

Conservation Enterprise: What Works, Where and for Whom?

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Executive Summary

Community-based natural resource management (CBNRM) recognises that local communities are often best placed to conserve natural resources, as long as they stand to gain more than they lose from doing so. Conservation enterprises—commercial activities generating economic and social benefits in ways that help meet conservation objectives—seek to reinforce these incentives.

The African Wildlife Foundation (AWF) has adopted conservation enterprise as a core part of its conservation strategy since the 1990s. It predominantly supports partnerships between local communities and the private sector, with the community retaining ownership and the private sector providing the management expertise and paying a combination of fixed and variable fees to the community for access to its resources.

Measuring the impact of conservation enterprises is key to ensuring their effectiveness. This study draws on the experience of the AWF and other organisations to assess what effect conservation enterprises can have on the livelihoods of local communities and how effective such initiatives are at poverty reduction. It finds that most of these enterprises cannot by themselves take people out of poverty, but can provide less tangible benefits, such as increased investment in health and education, strengthened community organisations and greater resilience in difficult times. A successful conservation enterprise needs to strike a balance between harnessing local skills and entrepreneurship and ensuring that the benefits are felt by the entire local community, particularly those who make the decisions about resource use. Some programmes can be specifically targeted at particular groups, but enterprises providing employment tend not to favour the poorest community members and the benefits may be captured by local elites. The evidence also shows that well-designed conservation enterprises can improve the conservation of some types of land areas and key, high value species—such as mountain gorillas—but are less effective at conserving biodiversity with a lower market value.

In addition to external factors, such as the legislative environment and the market conditions, we identify and describe six characteristics that make a conservation enterprise more likely to provide both livelihood benefits and conservation gains:

1. Clear conservation logic
2. Commercial success
3. Good choice of private sector partner
4. Sound community partner
5. Community ownership and enforcement of benefit streams
6. Transparent benefit-sharing arrangements

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Why conservation enterprise?¹

Community-based natural resource management (CBNRM) starts from the belief that local communities are best placed to conserve natural resources; and that they will do so if the benefits of conserving them exceed the costs, and if those natural resources can be directly linked to their quality of life (Rozemeijer, 2001). Benefits may be commercial, from tourism or hunting, or subsistence. CBNRM strategies are associated with policy changes that give local communities control over their natural resources and allow them often exclusive rights to exploit them for profit. Conservation enterprises are one way to create benefit streams aimed at addressing conservation problems.

There has been criticism of the implementation of CBNRM, for example failures in decentralising rights to local communities, widespread conflicts reinforced by lack of political incentives, weak governance, and the capture of benefits by more powerful groups (Roe *et al.*, 2009). Communities may be quick to see opportunities from CBNRM, but fail to realise them due to governance issues. Yet increasingly CBNRM has been shown to be a valid conservation and development approach and has been adopted widely in sub-Saharan African countries as an important element of rural development strategies (Hulme and Murphree, 2001). CBNRM can deliver non-financial as well as financial benefits, notably improved rights, reduced poaching and greater security.

The interest in conservation enterprise in Africa followed pioneering programmes such as CAMPFIRE in Zimbabwe and ADMADE in Zambia, which used direct economic benefits to reinforce conservation incentives, rather than more general poverty reduction. Increasingly CBNRM has meant supporting natural resource-based businesses at community level (particularly tourism, but also forest and agriculture based), often with private sector partners.

Thus the evolution of conservation enterprise² as a conservation strategy is tied to the growing understanding of the need to valorise biodiversity resources if they are to be

1 This paper draws from AWF's recent experience across its programme in Africa and at the same time reflects on other organisations' comparative experiences in Africa and more widely.

2 Conservation enterprise is a subset of CBNRM, and focuses on harnessing private sector commercial forces for generating conservation and livelihood benefits.

adequately protected. Enterprise is a tool for enabling biodiversity to deliver commercial success in line with its sustainable use.

