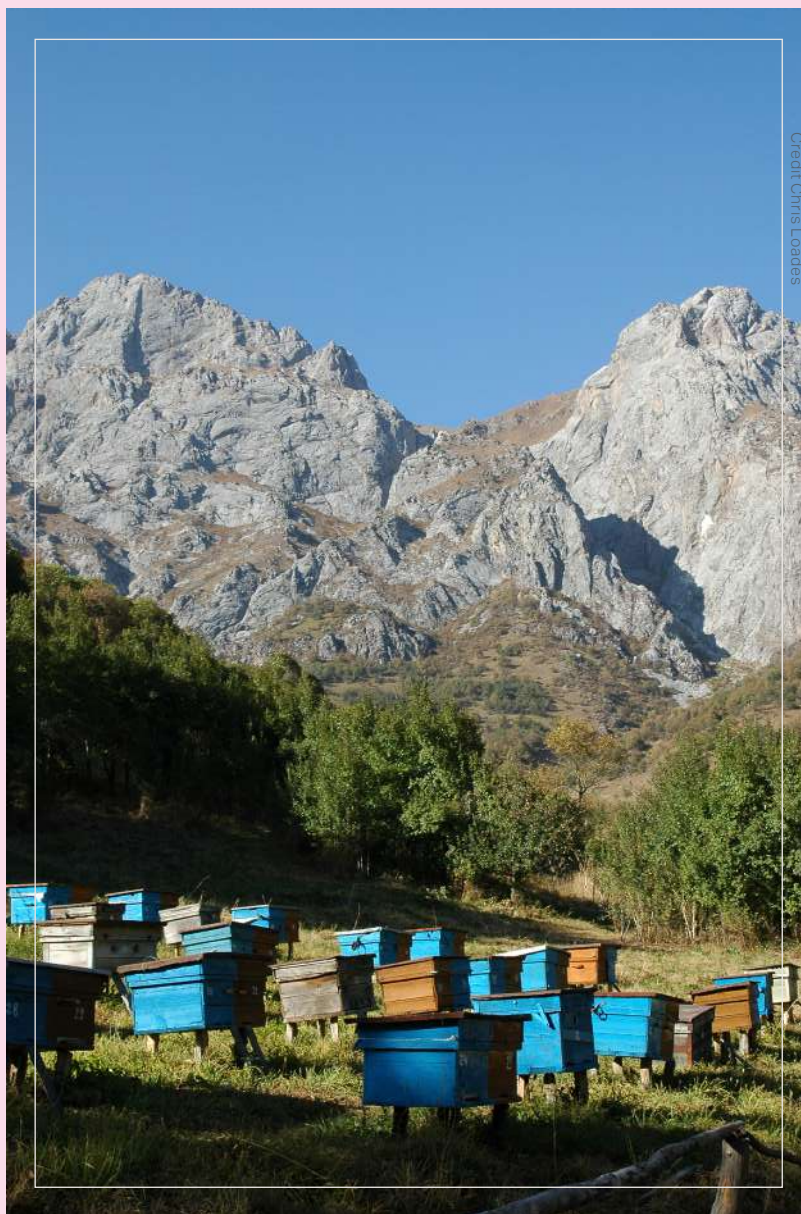
Mission:

Establishing a thriving community-based enterprise that markets traditional products sustainably produced, respecting the environment and culture-specific to Zarand.

Values:

At the source – promoting local biodiversity and fair price for beekeepers.

At the market – the best quality honey at an affordable price is made available.



Credit: Chris Loades

II CUSTOMER

This second section of the BMC will help you define who the target customers are, how a relationship will be maintained with them, the marketing channels that will be used to attract customers and the



Credit: Bjorn Olesen

value proposition to meet customers' needs. The customer segment of the BMC is made up of three sections – customers, marketing channels and customer relationships.



A. Customers:

This sub-section identifies and categorises the customers the enterprise will work with. It will help identify a realistic and achievable customer segment for your NPE to target.

In general, a customer is a person who pays for your product or service. However, sometimes customers could be both funders and beneficiaries, depending on your business model. Therefore, it is important to set out a clear understanding of the target customer in the BMC.

Customers can be divided into three categories.

- i. Mass market (e.g. frozen fish – high volume and low-quality product targeted at a wide range of customers in supermarkets)
- ii. Niche market (e.g. sushi grade fish – high quality and low volume product targeted at specific customers who want quality and are prepared to pay more for it)
- iii. Multi-sided market (e.g. a supply-chain intermediary buying fish from local fishers and selling to restaurants).

B. Marketing Channels:

Your NPE's marketing channels are the platforms used to communicate information about products or services to the customer. The chosen marketing channels will depend on the type of customer, e.g., whether your customers are other businesses like wholesalers (Business to Business, B2B) or whether you sell directly to the end user (Business to Customer, B2C). Depending on your customer, there are a large number of marketing channels available, including sales personnel, websites, retailers, and wholesalers. Other considerations include the cost of accessing each of these. For example, a website could be a cheaper way of reaching customers and getting them to place orders directly. Conversely, setting up a retail shop could mean a large up-front capital investment, but you may reap the rewards if you have a high degree of local foot traffic.

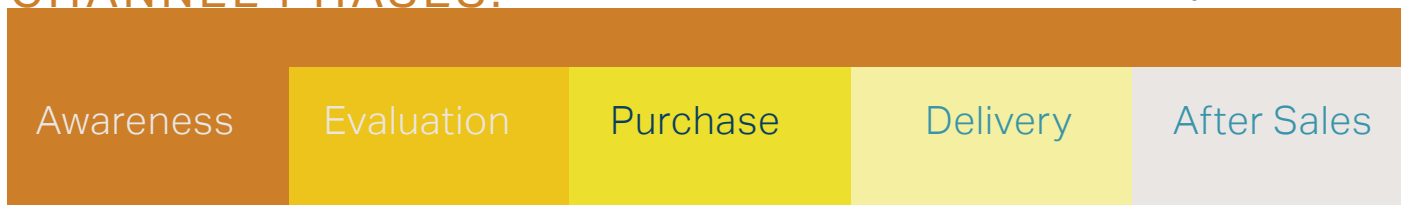


*It is important to note that although selling your products or services through a B2B model may be more efficient (e.g. selling products in bulk to a wholesaler), B2B customers are likely to pay lower prices. Depending on the cost efficiencies of this model compared to a B2C model, this may put downward pressure on your profit margins. This can, however, be reassessed during the financial projection and costing phase, and using a lean start-up approach should give you enough flexibility to test your approach and adapt it if necessary.

Once you have chosen your marketing channel (B2B or B2C), you can start determining a marketing strategy. Marketing your product or service involves a multiple-phase approach (see Figure 2).

CHANNEL PHASES:

Figure 2: Phases of Marketing



Awareness:

Online platforms are one of the best-known ways to create visibility and awareness about the product.

Evaluation:

For better promotion, the product/services may have to be evaluated by external agencies.

Purchase:

The customers place the order for the product/services marketed.

Delivery:

The products/services are delivered to the customers. It may be received by the customers directly in person or it may have to be shipped.

After sales:

After-sales support is key to maintaining a long-term relationship with the customer and attracting a future purchase of your product/service.

CASE STUDY

AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

AKD Limited, the NPE established by AKD, have made good use of online platforms, specifically through Instagram, to create awareness of their invasive fish intermediary enterprise. They post in Turkish and English to reach a wide audience and market their product as a delicious fish with a positive social and ecological impact. For example, they create posts explaining how they are working with local fishers and cooperatives to share information on how to safely process the invasive Lionfish and increase understanding of the potential retail value of the species. They also work with online 'influencers', including famous chefs and local celebrities, to promote their invasive fish products.

In their latest annual report, AKD Limited reported 100,356 clicks/views on their social media account in the past 12 months!



The image above is a screenshot of the AKD Limited Instagram account.

C. Customer Relationships:

This sub-section considers the type of relationships your NPE should develop with its customers. It is important to identify what motivates your customers, as customer relationships are crucial for the success of your NPE. However, they can be expensive and time-consuming to develop, which will be assessed during the financing section, but bear this in mind when deciding which approach to take.

Customer relationships can include providing customers with personal assistance, e.g. face-to-face interaction, including an explanation of what the product delivers and answering any questions the customers might have. Developing personal connections and trust with the customer is key to the success of an NPE, so identifying who should manage those relationships is crucial. Some organisations assign specific personnel for customer service, for example, to retain an excellent relationship with customers.

In some cases, such as if the product is inexpensive or the size of the sale is small, self-service could be an appropriate way of arranging your customer relationships. Self-service could involve providing written information along with the product or on the website so that the customers can inform themselves about the product and how to purchase it directly without the help of personnel.

Your customer relationship could even involve developing a community where your customers share their experiences with the product. Some enterprises focus on the quality of the reviews of their product or service as a means of attracting customers through other customers' experiences. An example of this is widely seen in the tourism sector, where reviews on TripAdvisor and search engines such as Booking.com and Expedia are the principal feature that attracts clients after the price/discount of a hotel night or other related service.

III VALUE PROPOSITION

The value proposition is simply understanding how the NPE provides value to its customers. It is, therefore, important to understand the product from a customer's perspective. Value statements in the BMC can be defined using a Value Proposition Canvas (Figure 2.1). This image can be used as a visual template for this exercise, or you can simply list your thoughts for each prompt.

There are two aspects to a value proposition:

- The customer segment (circle on the right)
- The value map or value proposition (square on the left)

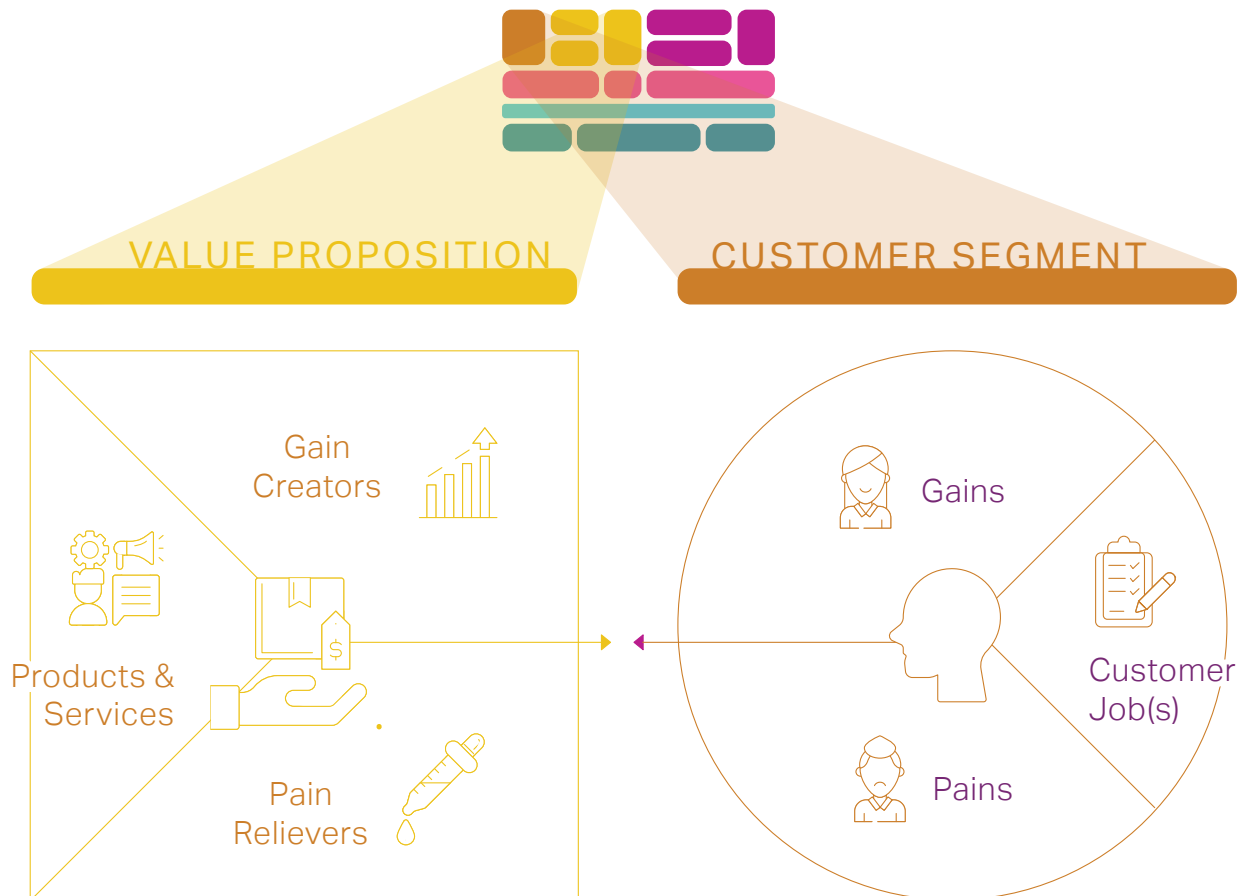


Image 5: Value Proposition Canvas
"Value Proposition Canvas" by [Strategyzer.com](https://www.strategyzer.com) and Strategyzer AG.



A. Customer Segment:

The customer segment of the value proposition is intended to isolate the customer's needs. It has three sub-segments: customer jobs, pain, and gains.

Customer Jobs:

These are the tasks the customers are trying to perform, the problems they are trying to solve, or the needs they are trying to satisfy. They may include financial needs, a desired quality of a product or service or, in some cases, even a requirement to satisfy emotional needs. There are different ways to identify what your customers need, such as by conducting market research or requesting customer feedback about the proposed NPE. This could mean distributing market surveys or questionnaires. When designing a feedback method, consider who your NPE's customers are, i.e., are they Business to Business (B2B) or Business to Customer (B2C)?

If you plan on marketing your product as "eco-friendly", for example, the costs of producing an eco-friendly product are likely to be higher and so a crucial question to ask at this stage is whether the target customer would be willing to pay more for an eco-friendly product.

For example, if you plan to set up a honey enterprise, other questions you may wish to ask include: Is organic honey important for the customers? What are the preferred types and flavours of honey? Is honey made from particular flowers more popular? What sells best in the market?

Customer Pains:

These are inconveniences your customers face in the current market environment. It is important to identify these as resolving these inconveniences could help you carve a niche for your NPE. Think about unsatisfactory outcomes experienced by your customers, risks involved in using the product or service and obstacles (time involved, affordability etc.) to access the product or service.

Customer Gains:

These are the positive outcomes the customer will experience, over and above merely satisfying a task. For example, superior functionality, social gains, cost savings or positive emotions.



Credit: Gareth Goldthorpe



B. Value Map

A value map identifies the value that will be supplied to the customers based on understanding their needs. The proposition map has three aspects: products and services, gain creators and pain relievers.

Products and Services:

Products and services should allow customers to perform their basic requirements, i.e. "customer jobs". The services or products offered must be as significant and relevant to the customer's needs as possible.

Products and services are created based on understanding customer needs, pains and risks to focus on relieving these pains and ensuring gains. Other considerations include the size of the problem to ascertain if the customers would be willing to pay for the services offered to solve these problems.

Pain Relievers:

Think about how your NPE's product or service reduces inconveniences your customers face, i.e. "customer pains". Think in particular about inconveniences not addressed by products or services available in the market.

Gain Creators:

Think about how you can enhance your NPE's product or service or design it so that it maximises positive outcomes for the customer i.e. "customer gains". Again, consider how you might do this in a way not already done by a product or service available on the market.

