

Biodiversity-based microenterprise development (B²MD)

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Holcim Group Support

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Abbreviations

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| CAP | Community Advisory Panel |
| CSR | Corporate Social Responsibility |
| FAO | Food and Agriculture Organization of the United Nations |
| KPI | Key Performance Indicator |
| M+E | Monitoring and Evaluation |
| MED | Micro-enterprise development |
| MFI | Microfinance Institution |
| MNC | Multi-national company |
| NGO | Non-Governmental Organization |
| WCC | World Conservation Congress |

Executive summary

Developing biodiversity-based microenterprises¹ has the potential to lift individuals and communities out of poverty while conserving biodiversity.

One of the work streams of the collaboration between Holcim and IUCN aims at developing a biodiversity-based microenterprise development concept and pilot testing it in selected countries. The main objective of the concept is to assist and guide multinational companies in collaboration with other entities in planning and managing micro- and small enterprise development projects that create sustainable livelihoods in the community and support biodiversity conservation.

The proposed concept consists of five phases that create a learning and process loop for a range of actions that may be required for the development of biodiversity-based microenterprises. The main actors and owners of the resulting projects and respective businesses are the local stakeholders and entrepreneurs themselves, while the process is facilitated and supported by a multinational company (MNC) and a non-governmental organization (NGO), in this case Holcim and IUCN, or their affiliates.

The concept² incorporates a variety of approaches, using key tools³ for five phases, namely: situation analysis, strategy development, and business plan development, integration into value chain and monitoring and evaluation. Many of the tools have been applied extensively in different situations by different actors. In the context of this concept not all of them, however, will be relevant during all phases and for all projects.

The most important success factor for the development and the implementation of biodiversity-based microenterprises lies in the joining of business and biodiversity expertise, availability of human and financial resources at local and international level as well as the active participation and ownership of local stakeholders.

¹ The commonly accepted definition of "microenterprises" describes them as a type of small business with five or fewer employees and a seed capital of not more than \$35,000. In many countries microenterprises are small, informally organized commercial operations that are owned and operated by the poor. In the context of this paper, we refer to microenterprises but assume that these initial microenterprises can and will grow into small businesses with more than five employees. The aspiration further is to contribute to the development of formally managed businesses.

² The concept draws heavily on the FAO's „Community-based tree and forest product enterprises: Market Analysis and Development“ material by Lecup, O and Nicholson K., 2003; M4P's "Making Value Chains Works better for the Poor: A toolkit for practitioners of Value Chain Analysis", by M4P, 2007; and USAID's "Local communities and Natural Resources" manual, USAID, 2007

³ The analysis and selection of tools is based on Kristy Facer's Enterprise Development database prepared for the Markets and Incentives Theme of the IUCN Livelihoods and Landscapes Strategy (http://cms.iucn.org/about/work/programmes/forest/fp_our_work/index.cfm).

1. Introduction

The objective of this paper is to present a concept for the development and implementation of B²MD projects. Based on the experiences and strengths of MNCs in collaboration with NGOs it suggests a five-phase approach with a clear timeline, roles and responsibilities as well as implementation tools for microenterprise development projects.

a. Overview

Microenterprise development programs aim at initiating or supporting small producers and micro

the nature of the cement industry, a potential exists to develop enterprises that relate to sustainable construction and waste management activities such as the use of rice husk or other waste products that can be used as alternative fuels in cement kilns.

IUCN:

The development of biodiversity business has been identified as a priority in the draft IUCN Program for 2009-12⁵. One reason for this new emphasis is a growing awareness that traditional approaches to conservation, based on government and charitable action, are not, on their own, sufficient to halt the decline of biodiversity or the reduction of poverty. Another reason is the increasing recognition of the many skills and capacities that business can bring to bear on conservation, including sustainable financing, process management, and keen sensitivity to consumer preferences. Through its Business and Biodiversity Programme (BBP), IUCN aims to support the integration of biodiversity concerns and opportunities into business planning at all scales, including small and medium-scale entrepreneurs who rely on natural resources and ecosystem services for their livelihoods.