The African Wildlife Foundation’s conservation enterprise programme

The African Wildlife Foundation (AWF) was founded 50 years ago in Kenya. Today it works across 9 priority landscapes in 14 countries in sub-Saharan Africa. It has supported conservation enterprise as a core conservation strategy since the late 1990s, defining it as “a commercial activity which generates economic benefits in a way that supports the attainment of a conservation objective” (Giles Davies, AWF Director of Conservation Enterprise). It may support single businesses or intervene in the whole value chain for a product. Sectors include tourism, agriculture and natural products, such as harvesting and processing honey. Enterprise teams act as brokers between the community and private sector partners, ensuring the commercial and conservation rigour of each enterprise while offering services such as due diligence and business planning, legal contracting, community mobilisation and raising capital.

Figure 1 categorises the array of partnership arrangements that AWF has used for conservation enterprise development in terms of who owns the enterprise and who manages it. AWF emphasises community-private sector partnerships (shaded in grey in the figure). In our experience, local ownership combined with private sector management is the most effective.

FIGURE 1: PARTNERSHIP COMBINATIONS

<p>Community ownership–community management</p> <ul style="list-style-type: none"> • Community rich in resources and entrepreneurial skills • Enterprises using local materials and local skills and networks, • Does not work well for large or high quality enterprises, e.g. international tourism 	<p>Private sector ownership–community management</p> <ul style="list-style-type: none"> • Rarely occurs. Generally, the community does not have the capacity and private sector does not accept community as managers
<p>Community ownership–private sector management</p> <ul style="list-style-type: none"> • Community rich in assets but poor in capital and management skills, or not interested in running enterprise • Secures community rights and resources without alienating resources and empowers communities • High equity model designed to get the private sector to deliver value for community <p><i>Model most used by AWF</i></p>	<p>Private sector ownership–private sector management</p> <ul style="list-style-type: none"> • Most prevalent before CBNRM • Private sector alienates community assets for token benefits • Community receives benefits if they behave and support private sector goals • Communities are observers or passive participants

AWF recommends a 'consolidated revenue' model to structure income for communities in single enterprise (usually tourism) partnerships. The private sector manager pays fees to the community – including land leases or use rights fees, percentage of bed-night fees and conservation fees – from the 'top line' of the accounts (revenue) rather than from net profit. Each enterprise is linked to a conservation area set aside for tourism, and pays entry fees to view wildlife in the area. Some fees are fixed, guaranteeing a minimum income for the community, whereas other fees vary based on visitor numbers.

In contrast, in value chain linked enterprises, the benefits are structured in a way to strengthen producer added value, often through cutting out middle sections of the value chain, thus avoiding the need for complex 'benefit-sharing' contracts. An example would be enabling small scale honey producers to sell their product directly to end markets.

Impact assessment

AWF has invested heavily in developing a sound impact assessment process to ensure experience is fed back into project and programme design. Conservation impact is measured through assessment of species and habitat indicators, often using GIS referenced data. However, the development of socio-economic indicators is more difficult. AWF has worked with the Overseas Development Institute on a large impact assessment project which generated assessment methodologies rooted in the Department for International Development (DFID) Livelihoods Framework (Ashley, 1998). The resulting AWF 'PIMA' (Program IMPact and Assessment) system incorporates many of these measures, including gender-specific measures of income and employment impacts. One of the nine sections in PIMA measures the socio-economic benefits to local communities (Box 1).

<p>BOX 1: PIMA 'HUMAN LIVELIHOODS' IMPACT INDICATORS</p> <ul style="list-style-type: none"> • Number of business ventures: how many conservation enterprises or agreements benefiting both communities and conservation objectives have been identified, established and supported. • Amount of capital invested to develop enterprises: broken down by grant, debt and equity funds. • Commercial performance of enterprises: annual turnover, profit and return on investment, as well as business specific indicators such as occupancy or sales volume. • Local financial benefits from enterprises and related activities: employment, disaggregated by gender, and financial returns from dividends, profits, wages, fees etc. • Local governance and empowerment impacts: the number of community institutions constituted or strengthened, women participating in conservation-based local institutions and enterprises, and community organisation partners managing significant revenues. • Number of direct beneficiaries of AWF action: individuals in households, specific groups or organisations, disaggregated by gender. <p>Source: AWF</p>