Credit Zaten Kizilkaya

CASE STUDY

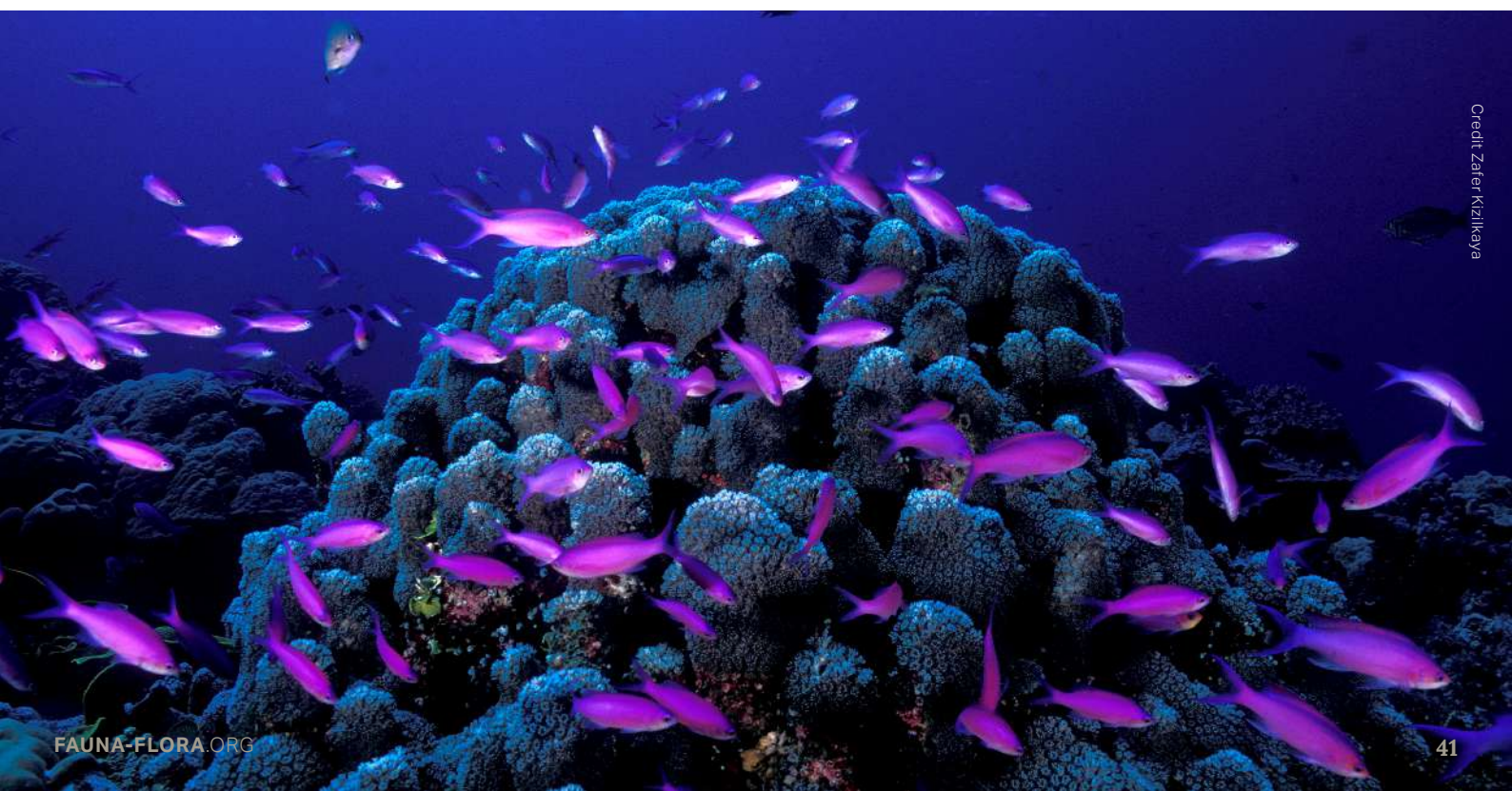
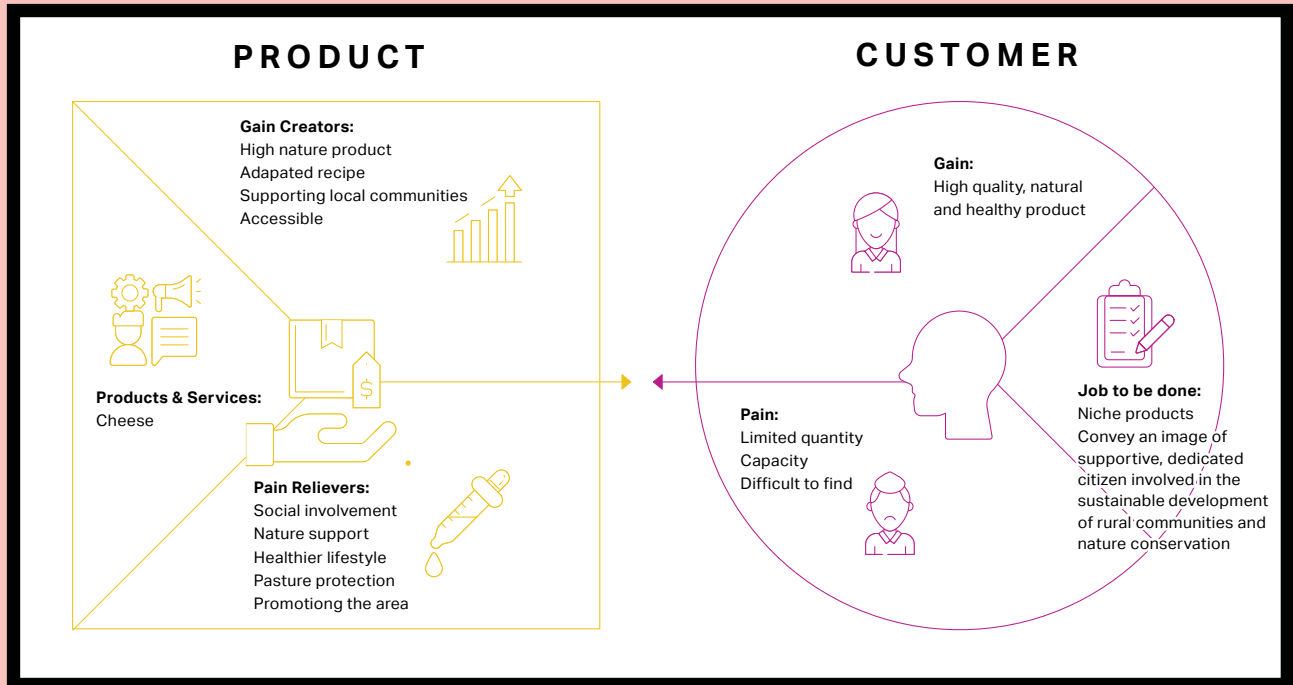
FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

CONTEXTUAL ANALYSIS

Business model: To produce and sell high-quality mature cheese covered in dried wildflowers, obtained from carefully chosen sources of milk collected from local farmers, to create strong incentives for them to continue managing their livestock in a sustainable manner and in turn, benefit nature conservation.

Value Proposition Canvas for the NPE:



IV OPERATIONS

This section identifies the key resources required to run the activities of your NPE, as well as the necessary partnerships to be developed for successful implementation.



A. Key Resources:

These are the resources required to build and deliver your NPE's products or services. These could include, for example, personnel, equipment, raw materials to make products or services, buildings, information technology, and intellectual capital. Consider what skills and experience your team already has and any additional skills that will be required.

Sustainable use of resources is one distinction between NPEs and other kinds of enterprises, including social enterprises, which differentiates them from the traditional business model. As your NPE business model depends on utilising natural capital, it is crucial to think through the sustainable aspect of the products/services being offered.

When considering personnel requirements, reflect upon whether you have the skillsets within your organisation

to complete the NPE activities (see next section on Key Activities). If not, where can you obtain this resource? If you do have those skill sets, do those staff members have the capacity to take on the additional work?



CASE STUDY

ZARAND ASSOCIATION

(Organisation 2, refer to Case Studies Table of Contents for more information)



Credit: Ruben Bañuelos Boms

One of the key resources Zarand has focused on for their Honey NPE success is its people. Having experienced beekeepers with traditional knowledge and skills to produce high-quality honey and personnel with an entrepreneurial skillset has allowed them to be successful in running a honey business.

Other key resources identified in the Zarand business model are:

- Nature-rich grasslands and milk
- Farmers knowledge
- Production capacity and facility
- Strong business/marketing skillset in personnel

B. Key Activities:

These are the activities required to sell the products/services to customers. These could include the organisation's production, management, marketing, and administration. Refer back to 'Key Resources' when completing this section, as it is important to ensure you have suitable personnel within your organisation to complete each activity, i.e. do you have personnel within your organisation who have the right competencies to market the product, maintain the book-keeping and record-keeping, ensure proper governance and benefit sharing, and ensure transparency of operations? If you do not, you must consider where to source this resource.

C. Key Partners:

Identification of key partners is of high strategic importance and can add significant value to your NPE by enhancing its credibility. For example, there may be organisations or enterprises already established in the market that could advise or assist in marketing your product or service.

You may also wish to explore private-sector partnerships. For example, if you plan to export your product, privately run distribution companies could reduce your business risk by exporting the produce through already established and tested channels. They could also absorb some of the costs due to currency fluctuations, international payment, and quality standards as per the export market standards. There may also be resources which can be utilised, such as warehouse facilities and marketing channels, to name a few, which may reduce the NPE's investments in such activities. In this case, the challenge faced is finding private sector partners who share the same sustainability or biodiversity conservation values as the NPE, and this should always be clarified beforehand.

This section will allow you to understand how revenue, expenditure, and profits are determined and what you should consider when designing your financial strategy.

A. Revenue

This section of the BMC estimates your NPE's income from the sale of goods and services, grants, and seed funds. Other potential revenue models include charging consultancy fees, which is worth considering if there are private sector partners who may be interested in tapping into your NPE's knowledge for sustainable business operations, particularly in monitoring and evaluation. You could also consider charging fees for using an asset, e.g. through subscriptions, hiring of services, licencing, or the brokerage where the enterprise acts as a middleman.

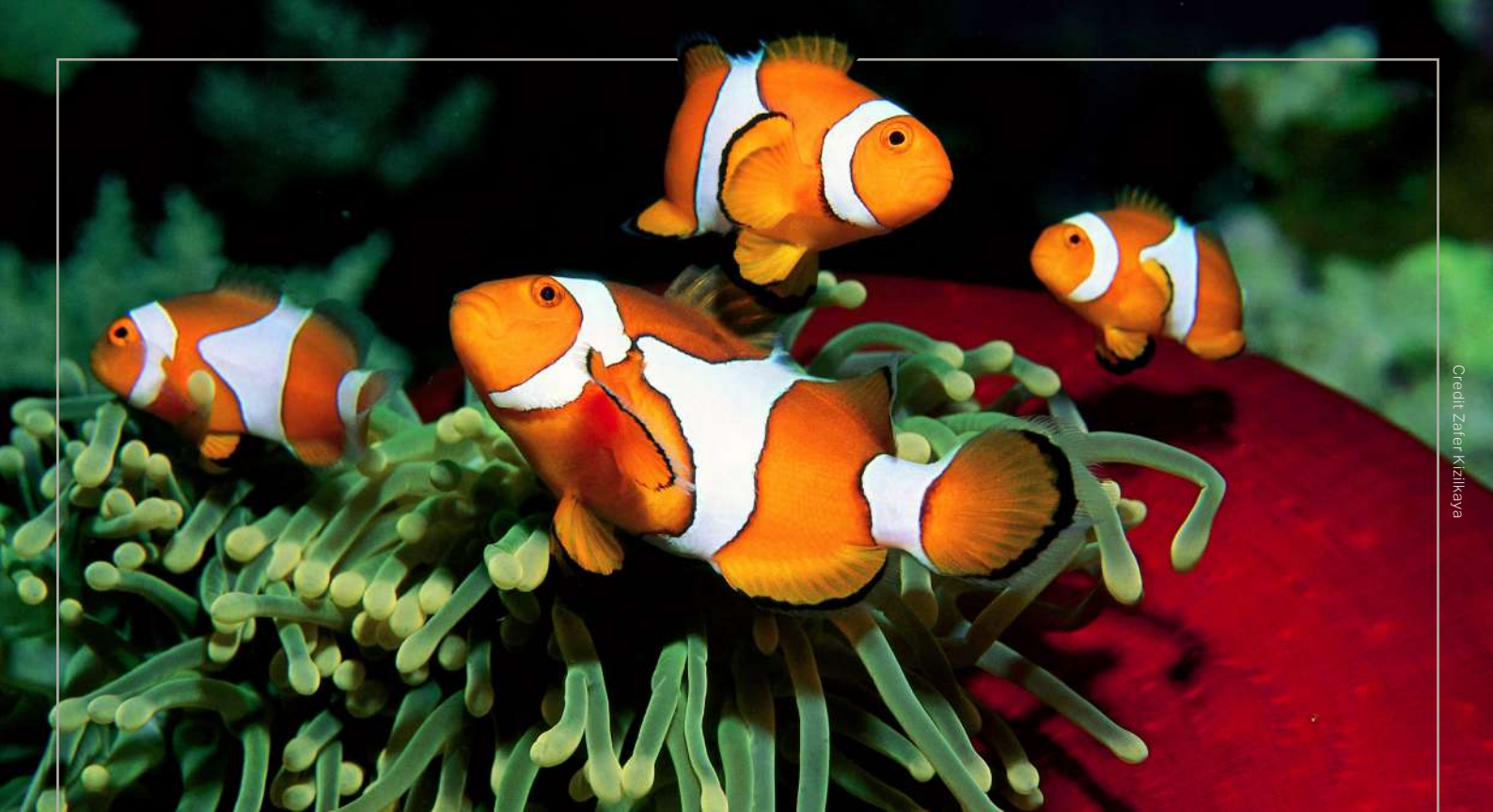
Note that when calculating revenue and expenses, it is important to test your assumptions. For example, if your NPE is based on tourism, is there robust data on seasonality? If in doubt, be conservative with your estimates.

The Covid-19 pandemic provided a great example of the importance of diverse revenue streams, as lockdowns being imposed worldwide meant that tourism revenue was suddenly unavailable for most businesses. Only businesses with non-tourism-related activities could continue to make some income by focusing on those activities instead.

When considering whether you might be able to diversify your revenue streams, ask yourself:

- Are there other complementary activities that would generate income for your NPE?
- What risks might need to be mitigated by other revenue streams (e.g. will climate fluctuations affect yields and produce 'bad harvests')?
- Will there be a 'growth phase' (i.e., how long will it be before the product reaches the full intended market?)





Credit: Zafer Kizilkaya

The table below can be used as a template and will help structure these considerations. The first line has been filled in as an example.

#	Revenue Item	Cost	Sales Price	Assumptions
<p>Use this column to number your revenue streams</p>	<p>Use this column to identify the product or service for sale.</p> <p>Tip: break the items down to reflect sales of different services or products of different quality.</p>	<p>Record an estimate of how much one item would cost in this column.</p>	<p>Record an estimate of how much one item could be sold for in this column.</p> <p>Tip: Think about how much an item costs in relation to the sales price, as it will start to give you an impression of your profit margins.</p>	<p>Record the assumptions you base this information on in this column.</p>
1	e.g. Lion Fish	\$2	\$3	<p>Seasonality means the only availability is in summer months, and there are also fluctuations in regular availability. Therefore, it is required to offset the risk of availability by substituting the supply with another species. Cold storage is required in order to meet demand. The produce is sold to restaurants with a higher price point; however, it's not sold as a premium product.</p>
2				

B. Expenditure:

This estimates the costs involved in running your NPE. These fall into the following categories:

Start-up costs: You first need to consider start-up costs, e.g., non-recurring costs that the enterprise will incur at the initial stages of setting up the operations, including machinery, infrastructure etc. In FFI's experience, start-up costs are usually covered by grant finance.

On-going costs: On-going costs include the costs of running your enterprise. These can be either fixed or variable.

The table below can be used as a template to help structure these considerations. The first two lines have been filled in as an example.

Note that the idea of this exercise is to list different an enterprise's expected cost categories. This information can later be used in financial projections and break-even analyses as relevant.

Tip: Don't forget to consider the associated costs of maintaining your assets, e.g. servicing, repairs, insurance fees etc. You may also want to consider how long an asset will last, and the cost of replacing assets once they have exceeded their useful life.