Through IUCN's Livelihoods and Landscapes (LLS) initiative, IUCN is also working to ensure that markets and incentives support the sustainable management of landscapes, while also increasing the incomes and livelihood security of the rural poor. This involves work to reduce poverty and improvements to the degree to which conservation outcomes and the needs of the poorest are incorporated into existing markets for forest goods and services, as well as working to develop pro-poor markets for forest ecosystem services. Small enterprise development is a key focus of this work, where support is being provided towards enhanced knowledge generation, strengthened capacity and the empowerment and creation of opportunities for rural people in small and microenterprises. This initiative is being implemented in several countries across Asia, Africa and Latin America.

c. Experiences and strengths of Holcim and IUCN

Holcim:

As mentioned above, Holcim's experiences with microenterprise development focus on Latin America and Asia. All of these projects are small-scale and target a clearly defined stakeholder group, such as employees or communities close to Holcim operations. Some companies also implemented projects aimed at providing alternative income generation to employees in times of restructuring⁶.

The challenges for Holcim with respect to microenterprise development projects are to scale-up existing or future projects, to include a sound financing component and to target products and services that conserve biodiversity and enhance natural resource management, possibly focusing on opportunities present in the Holcim value-chain.

The main strength of the local Holcim operations is the detailed and long-standing knowledge of host communities and in most cases the presence of established relationships and collaboration. The projects further benefit from a knowledge transfer of business processes (administration, finance etc.) from company managers and employees to the project participants.

IUCN:

⁵ Shaping a sustainable future: The IUCN Programme 2009-2012.

⁶ These projects, that were implemented in partnership with banks or financial organizations as well as small-enterprise or business development actors, aimed at enabling former employees to set up their enterprises that would either be contracted by the company (e.g. gardening or janitorial services) or operate independently after the start-up phase. An evaluation of a respective project in Sri Lanka revealed that two years after the start-up of more than 200 microenterprises of former employees, about 98% of enterprises were still successfully in operation.

Recent IUCN experience of biodiversity business has focused on southern Africa, through the Natural Futures Programme⁷. This initiative has supported efforts to improve market access for rural primary producers and enterprises working with natural products in the region through supply-chain improvements, certification and standards application for niche market opportunities, increased access to working capital and other business inputs, as well as marketing and business planning advice. Other relevant experience by IUCN includes direct support for the development of small-scale, forest-based enterprise (timber and non-timber products), eco-tourism operations,

- Reputation risk for MNCs, NGOs and other partners if this is perceived by external stakeholders as token CSR/charitable initiative (greenwash) that does not lead to improvements in core business processes or biodiversity conservation
- Reputation risk to MNCs, NGOs and other partners if the businesses supported have significant adverse social or environmental impacts
- Risks associated with market trends and uptake, enterprise readiness and relevant skills
-

2. Concept: Five-Phase-Approach to B²MD

After reviewing currently used approaches to B²MD, considering the experiences and expertise of the partners, and integration of inputs from a variety of experts, a generic framework using a five-phase approach has been developed, ensuring that the concept is applicable to a wide range of possible enterprises.

The proposed "Five-Phase Approach" outlines a process and identifies tools for the planning and management of B²MD projects with a focus on natural resource management and biodiversity implemented under the joint responsibility of a Member State (under the SFOP) and the BDA (SFOP) (D) (50) (C) (A) (0) (62)

Phase I: Situation Analysis

The main objective of this phase is to undertake an assessment of the socio-economic conditions and needs, to create an ecosystems services inventory and to evaluate current biodiversity threats and economic opportunities of ecosystems services as well as to assess the current product use, existing markets and supply-chains in a specific community or region. The assessment helps to understand the local needs and socio-economic objectives, livelihood strategies, related problems and opportunities and to subsequently create a shortlist of a range of possible products and/or services related to biodiversity business. If a needs assessment or a socio-economic assessment has been conducted earlier, it should be used as a baseline and be updated.

Phase I - Situation Analysis

Main steps:

- Mapping and analyzing stakeholders: This will help to select the assessment working group members⁸, focus group participants⁹ and interview partners¹⁰ as well as the identification of the individuals that will form the project team¹¹
- Assess socio-economic conditions/needs and the political situation/trends as well as political and permitting systems through desktop review, focus groups and interviews (in particular if no data are available from official sources)
- Assess and analyze ecosystem services and related threats and economic opportunities
- Review – preliminarily – existing enterprises, markets and supply chains
- Identify target group and their objectives
- Establish collaboration and create awareness and capacity for participatory processes
- Create awareness for the different elements of sustainable development

Involved persons:

Facilitation team (comprised of Holcim, IUCN and community representatives)

Possible areas for natural-resource or pro-biodiversity related enterprises include:

- Wild products business, e.g. medicinal plants
- Ecotourism
- Handicrafts
- Ecoagriculture
- Forestry products
- Waste-derived products and services
- Sustainable Fisheries
- Agroforestry
- Biodiversity Offsets (medium to long-term)
- ...