One recognised weakness of many impact analysis approaches is that they tend to gather data from the community, rather than the household level where most resource use decisions are made. Where AWF has undertaken household-level impact assessment, fo-

cal group discussions have proved more useful than household-specific data. However, such assessments have been expensive and hard to replicate. AWF continues to refine its household-level assessment methodologies to ensure they are both meaningful and cost-effective. Another challenge is ensuring assessments are fed back into project designs, with particular focus on making multi-disciplinary approaches (social as well as biological sciences) accessible.

In partnership with DFID, the Worldwide Fund for Nature (WWF) is trialling different methodologies to explore how people are affected. These include more participatory approaches such as Stories of Change, and community-based participatory impact assessments. While these mainly generate qualitative information, by applying methods such as participatory ranking or scoring, the feedback can be expressed numerically and transferred into quantitative changes. A study of conservation enterprises supported by the WWF outlines its four principles when designing impact assessments (Table 1).

Principle	Rationale
People centred and participatory	People themselves are best placed to tell us what impact project interventions have had on their lives. Participatory approaches allow people to tell us directly what they have experienced, what has changed and how significant these changes are. People are also capable of nuanced analysis of why certain things have and have not happened.
Dynamic	Wellbeing and access to different assets fluctuate through the seasons so trends should be assessed over time instead of in a one-off study.
Holistic	Any analysis must take into account the other factors which influence how people live their lives. We also need to understand the relative contribution of our work (e.g. the significance of income generation compared to other sources of income.) Assessments must look at both the intended and unintended consequences of projects across a variety of livelihood concerns.
Disaggregated	The comparison between different socio-economic groups is important. Unless we know who benefits and who doesn't, we cannot know whether the project is reaching those who are using natural resources in an unsustainable manner or whether it is increasing poverty and inequity in the community.

Studd (2010)

What are the impacts of conservation enterprises?

Poverty reduction

By the end of 2009, AWF had enabled the investment of US\$11 million throughout Africa from funding sources including grants, debt and private sector equity. This was spent on supporting 31 enterprises: 12 large tourism enterprises, 15 small spin-off enterprises (honey, crafts, resins), 2 agricultural and 2 livestock-based enterprises. These generate net community income of about \$1.9 million a year, employ about 255 community members

full time and benefit approximately 76,000 local people through associated capacity building, revenue sharing and community-designed social development projects.

The different types of AWF enterprises have varying results:

- Tourism enterprises can generate substantial annual returns for communities: ranging from \$61,000 to \$378,300 per enterprise in 2009 or between \$4 and \$259 per head. These are lower than figures for some South American enterprises (Stronza, 2007; Wunder, 2000) probably because benefits are being shared across larger communities.
- Large value chain interventions show higher returns per head: a 'revolving debt' live-stock enterprise in northern Kenya provides pastoralists with direct access to premium cattle markets (raising \$825 per capita); and the Kenya Heartlands Coffee partnership with Starbucks enables coffee farmers to sell certified conservation coffee (earning \$452 per capita). This is probably because the percentage of the local community directly participating in the project is higher.
- Small locally-managed enterprises using local materials, such as the cultural *bomas* and handicrafts businesses run by women, can provide substantial benefits even where total revenues are smaller. These can empower disadvantaged groups through improved capacity, self determination, and higher individual benefits, and can be targeted to reduce poverty.

While communities appreciate financial benefits from enterprises, non-financial benefits often have higher livelihood value. In our experience communities consistently decide to invest incomes from enterprises into communal benefits—such as education, security, water, health services—with huge multiplier effects. At Ololosokwan in Tanzania, the first tourism enterprise that AWF helped broker, a steady stream of community income for more than 10 years has resulted in improved education, healthcare and school infrastructure. Funds have been used by pastoralists to restock cattle after major droughts, increasing their resilience. Despite a lack of detailed household data, we have observed indicators of improvement such as housing quality, satellite dishes, more vehicles and an expanding town. Similar effects can be seen in other communities where enterprises have been running for more than five years.