No.	Cost	Start-up/ Ongoing cost	Estimated Cost (if known)	Fixed/ Variable Cost
	Use this column to identify different costs	Tip: See costs categories above for guidance		
1	e.g. Vehicle for logistics	Start-up	\$5,000	Vehicle useful life estimated at 8 years, after which replacement vehicle required
2	e.g. Sales & Purchases Manager Salary	Ongoing	\$8,000	
3	e.g. maintenance costs	Ongoing	\$300	

It is important to build a financial model based on true and realistic costing to ensure that the operations of the enterprise recover the cost.

C. Profit:

To generate profits, the business must exceed the break-even point when the profits are equal to the costs of running the business. Once you reach this point, and the business revenue covers operating expenses, the business will start generating profits. Using a basic break-even analysis when designing your financial strategy can be advantageous to determine how much time will be needed to achieve this goal and plan your operations accordingly.



VI GOVERNANCE & LEGAL STRUCTURES

This section explores who the owners of your NPE will be, how the enterprise will be managed, and the rules and regulations governing your NPE.

The following rules and advice will help you decide how your NPE should be set up, legally structured and managed.

Note: it is worth getting legal and tax advice specific to your jurisdiction before deciding on the type of legal entity which is most appropriate to your NPE.

It is ideal to think of the impact, funding and how the operations must be organised before deciding on the appropriate legal structure.

1. Incorporating your NPE as a company

- Registering a company shows the seriousness of the operators about the issue and the cause, particularly to attract investments.
- The legal structure is necessary for the company to operate legally within the rules and regulations of the jurisdiction it is established in.
- It provides a governance structure, with specific personnel responsible for and liable for certain aspects of the NPE's operations.
- It codifies the mission of your NPE, e.g., in the Articles of Association.
- It protects individuals from risk as incorporated companies are the "legal person" liable for the risk of the business.



2. Choosing the correct legal structure for your NPE

Note: Please read the following guidance and evaluate how these apply in your jurisdiction and what advantages or disadvantages each of these could represent for you. This could be, for example, regarding attracting investment or accessing tax breaks. Further guidance can be requested by a company or tax lawyer in your area.

Companies limited by shares

Most companies are limited by shares. This means that the company structure consists of 'shares' owned by 'shareholders', and they are liable for the company's debts up to the value of shares held, which is often a very low 'nominal' amount such as €1. If you own 100% of the shares, you own 100% of the company. Shareholders are given certain rights, such as voting for changes to the company in line with the proportion of shares they own.

As well as being liable for a proportion of debt, shareholders are also entitled to a proportion of the company's profits in the form of a 'dividend', although the amount of dividend paid out, as opposed to retained for reinvestment into the company's operations, depends on the strategy of the company. This legal structure means company ownership can be transferred by buying and selling shares.

It is also worth noting that companies can be owned by another legal entity. For example, a non-profit conservation organisation could own 100% of shares in a subsidiary which trades a community-produced commodity like honey or fish. This would mean the profit from the trading subsidiary could be paid to the charity via a dividend.

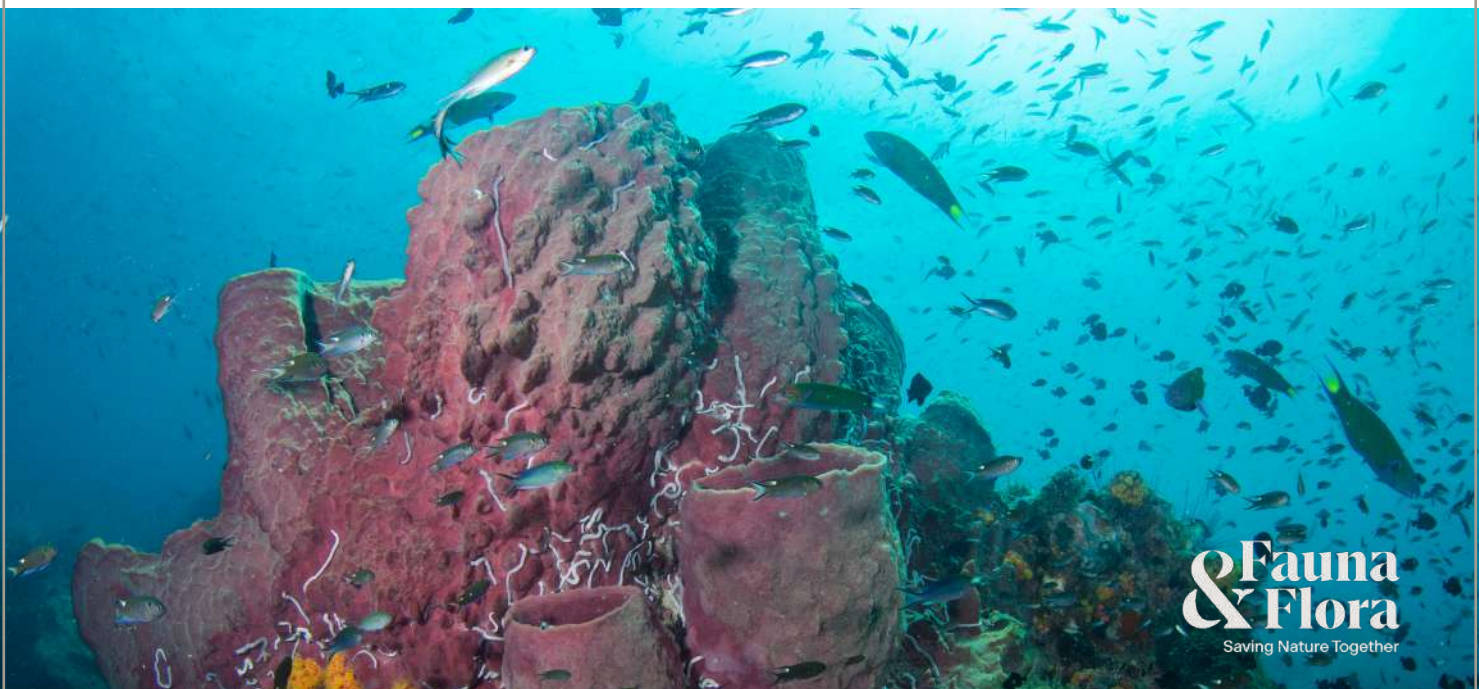
Companies limited by guarantee

Some companies are limited by guarantee. This means the company has at least one 'guarantor' who is a member of the company and makes decisions. They guarantee up to a certain amount if the company cannot pay its debts. The 'owners' of the company are essentially the guarantors. Examples of this include non-profits, schools, and public institutions.

The type of legal structure you choose for your NPE may influence the type of financing it will attract. For example, companies limited by guarantee may attract more investment as it has people instead of communities as guarantors and is, therefore, more likely to win grant funding. The legal structures available also differ between different countries' legal jurisdictions; however, some alternative legal structures are worth considering, depending on where your enterprise will be based and the purpose of the NPE.

Other structures

- **Cooperatives:** They have members and have equitable governance. E.g., buyers' and producers' cooperatives.
- **Trusts:** where assets are held and managed by one person or people called the 'trustee/s' to benefit another person or people called the 'beneficiary/s'. Examples of the assets held can include cash or real estate.





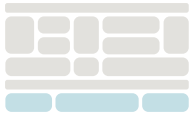
3. Governance of your NPE

Those in charge of the governance of your NPE will fall into the following categories:

- **The Owners:** In the case of a limited company, these are the shareholders, who will influence key decisions by casting votes which are weighted according to how many shares they own (see previous section). There are also limited liability companies that are owned by the members rather than shareholders. In such companies, every member gets one vote. Thus, the governance is more equitable. Such legal structures are mostly used for social ventures and cooperatives.
- **The Board:** The Board of Directors or Board of Trustees. Their function is similar. It consists of directors, in the case of a limited company, or trustees, in the case of a trust or foundation. The owners appoint the directors/trustees to be responsible for the running of the company. The Board meets regularly to discuss and control the operations of the company.
- **The Executors:** They are responsible for the operations of the company, such as the CEO and other key staff. They carry out the day-to-day operations of the company. Sometimes there could be an overlap of activities with the directors involved in day-to-day business operations.
- **Articles of Association:** The legal documents called Articles of Association describe how the company works, how decisions are made and how directors vote to make decisions.

Important considerations when setting up an NPE:

- Purpose of the NPE.
 - Beneficiaries of the venture.
 - Utilisation of profits and surplus generated.
 - Revenue generation mechanism.
 - An NPE must commit to good governance and transparency. Consider how to write this into your Articles of Association.
 - Most importantly, the enterprise must practice 'business not as usual' to be able to do things differently and have a positive impact on the environment.
-



VII IMPACT EVALUATION

This section focuses on the benefits of an enterprise, the impacts that the enterprise aims to create and the costs or risks that the enterprise may face.

Refer back to the objectives covered in Chapter 1. This will help measure the impact set out to achieve through the NPE project. It will also ensure to measure the objectives captured by the project's Theory of Change and that they address all People, Planet and Profit considerations.

Most often, setting up an enterprise itself becomes a herculean task, where the monitoring and evaluation of the impact that it aims to achieve takes a back seat. However, Impact evaluation is very important to assess the following:

1. If the NPE's intervention is making a difference
2. How is the NPE's intervention making a difference
3. If the same intervention will work elsewhere

Impact evaluation helps the project implementers know if they are on the right track and thereby helps in using adaptive management to realign the activities towards the desired goals. Thus, it also helps to improve the performance of the enterprise. When enterprises can demonstrate evidence-based impact, it particularly helps in raising funds and supports a knowledge-based expansion of the project and informed decision-making at management and policy levels.



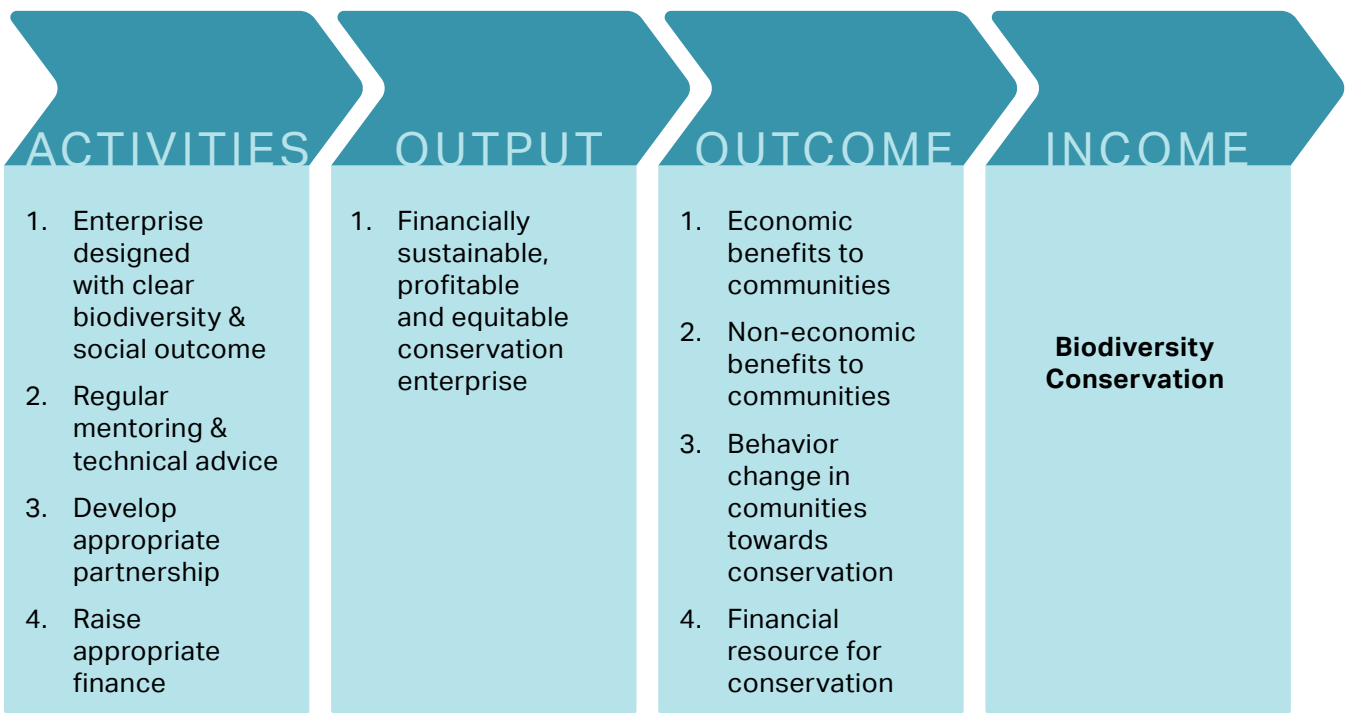
Credit: Nicky Jenner

Steps involved in the process of impact evaluation

The process of impact evaluation must be scientifically sound, practically implementable and straightforward.

1. Defining the impact using the Theory of Change (ToC):

First and foremost, NPEs must identify what impact they aim to achieve and define the process using a Theory of Change (Figure 3). At this stage, the project implementers must be mindful that a conservation enterprise is one of several interventions to address conservation challenges in a given landscape. Therefore, the Theory of Change of a conservation enterprise must always align with the landscape's Theory of Change, as mentioned in earlier sections.



ASSUMPTIONS

Laws suitable for enterprise operations, value chain systems in place, communities are willing to work with the enterprise, investments are received in time, quality of chosen commodity/ service is good and so on.

Figure 3: Theory of Change of NPEs.



Activities:

The key activities recognised for NPEs, in general, are designing the enterprise with clear biodiversity and social outcomes, mentoring and providing technical advice to the implementation teams, developing appropriate partnerships both at the community level (e.g., cooperative societies) and with the private sector to market services/commodities to raise the necessary funds to operate the enterprise.

Output:

With these activities, financially sustainable, profitable and equitable NPEs are set up.

Outcome:

With clear strategies in place, NPEs generate economic incentives for the communities and sustainable income to cover the conservation operations. The outcome could be both or either of them, depending on the business context. There could be some supplementary outcomes depending on the business context, such as non-economic benefits (e.g., influencing market practices, enhancing the value of traditional knowledge and culture) and behavioural change among the communities in favour of conservation, which could increase local support for conservation.

Impact:

Through this process, NPEs achieve biodiversity conservation.

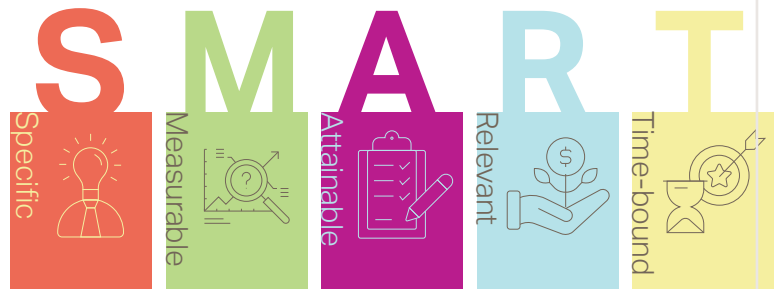
Assumptions:

For this process to work in a practical manner, it is assumed that suitable laws prevail in the countries of operation, there are value chains to support the proposed business, target communities are willing to work with the NPEs, investments are received in time, and the quality of the product/service is of a high standard.

2. Identification of indicators:

Indicators are metrics that define what impact looks like. These are measurable, relevant to the landscape, and always context specific. Indicators can be qualitative, using descriptive data such as surveys with open-ended questions, or quantitative, using number-based data such as measuring a metric through a percentage. Choosing the right indicators to measure the level of impact is a key step during the design stage.

Note that indicators should be "SMART"



Credit: Carley Bansenmer

Some examples of ecological, socio-economic and business impact indicators are shown below:

Ecological Indicators ("Planet"):

These indicators are related to biodiversity or the ecological landscapes where NPEs function. Changes in habitat cover (% change of forest habitat in a defined area, for example), species richness (number of species present in landscape), amount of carbon sequestered (above or below-ground carbon of an ecosystem, measured in tons), water and air quality, atmospheric temperature amongst others could be used as indicators for this category.