Phase II – Strategy Development

Main steps

- Identify products and services, their opportunities, risks and constraints
- Identify value addition opportunities
- Identify entrepreneurs and their objectives
-

to the project or as an option where entrepreneurs can apply for micro-credits. The identification of project partners for the finance component or the identification of credit options and establishment of first contacts have to be part of the overall management of the individual projects¹⁴.

As valid for all activities during the other phases of this approach, financial assistance has to be complemented with technical assistance (e.g. risk management, community business education) and capacity-building. This financial and technical assistance needs to be sustained for a reasonable time in order to support the businesses to become viable.

The main activities of this phase are adapted from the suggestions of FAO MA&D booklet E on how to develop a business plan. There are, however, other approaches that can

Phase IV: Integration into value chain

While the analysis and evaluation of the value chain was already conducted during phases I and II, the main objective of this phase is for strategic integration of the product or service into the chain based on the findings of these earlier phases and key opportunities and gaps identified.

The value chain includes a range of activities that are performed within an enterprise to produce a certain product or service but it further encompasses the complex range of activities that are implemented by various actors to bring a product or service from the producer to the consumer. It helps to identify the basic structure, dynamics and elements of the value chain as well as analyze the entry points for enterprises within it.

In the context of this concept, the main objectives of this phase are to establish the enterprise within the value chain and “get the enterprise going” and to successfully market the product or service. Experience of Holcim projects has shown that successful integration into value chains is one of the most important factors for success. The project management should therefore focus strongly on enabling entrepreneurs to access the chains.

Integration into value chains might be best approached by joining forces since the economic benefits of organizing micro-entrepreneurs into groups, cooperatives or networks includes the improvement of bargaining power, the obtaining of market access or broadening of market opportunities, the improvement of product or service quality and the reduction of costs and increase of income.

Another opportunity to reach out to national and international markets is through certification¹⁵. Certified products are likely to attract more demand, tapping into new, niche and higher value markets. During the certification process, community entrepreneurs also get feedback from the certification agencies to adopt responsible practices – related to the product or service, production process, compliance with laws, labor policies etc. It is part of the project management to identify suitable certification bodies as well as to prepare the certification process¹⁶.

Special attention might further be given to possibilities to integrate enterprises into the value-chain of a multinational corporation or to search sev-0.0021 9rn8cies etc. .3(the vyno)5..1976 9s465.m-0.6(p)5.4yuD-



Annex 1: Good practice examples, Holcim

Holcim Ecuador

Microenterprise Development in Ecuador

- Holcim Ecuador is implementing a MED program in Latacunga (about 90 km south of Quito), in poor, mainly indigenous communities.



Annex 3: Five-Phase Approach – Checklist

| Phase 1 – Situation Analysis | |
|--|--|
| Internal project team(s) of main project partners appointed | |
| Stakeholder Map developed | |
| Working group in project community identified | |
| Internal and external stakeholder analysis conducted | |
| Socio-economic assessment conducted <ul style="list-style-type: none"> ○ Assessment team identified ○ Focus groups conducted ○ Individual interviews conducted ○ Findings summarized | |
| Political situation/permitting systems analyzed | |
| Natural resources/biodiversity situation analyzed | |
| Existing markets and respective existing enterprises and value-chains analyzed | |

| | |
|---|--|
| Enterprises in operation | |
| Micro entrepreneurs embedded in value-chain | |
| Opportunity fro certification of product/service evaluated and certification sought | |
| Monitoring system set up and started | |
| Phase 5 – Monitoring and Evaluation | |
| Constant participatory monitoring of individual enterprises/clusters in place | |
| Impacts of individual enterprises/cluster measured <ul style="list-style-type: none"> o After 6 months of operation o After ___ months of operation | |
| Business plans of individual enterprises/cluster reviewed <ul style="list-style-type: none"> o After 6 month of operation o After ___ months of operation | |
| Competitiveness of individual enterprises/cluster analyzed | |
| Learnings captured and exchanged with other micro entrepreneurs | |