One question about conservation enterprises is whether these would be viable without donor support when the full costs of developing them are factored in. In one case where AWF did track these costs—Koiya Starbeds Ecolodge in Kenya—the analysis has shown an impressive return on investment that justifies spending donor money. AWF tracked the full costs of its support and found that an investment of \$70,000 (\$48,000 in grants; \$20,000 facilitation costs and \$2,000 community contribution) broke even after five years of operation and by 2006 had generated a 225% return on its costs (Sumba *et al.*, 2007).

AWF increasingly promotes the use of commercial debt as a financing mechanism for conservation enterprises, to prevent market distortion, ensure risks are assessed and met appropriately and stimulate entrepreneurship. The Sabinyo Silverback lodge in Rwanda pioneered this approach, with the community borrowing money to buy their equity in the partnership. They are currently repaying that loan. AWF sees enterprise funding

evolving until debt is the primary funding source and grant funding is used to cover transaction costs such as community capacity building.

Other organisations have also found that enterprises can deliver significant benefits (Box 2).

BOX 2: POVERTY IMPACT OF CONSERVATION ENTERPRISES RUN BY SNV, THE DUTCH DEVELOPMENT AGENCY

Khwai Development Trust (Botswana): generated substantial income (US\$510,843 between 2000 and 2002) from the auction of wildlife quotas to various hunting companies and individuals. In 2000 it accrued \$181,062 in revenue from community-based tourism enterprises and \$488 per capita from joint-venture income.

Torra Conservancy, Namibia: earned income from a wildlife tourism joint venture and trophy hunting. The money generated by tourism increased from US\$77,375 in 1999 to \$188,307 in 2004. In 2003, each conservancy member was paid a dividend of US\$74, equivalent to 14% of the average annual income in the region. Interestingly, the most common use of the income reported was to pay for school fees.

Nyae Nyae Conservancy, Namibia: populated by one of the country's most poverty-stricken and marginalised communities. Since 1999, game numbers have increased, contributing significantly to members' livelihoods. In 2002-3 the conservancy provided 28% of all employment, as well as income from a hunting concession cash payment (US\$99,953), handicraft sales (\$31,242) and game meat (\$14,708). The per capita benefit in 2002 was estimated at US\$75.

Source: Spenceley, 2008

In 2010, WWF-UK analysed three enterprise projects aiming to benefit local communities from the sustainable harvesting, processing or production of natural resources (Studd, 2010). All three took place in areas of high poverty, with limited opportunities for employment and weak provision of government services; thus, despite being small scale, the relative importance of these enterprises is significant.

1. **Harvesting and trade of resin from *Commiphora wildii* for perfume in Namibian conservancies:** 275 participants generated income amounting to 25% of average annual household incomes for the region. Seventeen per cent of adult residents in five conservancies were involved in harvesting this valuable plant resin, with over 1,006 beneficiaries in 2009 (Studd, 2010).
2. **Responsible Forest Management and Trade (RFMT) project in Peru, Nicaragua, Panama, Colombia and Bolivia:** rates of out-migration declined due to the opportunities generated (Johnson, 2009). In Nicaragua profits of \$116,000 between 2006 and 2008 were generated, 95% of which were channelled through social investment programmes chosen by the communities. Employment trebled from 100 to 300. The proportion of people living on less than \$1/day fell significantly during the period (IFC, 2009).
3. **Non-timber forest products and medicinal and aromatic plant harvesting in Nepal:** in the lowlands, 67% of people surveyed had improved food security, with 57% cultivating medicinal plants as their primary source of income. In the less populated mountains, 95% of participants saw an increase in income as a result, improving food security by up to six months. Dependency on fuelwood also decreased.