Social-Economic Indicators ("People"):

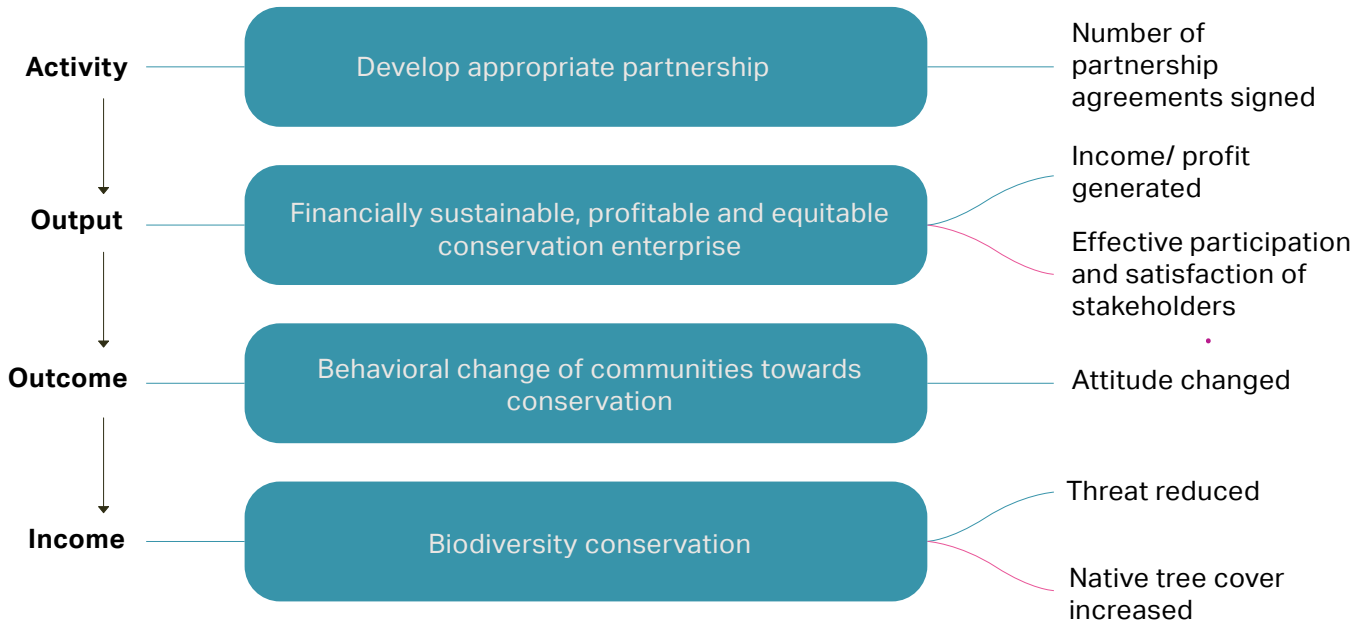
These indicators are related to the communities the project is associated with. Some of the social indicators could be a change in the behaviour of the people towards conservation, the well-being of the communities (e.g., happiness, quality of life), social equity (people with different cultural backgrounds given equal opportunities), the inclusion of marginalised communities, the inclusion of women in decision-making, health benefits, equitable governance system amongst others. Economic aspects of communities could be measured through indicators such as changes in revenue, new jobs created, and changes in costs incurred by the community. example.

Business Indicators ("Profit"):

These indicators are specific to the performance of the enterprise. They could be the development of a sound BMC, changes in sales of the products/ services, changes in revenue, expansion of business to new areas, change in demand of the nature positive products and services sold by the enterprise, new investment attracted, new partnerships/ agreements created, financial and administrative efficiency of the enterprise amongst others.

Note: Have in mind that an NPE can finance conservation directly through profits being invested in patrolling costs of protected areas, monitoring fauna through camera traps, or the regeneration of a degraded area, amongst other mechanisms. An indicator of how much revenue is going into each of these activities could be useful for understanding the impact the NPE has on conservation..

Figure 4: Example flowchart for the process of choosing indicators



The flowchart shown in Figure 4 displays how to develop indicators based on the Theory of Change previously conceptualised (Fig. 3). Additional indicators from the ecological, socio-economic, and business-related should also be developed to evaluate key components in the Theory of Change of the NPE. For instance, the 'Activity' component, which includes developing an appropriate partnership, could be measured through a 'number of partnership agreements signed' indicator. Likewise, the 'Impact' component, which ultimately is biodiversity conservation, could be assessed through a 'threat reduced' indicator such as a percentage of surface water bodies in 'High' or 'Good' ecological status, for example.



Credit: Paul Colley

CASE STUDY

AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)



Credit: Pippa Howard

AKD is involved in reducing invasive marine species to allow the recovery of native fish communities. The business proposition of the enterprise is to educate the fishing community in the Mediterranean Sea and incentivise them to catch the invasive lionfish (*Pterois* sp.) and sell it to local restaurants. This invasive species of fish is renowned for its delicious taste, therefore representing a good business opportunity for the NPE to remove them from the sea and encourage consumption by tourists.

Here is an example of some of the business indicators used by AKD:

- Number of cooperative societies that are participating in the NPE.
- Income generated by fishermen and women monthly through their engagement with the NPE.
- Number of agreements signed with the restaurants and other buyers for the sale of invasive species of fish caught by the communities.

3. Data collection and analysis:

The next important step in impact evaluation is data collection. NPEs can employ various methodologies for data collection that are already applied to assess ecological, social and business performance by both the conservation and business sectors.

During the life cycle of an NPE, one must collect at least two sets of data to compare them. The first set of data is called 'baseline data', which is collected when the NPE is in its initial stage. The second set of data is follow-up data, also called 'outcome data', which is collected over time to compare information and the resulting trends.

During the analysis stage, these two data sets are compared to conclude if the intervention has made any difference. For example, if an enterprise is selling honey collected by community members to support the improvement of their livelihoods, the baseline data you may want to collect is income currently earned by the communities. If the community members earned 1£ per kilogramme of honey before the intervention of the NPE and 1.5£ per kilogramme after the intervention (accounting for inflation), the difference made by the NPE is 0.5\$ for every kilogramme of honey sold by the target community.



Sources of data collection:

Baseline data may be available from various existing sources. Ecological data, for example, may be available in some of the published literature from local citizen science groups, research organisations, independent scientists, government bodies etc. If the required information is not already available, one may have to conduct pre-assessments to gather the required baseline information. Similarly, socio-economic baseline data may also be available in government reports or other sources. If they are not available, pre-assessments at the household level or with focus groups may have to be conducted. The follow-up or outcome data for both the ecological and socio-economic assessments must always be collected at the same scale as the operations of the NPE to clearly demonstrate the difference made by the NPE. However, to assess the business impact, the best way of data collection is through bookkeeping to record cost-effectiveness, cash flow, investments etc., both at the baseline and outcome stages.

Data collection methods:

The choice of data collection method is important for collecting robust and representative data.

Methods and tools for ecological data collection:

- Data on threat reduction could be collected through patrols in the field, combined with software to directly input data related to patrol events, such as instances of illegal fishing.
- Species data could be collected by walking line transects through DNA samples, point count observations, acoustic recorders, camera traps, etc.
- Habitat and vegetation monitoring could be done using GIS technology, remote sensing, drones, publicly available satellite imagery and field presence.
- Similarly, various methods are also used to monitor temperature and air quality and may be made publicly available by local weather stations.

Methods for socio-economic data collection:

- Quantitative and qualitative data collection through surveys is widely used. The surveys could be collected at a household level or through focus group discussions.
- Photos and videos to document could also be useful.
- Effective information could also be gathered through key interviews by talking to community or village influencers, public representatives etc.

Methods for business data collection:

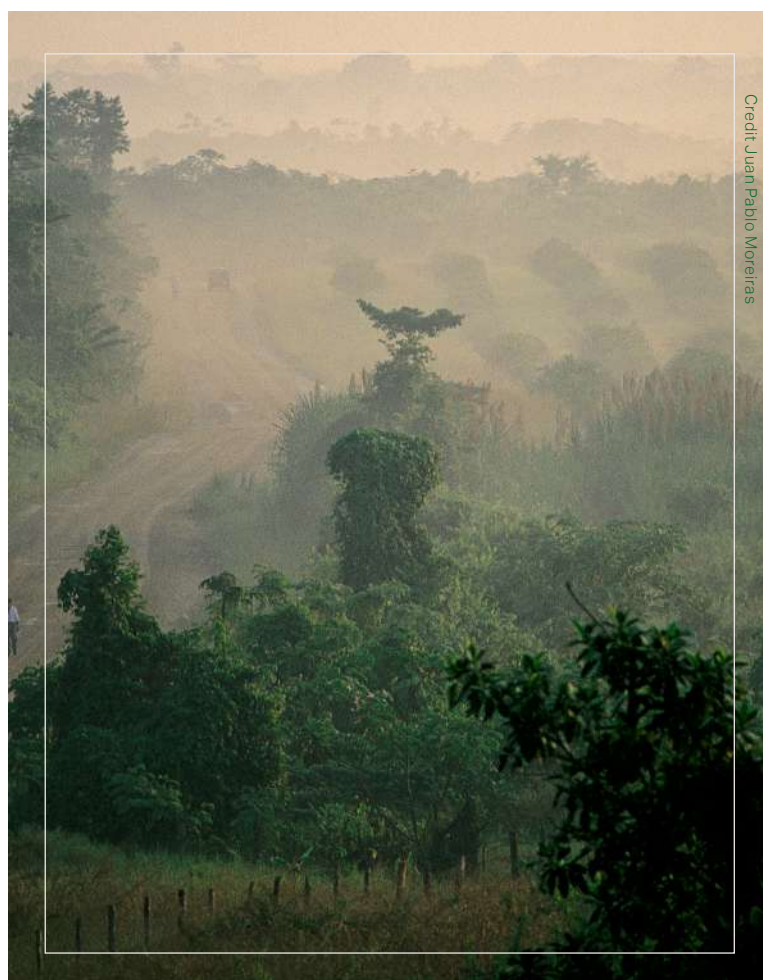
- Data from accounting bookkeeping, including revenue generated, cost-effectiveness, return on investment, etc.
- Customer satisfaction data collected through surveys filled out by customers after the product/service is sold.

4. Linking the results back to the Theory of Change:

The results of the analysis are linked back with the Theory of Change to assess if the project is moving toward achieving the impact.

5. Conclusion:

Based on this assessment, one can arrive at a conclusion regarding the level of impact generated by the NPE. If there are any deviations or hindrances to achieving the proposed impact, corrective actions need to be identified through this process to readjust strategies.



Credit: Juan Pablo Moreiras

CASE STUDY

ETHIO WETLANDS AND NATIONAL RESOURCES ASSOCIATION

(Organisation 5, refer to Case Studies Table of Contents for more information)



Credit: Steph Baker

An NPE established by Ethio Wetlands and Natural Resources Association applies various monitoring and data collection methods in the Ethiopian forests. The NPE is involved in reducing deforestation by supporting the local communities to sustainably harvest non-timber forest products (NTFP) such as forest coffee. The enterprise has a three-way business model, which is considered a triangulation methodology to achieve the impact:

- To reduce deforestation.
- To support the collection of good quality NTFP by the communities.
- To incentivise communities to improve their livelihood.

Methods and tools for monitoring used:

- GIS and satellite imagery to monitor change in forest land use.
- Line transects to monitor plant and animal diversity.
- Photography, mapping with the communities and field observations to monitor the growth and health of NTFP species of plants and trees.
- Household income surveys to collect socio-cultural and livelihood-related information.

VIII RISK MANAGEMENT PLANNING



Credit: Zafer Kizilkaya

Risk assessment and planning its management must be done at the enterprise design stage to ensure that the project design can mitigate or manage most risks. While business typically entails reaping the rewards from entrepreneurial investments and risks, managing an enterprise means assessing its internal and external operating environments and identifying potential and actual risks to develop mitigation responses – this can be assessed with the probability of the risk developing in the table below. Failure to do

so may result in poor project implementation and even failure of the enterprise. Typical risks involve political uncertainties, market fluctuations, competition or changes in government policies. A risk management plan should identify both potential and actual risks, rank them in terms of probability and impact, and pinpoint mitigation measures.

Risk	Probability	Impact	Mitigation/ Management Measures

CASE STUDY

THE FUNDAȚIA CONSERVATION CARPATHIA

(Organisation 1, refer to Case Studies Table of Contents for more information)



Credit: Lizzie Duthie

Product quality risk:

FCC set up a system whereby the team works with veterinary-certified producers with necessary permits to operate and who regularly test their products. This has reduced the risk of selling poor-quality products by the FCC.

Risk related to the available quantity of products:

Given that some of the products sold are seasonal, FCC pre-orders a specific quantity from producers to ensure enough product quantities are stocked for FCC's business operations.

Cash flow risks:

In order to always have sufficient cash reserves, FCC has established commercial partnerships based on a payment term of 30-45 days credit to forecast cash flows with these terms and ensure a minimum cash reserve for the business costs..

Risk related to food safety legislation:

FCC has developed partnerships with relevant authorities, which provided advice and support to adapt to changes in current food and health regulations in order to comply with the law and not risk being shut down for not complying.

Risk related to product transport:

FCC uses two methods of product delivery – an established partnership with one of the largest courier companies in Romania for long-distance delivery and its transportation system for shorter-distance deliveries. This ensures they do not rely on only one means of transportation which could pose a risk if they are unavailable.

A black and white photograph of a woman with long dark hair, wearing a striped dress, crouching in a shallow pool of water on a rocky beach. She is looking down at something in the water. The background shows a vast expanse of rocky terrain leading to a distant shoreline with trees under a clear sky. A large, dark circular graphic with a white border is overlaid on the right side of the image, containing text.

“A Social Enterprise often sees the community as a “beneficiary” whilst a **Nature Positive Enterprise** sees the community as a “partner” to achieve conservation outcomes”.

Chapter 3. Launching of Business

Chapter 3: Launching of a Business

IDENTIFICATION OF POTENTIAL CHALLENGES

Launching a business is an exciting yet challenging process. The following guidelines begin by exposing common challenges to be aware of in the initial stages of the business launch and continue through further stages, which are key to getting your NPE up and running. This chapter will display examples to illustrate how different NPEs launched their business operations.

Some of the common challenges, along with guidance to address these challenges is listed below:

- **Access to appropriate start-up capital:** At the start of a business launch, access to flexible, low-cost, low-risk capital is necessary, which is sometimes hard to access, especially for rural entrepreneurs or conservation NGOs with a limited track record in entrepreneurship.
- **Marketing:** Limited understanding of market trends and weak access to the market could hinder opportunities to reach the appropriate customers for the product/service.
- **Financial and managerial technical capacity:** Lack of technical skills of the personnel, especially in financial management, can be critical as the business needs to be economically sustainable to operate efficiently. Often, NPEs are located in remote locations where finding staff with business management expertise proves to be challenging.
- **Governance and benefit-sharing:** Lack of transparency in enterprise leadership and benefits-sharing processes can hinder the participation of local actors in NPEs.
- **Structuring partnerships:** Not being able to secure a partnership with a key actor and having a poor understanding of the role partnerships play in the NPE can be an obstacle towards the success of the business.
- **Clear asset allocations:** Asset allocations and who benefits from what part of the business need to be clearly understood from the beginning to avoid conflicts with partners and shareholders.
- **Well-managed operations:** Running your business operations in an efficient and practical way, and mitigating the associated risks that can come up by planning, is vital to achieving the expected outcomes.
- **Legal incorporation:** Establishing the business legally and securing a business permit can be challenging if the appropriate advice is not received.



Credit: David Marsh

CASE STUDIES

THE FUNDAȚIA CONSERVATION CARPATHIA

(Organisation 1, refer to Case Studies Table of Contents for more information)

The Fruits of the Mountains, supported by FCC, offers small producers in the Făgăraș Mountains area the opportunity to market their products, including jams, syrups, dairy products, honey and traditional teas, to a wider market through commercial partnerships. Some of the challenges faced by this enterprise are:

- Diversification of products.
- Expanding the number of producers.
- Ensuring the quality of the products.
- Developing a system of certification and verification of products.
- Developing more commercial partnerships.
- Securing the necessary quantities from small producers, as the added value for these products also comes from a limited manufacturing capacity.



Ensuring the quality of the products and being able to certify these standards is an important part of the Roadele Munților Food Hub business strategy and represents the value the business adds to the supply chain. FCC provided administrative support to the Roadele Munților Food Hub to ensure the milestone objective was achieved, and the business could use this as a unique selling point to attract more producers and commercial partners.

PROPARK FOUNDATION

(Organisation 6, refer to Case Studies Table of Contents for more information)



ProPark Ltd is an extension of the ProPark Foundation operating in Romania as an ecological landscaping company that conducts landscape evaluation, management and maintenance. The following challenges face the company:

- Lack of operational capacity.
- The company manager is also the Executive Director of the Propark Foundation – hence having limited time available for managing both the enterprise and the foundation operations.
- Local politics influencing community activities are leading to division and conflict.
- Local politics emphasises quantity, not quality, of products
- Exaggerated or unrealistic expectations of benefits for the local community.
- The general public has unrealistic expectations related to the speed a plantation can be developed (e.g. an urban forest)

The lack of operational capacity due to a lack of skilled workers was addressed by increasing salaries to compensate the available staff with additional pay for choosing to apply their skills at an ecologically responsible company. Additionally, to cope with market instability, the enterprise engages multiple temporary staff based on requirements while managing the core operations with just one full-time staff.

I. RAISING CAPITAL

Most entrepreneurs believe that if the fundamentals of a business idea, i.e., the management team, the market opportunities, the operating systems and controls, are sound, there is a potential for the NPE to raise the required capital. However, accessing capital can be as arduous as it can be exciting. Built into the process are certain harsh realities that can seriously damage an emerging business. Entrepreneurs cannot escape these challenges and must be prepared to tackle them by identifying the best source of funding for their NPE by assessing the pros and cons of each alternative. Please refer to the 'Finance Options for NPE's Tool' to evaluate this further.

Source of finance:

1. Debt financing

Debt financing is when the business raises capital by selling debt instruments, most commonly as a bank loan or bond. The principal advantage of borrowing funds to finance a new or existing business typically is that the lender will not have any say on how the business is managed and will not be entitled to any of the profits that the business generates. The disadvantage is that debt repayment may be especially burdensome for businesses that are new or expanding.

Below are a few points to have in mind when choosing this option:

- Failure to repay loans will risk the forfeiture of assets, including the possibility that the personal assets of the business owners are pledged as security for the loan.
- The credit approval process may result in some aspiring or existing business owners not qualifying for financing or only qualifying for high-interest loans or loans that require the pledge of personal assets as collateral. In addition, the time required to obtain credit approval may be significant.
- Excessive debt may overwhelm the business and ultimately risks bankruptcy.

Sources of debt financing may include conventional lenders (banks, credit unions, etc.), technology-based lenders, microlenders etc. The duration of a business loan is variable, and the speed of access to the funds will depend on the lender's internal processes.

See "Soft" Loans under section (e) Biodiversity / Nature-related funds.



Credit: Jason Smith

2. Equity financing

Equity financing is when the business sells shares to raise capital. The principal advantage of selling ownership of the business to finance a new or existing business is that the business may use the equity investment to run the business rather than making potentially burdensome loan repayments – and higher cost due to interest rates. In addition, the business and the business owner(s) will typically not have to repay the investors if the business loses money or fails. However, the disadvantages of equity financing include the following:

- Finding equity investors aligned with NPEs' vision, mission, and values can take longer than obtaining bank loans. Even after identifying the right equity investor, closing the deal and contractual agreements can take time.
- By selling ownership through shares, the entrepreneur will dilute their control over the business.
- Investors are entitled to a specific share of the business profits, minimizing the percentage of profits corresponding to the initial owner.
- There are more stakeholders in the business, meaning that each of the investors' objectives will be prioritised over just one investor's objective, and reaching all of these objectives can be challenging.

3. Crowdfunding and Peer-to-peer lending

Unless businesses have collateral (assets the lender accepts to secure the repayment of a loan) and can prove the ability to generate revenue, banks are hesitant to lend money. Oftentimes, start-up companies and businesses operating for less than a year do not have collateral. In these instances, private money lenders such as friends or family or 'angel' investors can be a better option. Private money lenders are willing to take more risks than banks, recognising the potential upside. Private lenders can also reach a decision faster with approvals only going through one tier rather than being overseen by many levels of management, as it would in a bank.



Credit: Chris Loderes

4. Finance from private sector partners

If the NPE has an established partnership with a private sector actor, finance can be raised off of these agreements. For example, if the private company agrees to buy a certain volume of produce, and if the NPE is short of capital to purchase enough raw material, finance can be raised from banks or impact investors that provide working capital finance.

There are instances where a private sector company could be keen on co-developing a supply chain with an NPE and makes an initial investment in the business, which is later repaid through the revenue obtained by the business operation.

Usually, if a private sector partner is in place, investors are more confident about the business potential and more open to investing in NPEs.

5. Biodiversity/nature related funds

There are some types of financing which are available for enterprise projects, such as NPEs, which have a specific focus on positive biodiversity outcomes. These are typically in the form of grants and donations. Grants are usually sums transferred to a project to complete specific work in accordance with associated terms and conditions. Conversely, donations are money or assets that are gifted without attached covenants and are usually classed as unrestricted.

These sources of financing can come from various sources, for example:

- **Individuals:** Through one-off donations from people who support the project's cause
- **Corporations or companies:** from Corporate Social Responsibility ("CSR") funds
- **Impact investors:** Individuals or organisations may decide to invest with a strategy to generate specific positive effects on the environment. Most impact investing is done by institutional investors such as private foundations, pension funds, hedge funds, and private equity funds.
- **"Soft" loans:** Some projects may be able to attract a loan with terms that classify them as "soft" loans. This means that the covenants of the loan do not include assets secured against the loan. If there is a default on the loan, there is no obligation to repay the loan using the security.
- **Grants:** A grant is a sum of money typically given by a company, foundation, or government entity to facilitate financing a project. Grants are essentially gifts that do not have to be paid back under most conditions. Many NPEs use grants to finance their activities at the beginning stages. In many cases, they are used to test the business model through a pilot project to ask for further investment through a different mechanism, such as a loan.

CASE STUDY

FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

A proposed cheese production unit in the NPE managed by ADEPT in Transylvania has been granted start-up capital through a non-repayable grant from the Carrefour Foundation. The grant will pay for the conversion of an existing building into a suitable production unit, the purchase of processing equipment, and a short period of product testing to develop suitable, high-quality cheese.

The enterprise is seeking an additional fund of €100,000, repayable over three years, in order to get the business on its feet, with profitable cash flow expected by the end of year 3. The enterprise has identified the following sources of funding:

1. Biodiversity/nature-related funds: which might offer soft loans or even grants.
2. Debt financing: from individual lenders who align with the business model.

II. MARKETING

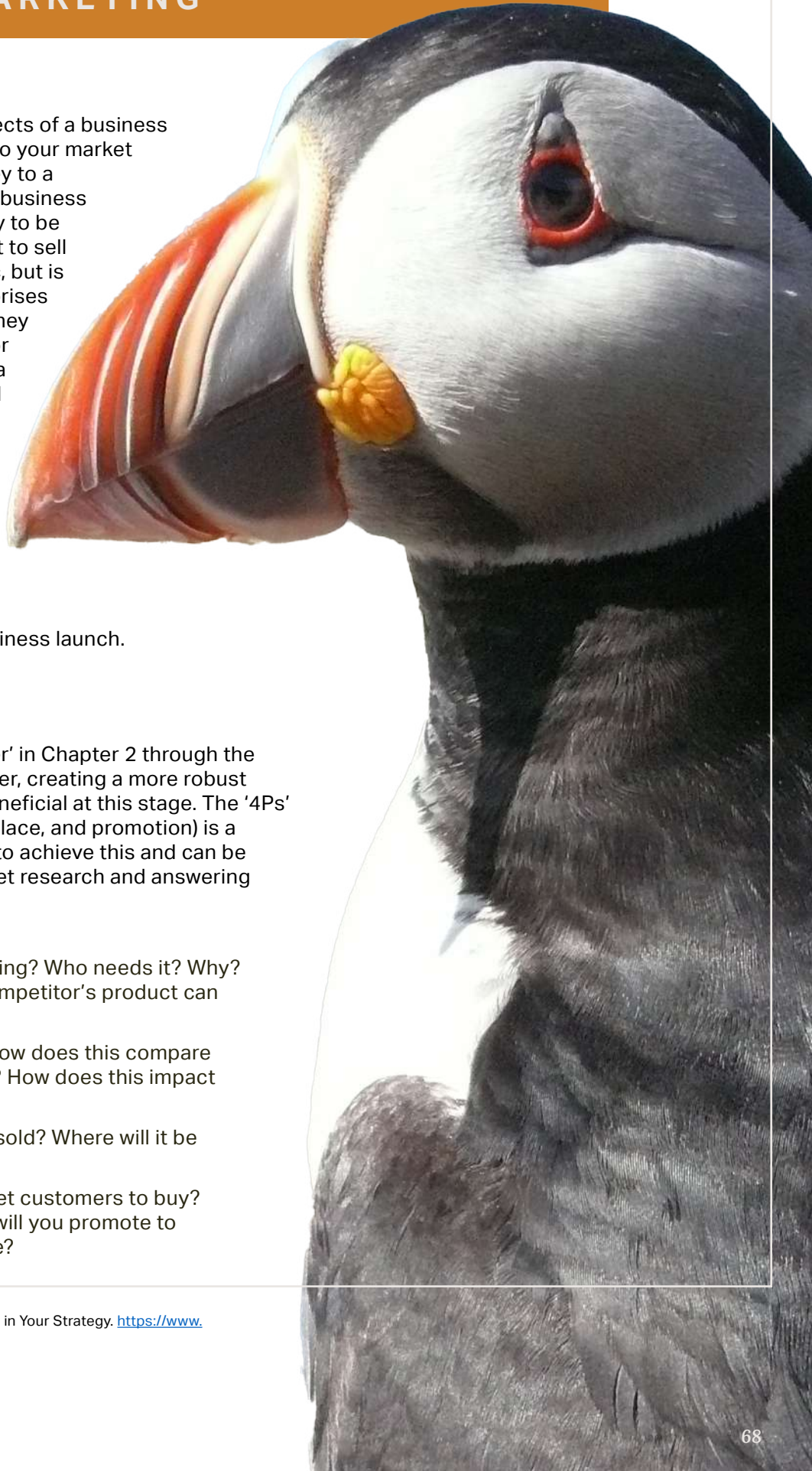
One of the most important aspects of a business is marketing. Understanding who your market is and how you will get to it is key to a successful business. Imagine a business that has all of its products ready to be sold but does not have a market to sell them to. This sounds unrealistic, but is in fact the case for many enterprises and is one of the reasons why they can fail. Perhaps a private sector partnership that agreed to buy a fixed amount of the produce fell through, or maybe the product is outdated and does not attract customers as much as a newer brand in the sector. Understanding how to market your product and designing a coherent strategy will mitigate certain challenges you might encounter during the business launch.

A. Marketing strategy

We learned about the 'Customer' in Chapter 2 through the Business Model Canvas; however, creating a more robust marketing strategy could be beneficial at this stage. The '4Ps' of marketing¹ (product, price, place, and promotion) is a very common framework used to achieve this and can be developed by conducting market research and answering the following questions:

- **Product:** What are you selling? Who needs it? Why? What does it do that no competitor's product can do?
- **Price:** What is the price? How does this compare to our competition's price? How does this impact customer perception?
- **Place:** Where should it be sold? Where will it be advertised?
- **Promotion:** How will you get customers to buy? What campaign/message will you promote to reach the correct audience?

¹ The 4Ps of Marketing and How To Use Them in Your Strategy. <https://www.investopedia.com/terms/f/four-ps.asp>



B. Brand strategy

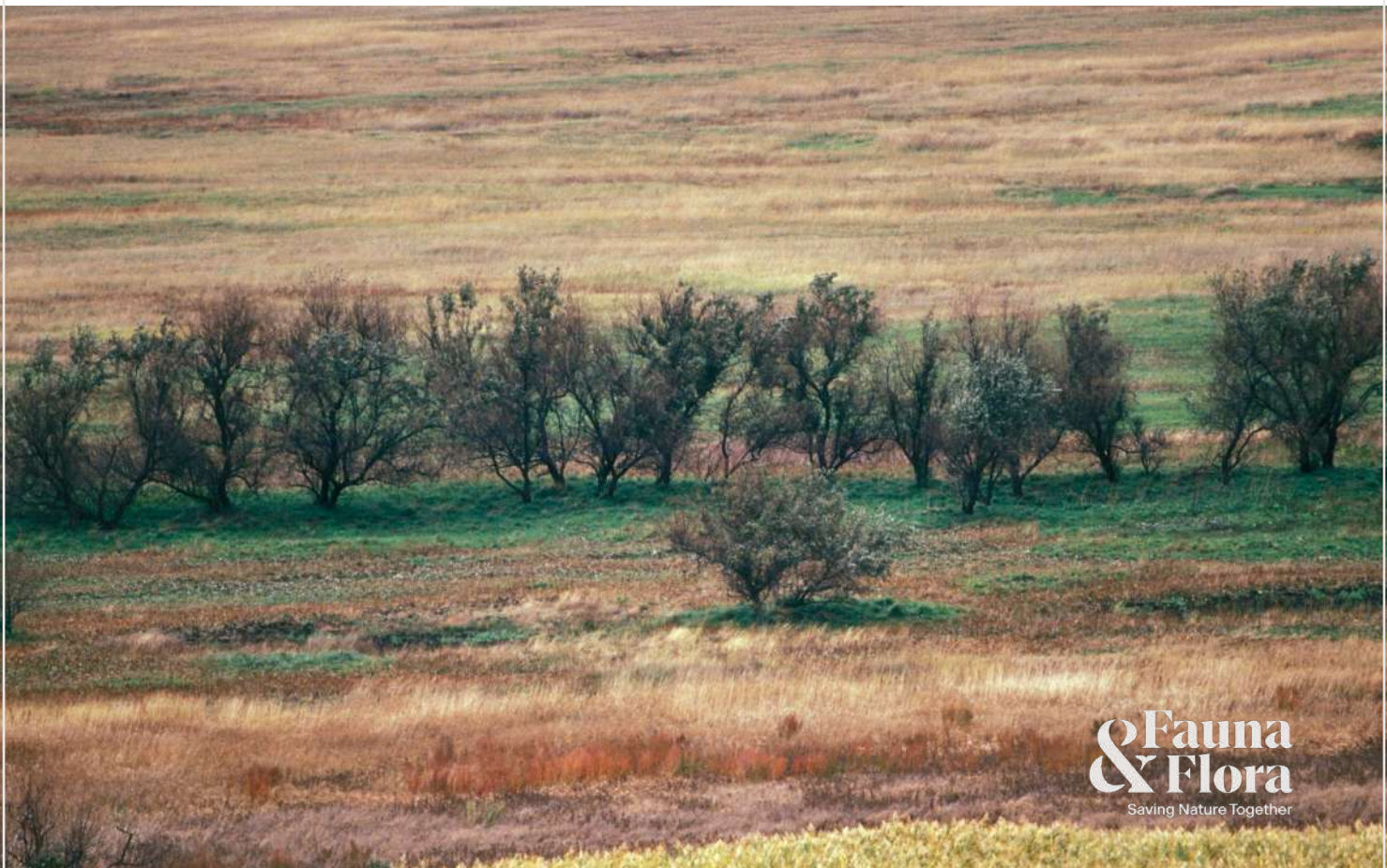
The brand is the name, design, symbol or any other feature that distinguishes your product or service. The brand needs to be aligned with the marketing strategy and the objectives of your NPE and used consistently in marketing activities. Choosing the correct logo design and name is the first step towards creating your brand's identity. A successful brand identity will be in people's minds and is advantageous when a customer is choosing your brand over your competitor's.