A key finding is that while these enterprises are not enough on their own to take people out of poverty, they make an important contribution to improving socio-economic status. The most direct contribution to poverty reduction in each case was through the generation of income via employment or sale of harvested products (Studd, 2010). Less tangible benefits came from the establishment or strengthening of community-based organisations. For example, an evaluation of community based forest enterprises established under the RFMT found:

"Without exception the communities visited reported that there had been a transformation in the community organisation and their sense of empowerment to act for themselves as owners of their own development process. The direct effects of support to the community organisational capacity has also had collateral effects on awareness and exercise of citizens' rights as full members of democratic societies." (Johnson, 2009)

These benefits are not necessarily down to the enterprise, but the associated support provided to local communities to organise themselves, understand their rights and negotiate with external agencies. Timing is also important – in the Namibia and Nepal projects, income is received in the 'lean' time of year, and provides a 'safety net'. *"If we are hungry today, we can go and harvest and get money and tonight we can buy food"*, says Hepute Kapukire (aged 90, Marienfluss Conservancy).

While NGO partners have published a significant volume of information about the benefits of conservation enterprises, it is surprisingly difficult to establish the net income earned by the community from each enterprise, and its share of net income flows. This is partly due to the reluctance of private sector partners to make commercially sensitive information available, and partly reflects the fragmented nature of conservation enterprise efforts, with data being held by many different parties. This makes it hard to refute the criticism that conservation enterprises are not happening at a sufficient scale to justify donor engagement. Most available research is case study based – with different methods of evaluation – precluding comparison and aggregation of data. There are few systematic assessments – see Dixey 2008 and Spenceley 2008 for examples.

Impact on biodiversity

Nearly 200,000 acres of land have been brought under improved management through new community-private sector tourism enterprises supported by AWF. For example, 500 acres of critical corridor land have been secured through a conservation area by the Koiya Starbeds Ec lodge and managed by community scouts paid by the lodge. An assessment after four years found that the health of the conservation area had improved, and 13 species of wildlife, including elephants, were now using the area frequently (Oguge, 2005). The AWF livestock project in northern Kenya is expected to improve management of an additional 3 million acres of pastoralist land. In the Democratic Republic of Congo, AWF has helped improve both livelihoods and forest conservation in the Lopori Maringa Wamba landscape. By assisting the war-ravaged communities to resettle and restart agricultural activities through providing market access for products using the Congo River as the main marketing channel, improved forest management has been established, and bushmeat hunting and slash and burn agriculture have been reduced.

In order for a conservation enterprise to have a positive impact on biodiversity, it must be designed to do so, and then implemented and monitored accordingly. The benefits delivered by the enterprise must be clearly linked to the needs identified by the community and the intended conservation gains. Precise contracts (which spell out the conservation goals and outcomes as well as the benefit flows) and active enforcement are key to ensuring that the enterprise delivers as planned. This principle reduces the risk of negative conservation impacts that may result from successful enterprises. For example, without proper conservation requirements the more profitable livestock industry in northern Kenya could result in higher concentration of livestock in the project area, thereby compromising land conservation and long term sustainability goals. Similarly if conservation enterprise enables farmers to increase productivity and generate higher benefits from a unit of land from high value cash crops, without appropriate safeguards to enforce the principle of sustainable resource management, this could encourage households to expand their cultivated land at the expense of the natural ecosystem.

Reaching the poorest

How benefits are shared is critical to giving people incentives to conserve biodiversity: benefits need to be felt by all members of the community, particularly those—usually the poorest—making decisions about resources or foregoing resource use. Some types of enterprise can target specific individuals, for example training women for a handicraft enterprise or improving value chains to benefit poor farmers. However, tourism joint ventures, which still account for the largest share of AWF conservation enterprises, are not targeted at the poorest members of a community. Tourism enterprises tend to employ the elite, i.e. those with the required education and skills. Generally it is the private sector partner who determines who is employed though the community may be able to nominate beneficiaries. Employment opportunities as game scouts, guards and in construction projects tend to be more equally spread.

AWF-supported tourism enterprises have created between 1 and 55 new jobs each. While each job is important, clearly this is not sufficient to reduce local poverty levels significantly, a point made in earlier assessments of community-based tourism (Kiss, 2004). This confirms that it is difficult to produce appreciable wealth for large numbers of people in poor rural areas through individual tourism enterprises (Young, 2006).

In the past AWF has largely left local leaders to decide how the income is spent and the extent to which different individuals and households within the community benefit. However, the growing concern that benefits should be tied more explicitly to conservation goals is leading AWF to try to address these issues with community partners during the design process, and to document and monitor the agreed benefit allocation approach. In most AWF-supported enterprises, no household level dividend is paid out. Instead, money is invested in social services such as education through scholarships; health; water and rural transport. This approach spreads the financial benefits among community members, which can make it more difficult to establish direct links between sustainable resource management practices required and the benefits received. There are also non-financial benefits: in northern Kenya enterprises have helped secure community

conservancies with increased security and reduced cattle rustling, thereby improving the livelihoods of all community members. Other non-financial benefits valued highly by communities include capacity building for community members, empowerment and the right to participate in community institutions.

Sometimes, even with transparent mechanisms such as regular and open sharing of management accounts and more formal scrutiny by Compliance Boards (with representatives of both private sector and community partners) for managing benefits, local elites still benefit disproportionately. In some isolated cases, people in positions of power, like the village chief, have used their traditional authority to capture benefits or to sell/lease land in contravention of other agreements.

Other organisations such as WWF and Oxfam (Box 3) have found that successful community-led enterprise depends on harnessing skills, resources and entrepreneurship, rather than targeting activities to the poorest members of the community (Studd, 2010). Reaching the poorest requires the successful delivery of complementary government services, sound community benefit-sharing practices and the trickle-down effect of successful community businesses. Studd concludes that the context and the design of the intervention determines who benefits, and highlights how the poorest can be targeted in some cases. For example, in a project in the mountain areas of Nepal, the poorest people (primarily women) were given priority when issuing permits for collecting juniper leaves for processing into essential oils. Similarly in Namibia, those conservancies with less potential for developing high profit tourism or hunting enterprises were targeted for the trial of *Commiphora* harvesting. Again, women were targeted initially but when men realised it was profitable the number of men participating rose substantially!

BOX 3: USING ENTERPRISE TO REACH THE POOREST: OXFAM'S PERSPECTIVE

Oxfam recognises that enterprise development might not suit the poorest of the poor and people in very vulnerable conditions, but enterprises run by or involving poor people do create opportunities for poorer people. In Palestine, one of the honey producer organisations includes very poor people with few assets, but who can still benefit from the co-operative's marketing channels and technical assistance. In other cases smallholders create job opportunities for landless people or people with few assets as temporary workers.

Oxfam also takes into account a wider web of institutions and structures which need to be dealt with to create an enabling environment for sustainable enterprises. For example, appropriate access to land and basic infrastructure (water, roads) is essential. Another element is business services, such as credit and market information, which usually don't reach the poor. Women and other groups face specific barriers, such as cultural barriers ("women should not be involved in marketing") and lower literacy levels.

Source: Pandey, pers. comm.. Oxfam 2009

Evidence from Tanzania and Kenya shows high levels of elite capture from conservation tourism enterprises. In the Simanjiro area of Tanzania, corrupt hunters and officials were able to increase their own extraction of wildlife resources through quota setting and double-filing of quotas, while the poorest suffered from restrictions on access to resources and increased personal insecurity (Sachedina, 2008). Household surveys around parks in Kenya found that few families were benefitting significantly from wildlife con-

ervation, apart from in the Maasai Mara, and that the situation is worse in Tanzania (Homewood *et al.*, 2009). Even in the Maasai Mara, Thompson (2009) found that those with livestock wealth and land-allocating authority captured 60-70% of all income from wildlife. However, the situation in some new community wildlife sanctuaries in Kenya is better, with sanctuaries serving as 'grass banks' to reduce pastoralist vulnerability in times of water stress.