The way people perceive your enterprise, and the thoughts and emotions associated with your brand, should encompass the key aspects that make you stand out from your competition. This occurs through internal marketing, how your employees perceive the enterprise and external marketing, how your customers perceive your enterprise.

C. Resources

- **Budget:** Allocating a budget for marketing is vital at this stage. There should at least be enough funds to create the brand strategy, which is usually done with an external consultant. Additional funds to develop a website or attend a business fair, for example, could also be included in this budget at this stage.
- **Technical resources:** Identifying the correct technical skillset needed to implement the marketing plan is also crucial. As this expertise is usually outside the core skillsets of the staff at an NPE, this work most likely will need to be contracted out to an organisation with the appropriate marketing skillset. Getting the correct advice and getting it early - even if this will incur a big expense for the enterprise - is recommended, as much of your success comes from how you get people interested in your product or service.

Other aspects to consider can include joining forces and landing partnerships with similar initiatives that promote the same message to create a joint campaign with a stronger impact. This can also be used to promote the NPE's activities in the landscape and expand its supporter base. Lastly, it is important to conduct ongoing market research to continually ensure that the product, its pricing, and market targets are in line with the moving dynamics of the marketplace.



CASE STUDY

FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

ADEPT has established a micro-processing unit that produces jams, fruit preservatives, and dried herbs. The enterprise has developed a successful logo and branding strategy for these products and has been successful in selling these products both locally and nationally.

Their brand identity is based on the landscape's unique characteristics, which has given their product a distinctive edge and has enabled them to build a strong and consolidated market presence.

Given its products' success, ADEPT plans to expand its product portfolio and launch a new cheese product. The enterprise has conducted a market research assessment to introduce the new product to the market at a competitive price and attract new wholesalers and retailers in addition to the existing customer base. ADEPT also aims to promote the product through Carrefour supermarkets - the partner company of the foundation that is funding ADEPT's nature conservation work.



Credit: Chris Loades

III. FINANCIAL MANAGEMENT

Financial sustainability can be challenging to reach at the beginning stages of an NPE. Various obstacles, including not meeting the expected revenue target, having greater expenses than initially projected, and not being able to achieve a break-even point, can lead to financial difficulties. Refer to Chapter 2, 'Finance' section, for more information.

Being aware of the following financial checks and 'steering the wheel' by tweaking those that are not working can enable you to regain expected financial goals:

1. Cash flow forecasting:

Develop forecasts for the first three years of the project, and compare the results obtained each year to determine your success rate. If you have a low success rate, evaluate your expenses: perhaps they are too high and need to be lowered, or perhaps your revenue is too low and unable to absorb all the expenses to break even or generate a profit.

2. Financial controls:

These are the ways in which an enterprise regulates and monitors its financial resources and should be prioritised early on in the business planning process. Understanding if you are breaking even at the forecasted time, and taking the appropriate measures if not, could also help save a lot of resources and time to achieve the expected goal.

CASE STUDY

BULGARIAN SOCIETY FOR THE PROTECTION OF BIRDS (BSPB)

(Organisation 7, refer to Case Studies Table of Contents for more information)

Despite the fact that BSPB is an NGO, they have financial competence and experience due to the requirements of different donors. They have developed clear financial and reporting rules. For example, the VAT registration of BSPB's NPE requires strong financial discipline to meet tax deadlines and is subject to continuous inspections by multiple institutions. The manager of the NPE prepares a monthly cash flow forecast and quarterly reports to the BSPB Management Board to keep everything running smoothly.

IV. EQUITABLE BENEFIT SHARING

NPEs need to consider the complex social dynamics of local communities, landowners and ensure fair engagement and profit distribution. The nature of resource ownership rights shapes the benefit sharing agreement of NPE with local actors. Understanding community/landowner preferences for benefit schemes is crucial for long-term commitment and conservation impact, and benefits may need to be targeted at subgroups within the community for behaviour change incentives. It is also important to note that different communities/groups within a landscape may value different type of benefits. For example, Some communities value non-economic benefits such as access to water or the promotion of cultural values, while for others, income at the household level is the primary factor that will influence their resource use decisions. It is key to understand these preferences when designing benefit agreements.

When launching an NPE, governance mechanisms must align with sound benefit-sharing practices, including guidelines on profit and loss sharing. Opening a separate bank account can enhance transparency and manage expectations. A clear communication of benefits, both economic and non-economic, is also important, and benefit sharing agreements should ideally be in place before generating income to reduce management risks.



Credit Zafar Kizilkaya

**Fauna
& Flora**
Saving Nature Together

CASE STUDY

BAOBAB ENTERPRISE IN MADAGASCAR, FFI

(Organisation 8, refer to Case Studies Table of Contents for more information)



Credit: Richard Jenkins

Below is the equitable benefit-sharing protocol developed for a Baobab Enterprise in Madagascar for the sustainable harvest of forest produce. Each stage of value addition of the enterprise, from collection to processing to marketing and sharing of income, was discussed in detail with key stakeholders of this business. Roles and responsibilities were then agreed upon, and the protocol was shared with all relevant stakeholders, especially local community members, who could then hold other stakeholders accountable. This process significantly increased the transparency of key enterprise operations.

Equitable benefit sharing protocol for Baobab Enterprise:

- At the beginning of the fruiting season, an assessment of the total fruits available for collection is carried out by the patrol team, a community-based organisation for forest conservation and restoration.
- The first meeting takes place to plan the fruit harvest schedule based on that year's fruiting pattern. Community members involved in fruit collection may raise concerns at this meeting.
- There will be a notebook to record the fruits harvested. This supplier notebook records the volume of fruit collected by the respective community member and is delivered to the Baobab enterprise along with the expected price of fruit per kg. Each transaction is signed by both the record keeper of the enterprise and the fruit harvester. After the sales transaction is completed, the actual amount received by the collector is recorded and signed.
- The head of the village forest management committee then carries out a random inspection of the records, and the bookkeeper checks the site of collection.
- Fruit processing group notebook: A record of the volume of raw material processed, powder and seeds produced and the person in charge of the processing is recorded and signed by the members of the processing group.
- Packaging & Storage: This step is carried out by a group of women at a warehouse. The stock is reported and updated regularly.
- The enterprise, with the supporting NGO (in this case, FFI), runs lab tests of final products and agrees on the prices, date of purchase and payment terms with the buyer.⁸ After a sales transaction, the head of the enterprise receives payments from the buyer and income is recorded by the treasurer.
- A community meeting is held to distribute the revenue from fruit sales to ensure the benefit-sharing process is transparent.

CASE STUDY

ISTITUTO OIKOS

(Organisation 9, refer to Case Studies Table of Contents for more information)



Credit: Zafar Kizilkaya

Through a project funded by the Italian Agency for Development Cooperation, Istituto Oikos helped the Shouf Biosphere Reserve in Lebanon to set up an enterprise that is now run by different stakeholders, including farmers and the Al Shouf Cedar Society—the body in charge of the management of the reserve, cooperatives, owners of guest houses and restaurants inside the reserve.

Istituto Oikos helped facilitate 10-year agreements with the municipalities in the Shouf Biosphere Reserve in Lebanon to use their food transformation units for five value chains - Zaatar – a mix of oregano, sumac, sesame, pine nuts, sumac, pomegranate molasses, cedar and oak honey. Through multiple negotiation meetings with the respective mayors of the area, local communities were allowed to use

the facilities for free. Farmers' land from different villages that were involved in meetings and training was restored, and sustainable agriculture was developed. The farmers also signed 'conservation agreements' where they pledged to practice sustainable agriculture for a minimum of 10 years. With an appropriate assessment, investments were channelled for biodiversity restoration, giving the opportunity to create income for farmers and women involved in food production. A participatory approach was adopted to include a variety of institutions and people of different economic classes to share benefits. The revenues are split between the farmers (land owners) and the operators (food cooperatives). Al Shouf Cedar Society takes 15% of the revenue, which is then allocated to a biodiversity restoration fund.

V. ESTABLISHING PARTNERSHIPS

Identifying and selecting the right partner, especially a private sector partner, is a critical decision. If a private sector actor aligned with NPE mission and values is present in the landscape and interested in partnering, they can provide access to valuable market insights, share costs in marketing, and provide many other benefits to accelerate NPE development. Please refer to the checklist below whilst developing partnerships:

- **Define the objectives:** Determine what you want to achieve through the partnership and what your NPE can offer to a potential partner.
- **Identify potential partners:** Research and identify companies or individuals who have complementary skills, resources or networks that can help your business. Please refer to the 'Developing Strategic Partnerships for Nature-Positive Enterprises Toolkit' for more information on how to develop a business partnership for your NPE.
- **Assess compatibility:** Evaluate the compatibility of potential partners in terms of shared values and goals, especially commitment to biodiversity and social development. Conduct due-diligence by gathering feedback from their clients or long-term partners.
- **Develop a partnership agreement:** Define the terms and conditions of the partnership in a written agreement that outlines each party's roles, responsibilities, and obligations.
- **Determine the level of investment:** Decide on the level of investment required from each partner and establish how the profits and losses will be shared.
- **Outline the communication plan:** Establish a clear communication plan to ensure that all partners are kept informed about the partnership's progress and any changes that may occur.
- **Develop Conflict-Resolution Systems:** in anticipation of misunderstandings and compromises, determine partners will raise them and protocol to address such concerns.
- **Define the exit strategy:** Establish a clear exit strategy in case the partnership does not work out, and both parties want to dissolve the partnership.
- **Monitor and evaluate performance:** Set up a system to monitor and evaluate the performance of the partnership regularly, and make adjustments as needed to ensure the partnership is meeting its goals.
- **Seek professional advice:** Consider seeking advice from legal, financial, and business experts to ensure the partnership is structured in a way that benefits your NPE.

VI. CAPITAL ALLOCATIONS

Capital allocation is a critical aspect of managing NPE effectively. It involves the process of deciding how to distribute the company's financial resources across various initiatives and investment opportunities. To structure capital allocation in your NPE, there are a few steps that you can follow:

Assess the financial situation: Before making any decisions about capital allocation, it's essential to evaluate the financial situation of the business. This includes reviewing financial statements, identifying revenue streams and expenses, and understanding the cash flow situation. This information will help you determine how much money is available to allocate and identify any constraints or limitations that need to be considered.

Prioritize investments: Once you have a clear understanding of the financial situation, it's time to prioritize investments. Consider the goals and objectives of the business, including short-term and long-term plans. Assess the potential return on investment for each opportunity and the level of risk associated with each. Then, allocate funds to the investments that align with the business's goals and have the best potential for return.

For NPEs working in partnership with local actors, it is essential to be clear and transparent about ownership and allocation of different assets. For instance, in a tourism NPE with homestays owned by the local community, it is good practice to clarify who is responsible for maintaining the facility and who pays for it. If both the NPE and local community members are investing in setting up the homestay, it is important to clarify how profits and losses will be shared.

Most commonly, there are two ways to split the profit and loss in such scenarios:

Partners share the profits of a business by way of dividend payments, which is considered a 'bottom line' approach, or through an alternative approach by which partners share the revenue generated by the business, which is a 'top line' approach akin to a franchise arrangement. Depending on the local context, either of the two options can be selected. The top line benefit-sharing approach is often an easier and less expensive system to track the revenue of a business rather than its actual profits.

An alternative approach for sharing benefits is to develop a fee structure. One option is to use a variable fee, which is calculated as a percentage of revenue or profits. In such cases, the variable fee should offer a significant return to rationalize making assets available to the business. However, the fee should not impede the financial viability of the business. Another approach is to use an annual guaranteed minimum fee, which is a fixed fee structured as a threshold that the variable fee must generate. This approach ensures that the variable fee generates a minimum level of revenue, while also providing a fixed revenue stream for the asset owner.

CASE STUDY

ISTITUTO OIKOS

(Organisation 9, refer to Case Studies Table of Contents for more information)



In the case of the Shouf Biosphere Reserve (SBR), the revenues are split between the farmers (landowners) and the food cooperatives (operators). ACS, the management body of the reserve, takes 15% of the revenue, which is allocated to a biodiversity restoration fund and participates by managing and restoring the land and providing equipment to the food transformation units.

CASE STUDY

FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)



In the case of the milk company set up by Fundatia ADEPT, asset allocations are simple. The infrastructure and equipment belong to the processor company, whose shareholders are three of the Viscri communities. Profits are shared by the processor company and the milk producers/farmers, who receive a guaranteed milk price linked to profits. Finally, the share of the asset given to ADEPT is a fixed fee for project management at the beginning of the project.

VII. OPERATION MANAGEMENT

Operations Management is a key pillar of enterprise management, ensuring goods or services are efficiently produced to meet customer expectations. In planning the day-to-day operations of the business, you will need to outline:

- **Principal capital assets:** Land, tangible and intangible assets
- **Key operations and management activities:** How the business will be run (please refer to chapter 2, section Key Operations)
- **Key people:** The kinds of employees needed, how they will be recruited, and the capacity-building activities needed to train them (please refer to chapter 2, section Key Resources)
- **Risk management:** Identify risks from the viewpoints of conservation, benefits management and commercial viability (please refer to chapter 2, section Risk Management Planning).

Ideally, you would have completed the above operation management assessment during the design phase (chapter 2), reducing challenges at the launch phase. In addition to this, it is recommended you start collecting data to work out the following calculations to ensure your enterprise operations are economically efficient:

Economies of scale: This is a term which you might hear in relation to the cost efficiencies achieved by producing at a larger scale and being able to spread associated costs across a larger number of products. This applies particularly to operational costs such as delivery costs because including a larger number of products in one delivery means a much smaller delivery cost per kg of produce delivered.



Economic order quantity (EOQ): The goal of the EOQ formula is to identify the optimal number of product units to order. If achieved, a company can minimize its costs for buying, delivering, and storing units. Please refer to the corporate finance institute guidance on calculating EOQ [here](#). Excel template and examples to help with calculations for your NPE is also available on this website.

Minimum order: It is worth considering applying a minimum order size to customer orders. This is particularly relevant if you are transporting products as part of your role as a supply-chain intermediary. Transport costs, for example, are variable costs and will increase and decrease according to volumes transported and sold; however, if the transport is not used efficiently, the cost can still be disproportionately high compared to the volumes you are selling. For example, the cost of driving a vehicle 50km to deliver

20kg of produce will be more or less equal to the cost to deliver 1kg of produce, but spreading the cost over the sales revenue earned from 20kg of produce is much more efficient than spreading the cost over 1kg of produce. Introducing a minimum order size is one way of ensuring delivery sizes are large enough to be cost-efficient. See the below case study as a real example of how an organisation identified and responded to transport cost inefficiencies.

CASE STUDY

AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

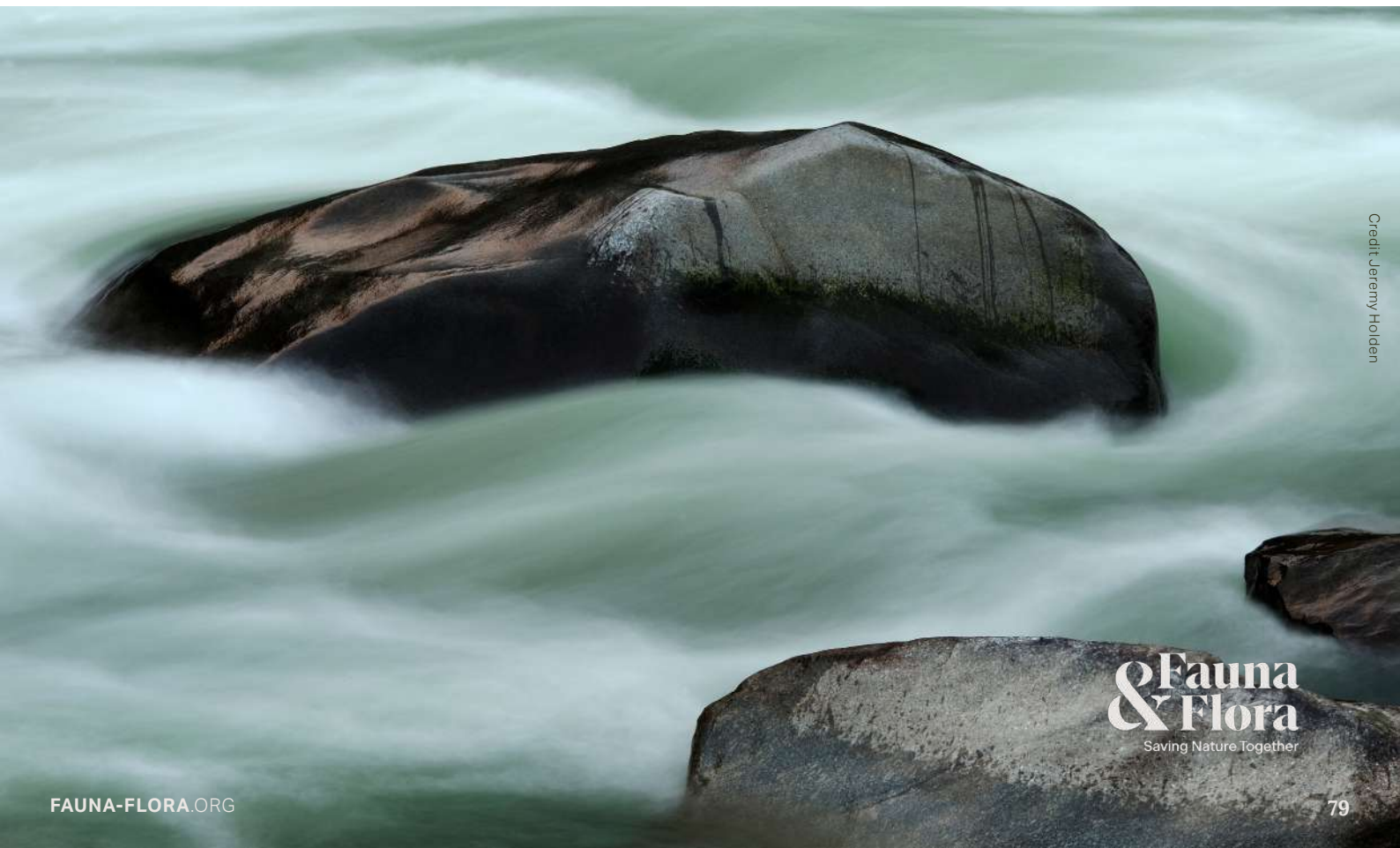
AKD sell a large proportion of their invasive species product to local restaurants, and part of their service as a supply chain intermediary is to provide delivery of the product to restaurants. Delivery of the product incurs expenses, including staff time, fuel, vehicles and maintenance costs, and it is crucial that these costs are kept as efficient as possible.

During the 2022 season, AKD carried out a cost analysis exercise and realised that delivery costs contributed to a large portion of their operational costs as some customers were ordering small amounts of produce, meaning in some cases, the revenue made on the order did not cover the delivery costs. They, therefore, introduced a minimum order policy of 5kg per customer per order. This had the effect of reducing the number of journeys required to deliver the same quantity of produce.

Other options to achieve cost efficiencies include outsourcing. At the time of writing, AKD was exploring the possibility of using a third-party distributor to further reduce the delivery costs per kg of produce.



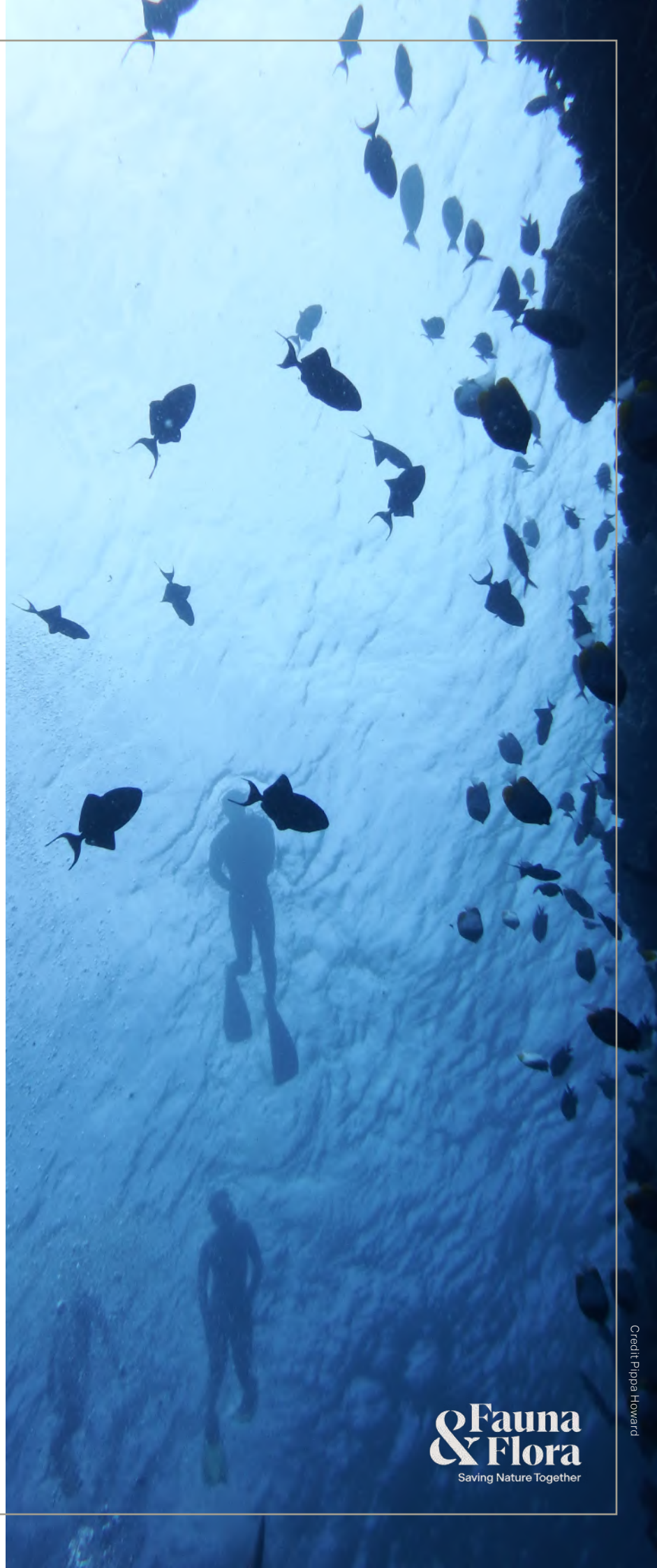
Credit: Zafar Kizilkaya



Credit: Jeremy Holden

Sales forecasting: A forecast of an enterprise's future sales, both in terms of volume and value, based on anticipated market demand and historical sales data. There are several methods for such forecasting, and it usually depends on what data is available to run the analysis and the financial and technical resources at your disposal. Commonly used methods, especially by small-to-medium enterprises, are:


- **Salesforce composite technique:** an enterprise asks its sales personnel to make forecasts. The assumption is that the sales teams are in direct contact with the customers and other parties in the distribution channel. As such, they can be better informed about the demand for a product. Please refer [here](#) for more details.
- **Buyer's expectations:** enterprise surveys to understand buying intentions. If you want a survey of buying intentions, you select a sample of potential buyers and try to get information about their potential purchase of the product in the future. You then extrapolate the information to get the total demand forecast.
- **Delphi method:** a structured communication framework based on the results of multiple rounds of questionnaires sent to a panel of experts. After each round of questionnaires, the experts are presented with an aggregated summary of the last round, allowing each expert to adjust their answers according to the group response.
- There are also several quantitative analysis tools for sales forecasting, including time series and econometric analyses. Such analyses require years of sales data and are quite technical, beyond the scope of this guidance material. If you are interested to learn more about these methods, please refer [here](#).



STEP 8: LEGAL INCORPORATION

This is the process of constituting the corporate legal entities through which the NPE can operate. The establishment of different types of organisations is often guided by various pieces of legislation in different countries. If constituting a board, it is important to establish clear policies, decision-making processes, compliance rules, roles, and penalties for non-compliance. The board must operate in a visionary leadership mode, rather than being self-interested or passive.


Lessons learned from governance-structuring activities include the importance of establishing community structures early on and holding community leaders accountable through regular meetings to increase transparency. Technical skills appropriate to the enterprise must be represented, and key stakeholder interests should be equitably represented without overshadowing the need for the right technical skills. Even with a properly established corporate governance structure, the risk of failure remains if it does not operate or function correctly, which can seriously threaten the viability of the enterprise.



“The triple
bottom line of any
business is people, profit
& planet. In the case of
Nature Positive Enterprise,
it is **communities, profit
and sustainability.**”

Credit: Zafer Kizilkaya

**Fauna
& Flora**
Saving Nature Together



Chapter 4: Managing the Business

**Fauna
& Flora**
Saving Nature Together

Chapter 4: Managing the Business



Credit: Juan Pablo Moreiras

Managing a business is not easy, as it can face various challenges that arise from the changing external environment affecting regular operations, mission drift, or stakeholder conflicts. Business leaders should constantly keep themselves updated on the rapidly evolving conservation finance space to identify opportunities for scaling up and diversifying income streams. This chapter provides practical guidance on these topics, based on the learnings gathered from NPEs from around the world, with whom we've worked with.

**Fauna
& Flora**
Saving Nature Together



Credit: Zafar Khalikaya

I. ADAPTIVE MANAGEMENT

Like all businesses, NPEs are exposed to external changes and shocks, for example:

External shock:

An extreme event such as a pandemic or cyclone can severely disrupt business operations. The Covid-19 pandemic has exposed the vulnerabilities of NPEs in the tourism sector and product-based enterprises reliant on international market demand. NPEs with adaptive management capacity responded swiftly and were able to cater to national demands that were unaffected by international travel restrictions.

Changing customer preferences:

Market demand for products constantly evolve with customer preferences, willingness to pay, access to or use of a product. NPEs can respond to some of these changes in demand by adapting product attributes, marketing strategies or pricing. For example, "nature" has become a key theme in tourism markets. The demand from visitors to experience and contribute to nature conservation drives the development of niche sustainable and environmentally responsible tourism products.

Competitive landscape:

NPEs do not operate in isolation. They are part of a dynamic ecosystem of other market actors driven by different motivations. Quite often, we observe NGOs in a land/seascape inspired by a successful NPE and attempt to set up their own similar or identical venture. Such replication of NPE business models can be beneficial, as it can drive a nature-positive green economy at the landscape level. However, from a business perspective, those new NPEs can create competition with existing ones. It is ideal to establish a non-competitive collaboration of NPEs within a landscape, where each NPE develops its niche to outcompete conventional, non-nature-positive businesses. Please refer to the 'Developing Strategic Partnerships for Nature-Positive Enterprises Toolkit' for further guidance in developing partnerships for nature-positive enterprises across your landscape. This could aid in reframing your relationships with other business in the area from 'competitive' into 'collaborative'.

Policy and regulatory framework:

Market systems are governed by national and international regulations. Policies affect land tenure and resource use, which affects ecosystem health and, therefore, affects nature-positive businesses. For example, Nagoya Protocol on access to genetic resources and fair and equitable sharing of benefits played an important role in determining profit sharing mechanisms for NPEs based on traditional products. While ultimately, some of these issues may be outside your control and the scope of this guidance document, keeping up to speed with changes in business regulations and adopting adaptive management principles will help you adjust accordingly if macroeconomic conditions affect the landscape in which your NPE operates.¹

CASE STUDY

BULGARIAN SOCIETY FOR THE PROTECTION OF BIRDS (BSPB)

(Organisation 7, refer to Case Studies Table of Contents for more information)



Credit: Bjorn Olesen

Example of an enterprise responding to external shock:

The BSPB's Nature Conservation and Information Centre in Eastern Rhodopes was highly affected by the Covid-19 crisis. Operations were closed from March to May 2020, the peak birdwatching season, and all reservations were cancelled. The centre had to adapt quickly to this new challenge. In response, they opened an online shop to promote home delivery of food from their restaurant. BSPB also applied for an emergency grant from a private donor, which helped renovate their exhibition hall during the following lockdowns in autumn 2020 and winter 2021. The tourism market shifted during this period, with visitors preferring smaller accommodations and less popular tourist destinations. Consequently, all accommodations in their small visitor centre were booked over the summers of 2020 and 2021. As a result of this high occupancy, the restaurant was very profitable and the enterprise was able to continually employ personnel, even when it generated low or no revenue in the non-summer months.

II. STRATEGIC ALIGNMENT

Below we have provided a useful guide to support adaptive management of NPEs, including strategic planning sessions. It is important to consult key stakeholders during such sessions, which ensures their feedback and concerns are addressed, ultimately promoting successful execution of the strategy.



Credit: Camilla Iurra

1 Where is the business now?

- Environmental scan using PESCAL analysis (please refer to guidance [here](#))
- How is the current business performance? Is it achieving the biodiversity and social impact it was set up to achieve?
- Identify any significant issues the enterprise currently faces.

2 Where does the business want to be?

- Revisit the Mission, Vision and Values from the Business Model Canvas (chapter 2) before setting future objectives to remind yourself of the purpose of the enterprise.
- Then, set specific objectives the business wants to achieve, such as tapping into a new market.
- Make sure that any outlined future objectives align with the business's capabilities.

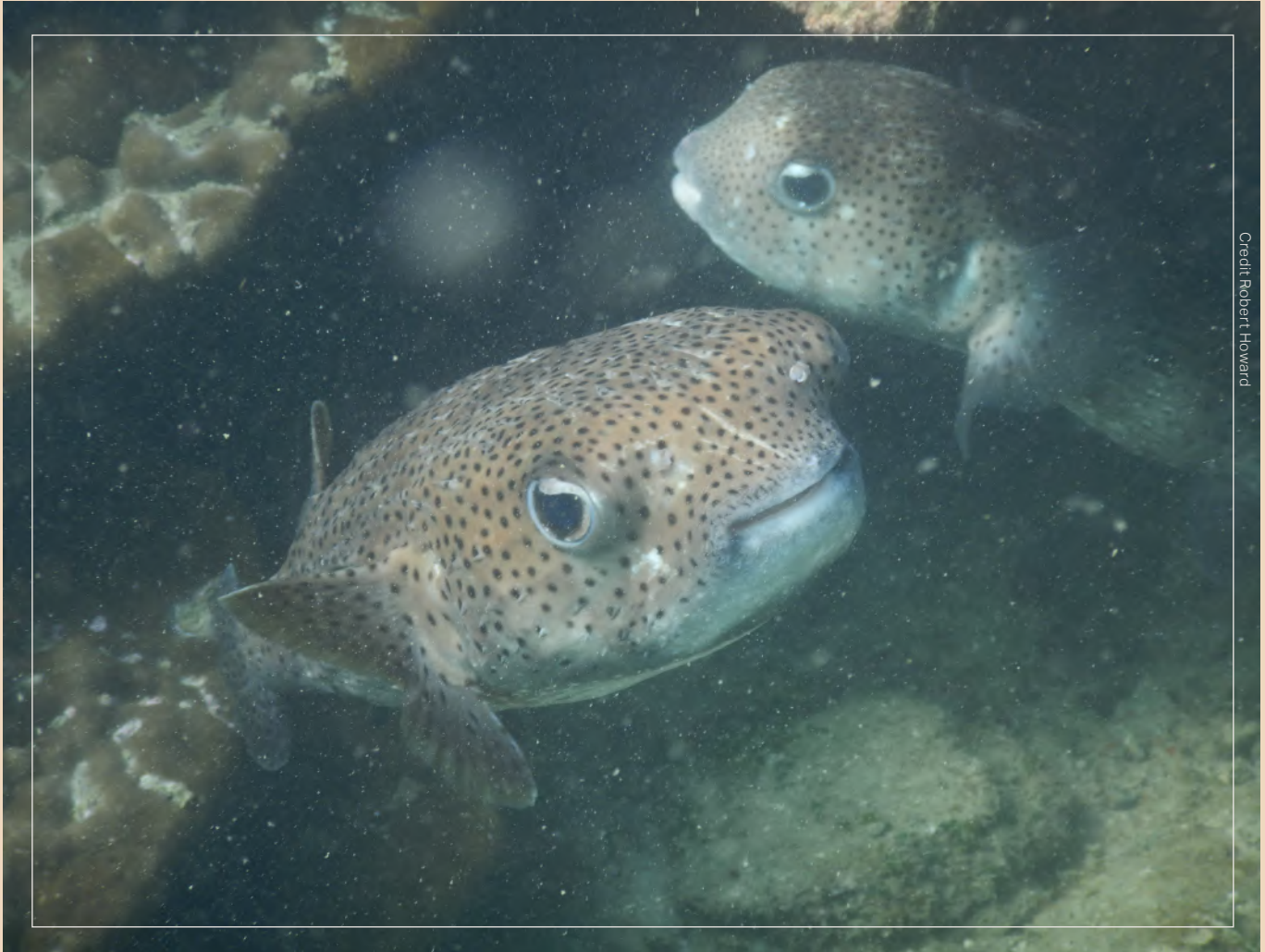
3 How will the business get there?

- Develop action plans in consultation with key internal and external stakeholders and ensure market trends are considered. Conduct a thorough financial analysis before making a strategic investment. More guidance on conducting such analyses is available [here](#).
- Set indicators to measure progress. If the indicators developed during the business design phase (chapter 2, section: Impact Measurement) are relevant, continue to use them. If the enterprise has set new objectives, for example, diversifying from a tourism business into the honey business as well, use indicators that are relevant to the new business. In addition to the indicators such as the occupancy rate of a hospitality business such as an ecolodge, add new indicators such as "volume of honey sold" to track the performance of the additional objective.

CASE STUDY

AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)



Credit: Robert Howard

At the end of the first year of operation, the AKD NPE in invasive species products had adapted to various unexpected contextual challenges and opportunities. This meant that the business was no longer operating in accordance with the original business strategy. For example, the NPE was mainly selling one product, lionfish, as opposed to a wide range of invasive fish species, and the fish was being sold in smaller quantities with higher costs than originally anticipated.

It was decided that a strategic review should be undertaken in order to ensure the NPE had a coherent strategy to operate within the changing business context.

Firstly, a break-even analysis was done to determine how to price the product, accounting for the expected volumes and costs based on the first year of operations. The analysis showed that the business strategy needed to achieve three main objectives:

Price increase

- To do this, AKD decided to use a premium price strategy, targeting the upper end of the market and selling fresh fish to restaurants.
- A willingness to pay survey suggested that customers were most interested in consuming lionfish in restaurants, which aligns with this model and that customers were willing to pay this price for fresh, prepared lionfish.

CASE STUDY

AKDENİZ KORUMA DERNEĞİ / MEDITERRANEAN CONSERVATION SOCIETY (AKD)

(Organisation 4, refer to Case Studies Table of Contents for more information)

Increase sales volumes

Through supply:

- To do this, AKD would source supply from greater geographical areas, including three additional cooperatives as sales hubs.
- AKD would also increase research and development efforts into specific nets and an understanding of these species' behaviours, together which would enable an increased yield of invasive species such as lionfish .
- AKD would explore price incentives to encourage fishers to supply lionfish.

Through demand:

- AKD would increase engagement with restaurants across a wider geographical area, although experience indicated that there was existing high demand from restaurants in their current area.
- AKD had begun to engage with a private sector actor interested in buying all invasive species products, which presented a potentially transformative opportunity for the NPE to scale up.

Decrease costs by 30%

- AKD had agreed to a partnership with a private distributor, which would decrease transport costs by approximately 50%.
- It was expected that overall cost efficiencies of around 40% could be achieved by reducing transport costs and the staff-time costs associated with the delivery service.

Tip: It is recommended that you do a strategic review annually, assessing whether the context has noticeably changed or not, to determine whether updates to the strategy should be made. The best time to do a strategic review is once your annual management accounts have been published, so you can base your assessment on the financial performance of your business and perform some analysis on expenses.



Credit: Akdeniz Koruma Derneği

II. GOVERNANCE ASSESSMENT¹

This tool can be used to analyse the quality of decision-making and management practices within NPEs, especially those that involve local community/landowners as key stakeholders if the NPE is, for example, a cooperative.

The governance assessment is comprised of two main stages. The first stage 'sets the scene' by sharing experiences and perspectives of good governance, and the second stage assesses the group or organisation against good governance principles.



Stage 1 'Set the scene' by sharing experiences

- 1. In order to 'set the scene' key stakeholders participating in the workshop (especially local community/landowners and other actors identified as "partners" in chapter 2) are encouraged to recount an event or change that was a result of (or was followed by) decisions made by NPEs.**
- 2. This exercise can be carried out in groups of two or three and presented back (as a story or role-play, if appropriate) or can take the form of a group discussion. Questions to guide the discussion include the following:**
 - How, where, when, and by whom were decisions made?
 - How were they communicated?
 - What possibilities were there to debate decisions?
 - Was there consensus around the decisions made? How and among whom was the consensus achieved?
 - Who had the most influence over decision-making processes? Why?
 - Who had the least influence over decision-making processes? Why?
 - What was good about the decision-making process?
 - How could decision-making have been improved?

Through this discussion, participants should be able to elicit their perspectives on what constitutes good governance. The principles of good governance, against which the NPEs will be assessed, can then be presented and discussed. Although values are strongly influenced by the local cultural context, there are some universal norms that apply across cultural boundaries.

Principles of good governance

- **Participation** - key stakeholders participate in decision-making that affects their lives, including representatives from marginalised and disempowered groups.
- **Equity** - Costs and benefits are shared fairly, and impartial arbitration is available in case of conflict.
- **Accountability** - Lines of responsibility are clear, and those in positions of responsibility are answerable to all stakeholders.
- **Transparency** - All relevant information is available, in an appropriate form, to key stakeholders.

¹ FFI Conservation, Livelihoods and Governance Programme Tools for participatory approaches February 2013



Credit: Paul Hoham

Stage 2 Assess the organisation against selected governance principles

The exercise can be carried out as one group or in smaller sub-groups (depending on the number and composition of participants).

A table can be prepared (please see below), and the organisation can be scored against good governance principles using a number of measures. The score could, for example, be good (indicated by 😊 or a score of 1), moderate (indicated by 😐 or a score of 0), and poor (indicated by 😞 or a score of -1). The process of discussing good governance is more important than reaching a consensus in one session. If there are differences of opinion, these should be noted, and the discussion should move on. Plan separate follow-up meetings to discuss points that were not resolved.

If appropriate, individual participants could prepare their own scoring, followed by a group analysis and discussion of the patterns

that emerge. In this case, it may be appropriate to make the statements in the table below more personal, e.g. "I feel that respect and attention are given to my views" or "I am aware of the organisation's rules and regulations".

Discuss and analyse the results, focusing on why and how the score was allocated to each principle. Any differences of opinion should be discussed, and if an agreement cannot be reached, note the points discussed and move on. Following or during the discussion, the table can be visited, and the scores adjusted accordingly, if necessary.

If time permits and if appropriate, participants can discuss the scores they would like to see in the future and begin to explore steps needed to improve decision-making practices in the future. A column can be added to include steps needed to improve the scoring or key points from the discussions.

Template to assess governance principles

	😊	😐	😞
Participation			
The governing body (e.g., executive committee, council, board) is representative of all group members and is not dominated by any particular individual/s or sub-group/s			
At least 30-40% of office bearers (e.g., chair, secretary, treasurer) are women*			
There is regular dialogue with and active involvement of all members in the organisation's discussions and activities			
Equity (Fairness)			
Respect and attention are given to all stakeholders' views			
There is no personal bias in decision-making			
Consideration is given to the distribution of costs and benefits (of decisions and actions) between stakeholders			
Transparency			
All stakeholders are aware of the organisation's rules and regulations			
All stakeholders are aware of how and why decisions are made			
There is clear communication with all stakeholders, including on all financial transactions			
Accountability			
There is a clear system for the allocation and acceptance of responsibility			
There is a process of monitoring and reporting to ensure that agreed actions are effectively implemented			
In the event of conflict or grievance, a clear mechanism is in place and can be accessed by all stakeholders			

*Note: [30percentclub](#), a business-led campaign to boost female representation in management boards, seeks at least 30% representation of women. However, European Union signed off a [directive](#) in 2022 to have 40% of the under-represented sex (typically women) on corporate boards. The directive is expected to come to force in 2026.



Credit: Gaurav Vashishtha

Based on the outcome of this governance assessment, NPE management can come up with an action plan to address the weakness identified. It is good practice to conduct such an assessment on a regular basis, for example, every three years, to assess progress towards good governance practices.



Credit: Gareth Goldhorpe

III. CONFLICT MANAGEMENT

Is it critical to have leadership that is commercially savvy and that aligns the business's success with the enterprise's vision for the overall success of the enterprise. Leadership should ensure "Good Governance principles" around participation of key stakeholders in enterprise functioning, equitable sharing of benefits, transparency is ensured. Poor leadership can lead to misappropriation of enterprise benefits, ultimately causing conflict, suspicion and passive resistance to the business.

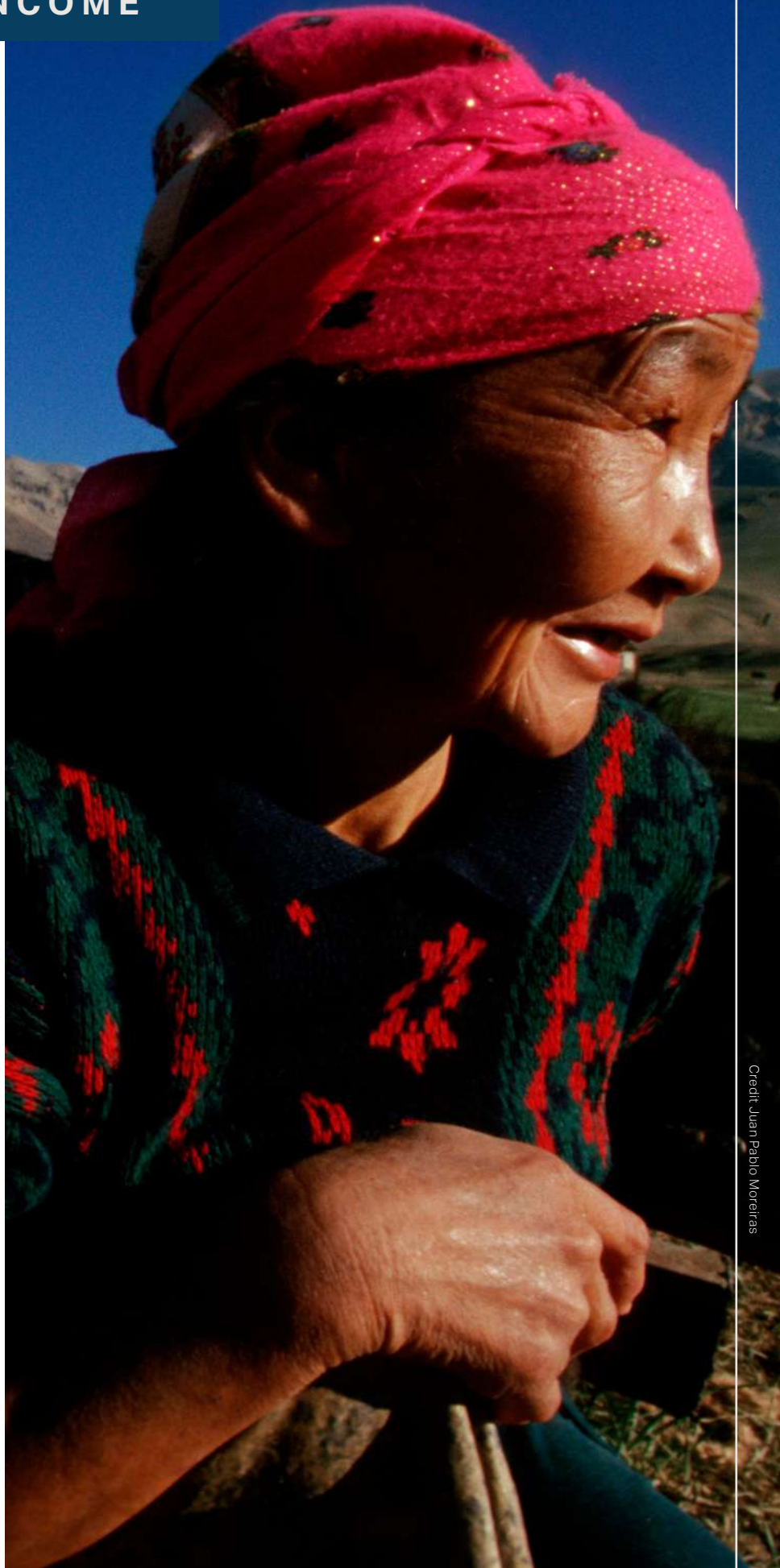
The following points will help address these challenges:

- Avoid concentrating decision-making among one or a few individuals. Ideally, there should be regular changes in the management of the NPE, i.e. the NPE should not be run by the same manager for decades.
- Set up a grievance mechanism in consultation with key stakeholders and regularly discuss the nature of concerns being reported with wider NPE users. Keep a log of the issues being raised and note the time taken to resolve the issue.
- Have regular financial and governance audits and ensure findings are accessible to key stakeholders.
- Develop a standard operating procedure and code of conduct to guide ethical and responsible leadership.
- Hold regular meetings with key stakeholders to ensure transparency and keep the, abreast of key successes and challenges faced.

IV. SCALING-UP AND DIVERSIFYING INCOME

Diversifying income is key to reducing over-dependency on a single source of income for the NPE. This income strategy helps manage operational risks, for the loss of income from one source can be compensated by another source. Options to diversify income streams are below:

- Complimentary products: There is a growing interest in providing locally-produced traditional products (e.g. honey or jam) in tourist areas.
- Income from carbon: The Voluntary Carbon Market can provide long-term funding to support the improvement and maintenance of ecosystems. They are usually associated with woodlands, but carbon storage in permanent grasslands and other ecosystems is now widely explored and accepted. For example, carbon payments are available in an agricultural context, in which case significant increases in the carbon content of the soil can be measured and paid for. 'Avoidance of loss' payments are similar and can support environmental conservation objectives. For example, if a forest is conserved from planned or unplanned deforestation, local actors and project developers can claim carbon credits for their conservation actions, which can be monetized.
- Other innovative mechanisms: Other credit schemes apart from carbon include biodiversity credits, water-based payment for ecosystem services (PES) or nitrate credits. On the voluntary market, potential investors are increasingly open to investing in biodiversity credits in addition to carbon credits to boost the value of carbon credits. The concept of certified biodiversity credits is being developed and is already available in certain markets.



CASE STUDY

FUNDATIA ADEPT

(Organisation 3, refer to Case Studies Table of Contents for more information)

ADEPT is developing an innovative biodiversity and carbon credit system to provide payments to farmers for maintaining intact grasslands. Credits will be calculated based on avoiding the loss of grassland areas and certified by the Plan Vivo Foundation or other credible credit certifiers. These credits will be sold to private buyers on the Voluntary Carbon Market and can be linked with additional biodiversity credits. ADEPT is working closely with the Biodiversity Credit Company, the only organisation in Europe that is developing these linked biodiversity and carbon credits. These credits could provide long-term (25-year) funding to farmers to supplement income from milk sales as an incentive to maintain high-value grasslands. ADEPT expects the credit system will be validated by 2023 and the first credits available on the market by 2025.

CASE STUDY

BULGARIAN SOCIETY FOR THE PROTECTION OF BIRDS (BSBP)

(Organisation 7, refer to Case Studies Table of Contents for more information)

Since the Covid-19 pandemic, BSPB has learned to be flexible and adapt to new circumstances. The enterprise is considering diversifying its income by producing new products, developing more outdoor attractions around its eco-tourism centre, developing new services such as bike rentals and birdwatching tours and developing partnerships with local producers to sell their products at the centre (e.g., honey, tahini and wine). They are also investigating the possibility of receiving compensation payments for maintaining forest biodiversity.