Evidence from Namibia and South Africa suggests that enterprises can contribute to poverty reduction. Evaluation of nature tourism in Zululand in 2002 found that it provided better opportunities for impoverished people than other industries, with more unskilled and semi-skilled jobs and higher returns on capital than the economy as a whole. For nature tourism 26% of expenditure was spent in small, micro and medium-sized enterprises, and 14% was spent in local communities, versus 15% and 11% for the economy as a whole (Spenceley, 2009).

What types of conservation enterprises work best?

AWF has found six characteristics of conservation enterprises that combine livelihood benefits with conservation gains:

1. **Clear conservation logic.** Too often enterprises assume that delivering livelihood gains to communities will lead directly to improved conservation practices. However, experience indicates that specific conservation gains are most likely to be realised and sustained where they have been negotiated, agreed and contracted, e.g. through a conservation easement³, a wildlife corridor, or a reduction in use of a specific resource.
2. **Commercial success.** Evaluations of NGO-supported CBNRM programmes have pinpointed lack of commercial logic as a frequent weakness. AWF enterprises are designed and managed by pro-conservation venture capitalists and experienced business managers, with communities supported by AWF community conservation officers and processes. Multiple revenue streams and benefits must be secured contractually and delivered transparently, and preferably not be spread too thinly among a large number of people. The enterprise deal must be well-structured, including legally-binding agreements that protect the interests of all parties. Contracting terms must be prudent, with the contract long enough for the private sector to recoup capital costs and turn profitable, but not so long that a community becomes 'trapped' in a deal. Enterprises that provide opportunities for 'spin-off' enterprises—such as those supplying inputs to the business (e.g. food for a tourist lodge), or complementary products (e.g. cultural tourism experiences for tourists at a lodge)—can help communities tap into value chains and strengthen benefit flows. Each enterprise is taken through a thorough 'due diligence' process which includes business planning, market research, risk analysis, competitor analysis, deal negotiating, deal structuring and financing, ensuring market access, supporting marketing and promotion, and training and capacity building.

3 A conservation easement is a formal agreement between two parties to change land use practices in return for specified benefits.

3. **Right private sector partner.** Many private sector businesses, particularly those operating in poor rural parts of Africa, see themselves as having a socially beneficial as well as a profit making (and environmentally neutral) role to play. AWF chooses companies with a track record in social responsibility, including experience of working with communities as partners, not just as suppliers of labour and other inputs.
4. **Sound community partner with appropriate governance in place.** Enterprises are more likely to succeed where the community partner has a well-articulated and functioning management structure and remains engaged throughout. The ideal partner is a strong, representative and inclusive community institution with strong leadership accountable to and able to negotiate on behalf of a clearly-defined community. As this condition is rarely met, a key step is to give community institutions support with strategic planning and drawing up procedures covering governance (calling meetings, decision-making protocols, appointment and retirement of trustees/directors); financial management (controls, approvals); and accountability (communicating nature and extent of benefits created and distributed, and preparing, auditing and communicating accounts). The legal form of the community partner can bolster good governance practice—for example, in Kenyan group ranches the community interest can be in the form of a corporation in which every household holds shares and receives dividends, circumventing the risk of elite capture. A realistic assessment should be made of the support needed to bring the community partner to the levels of governance where enterprise performance is not overestimated (Daconto, pers. comm., CARE).
5. **Contractual community ownership and enforcement of benefit streams.** Community members must feel that the benefits from the enterprise are enough to justify sacrifices made. Benefits can flow from equity, leases, rents, other payments and employment, and should be monitored by a multi-stakeholder enforcement committee or other formal mechanism.
6. **Transparent intra-community benefit-sharing arrangements.** Conflicts over resource management issues—both between the operator and the community and among community members—can arise as an enterprise is developed. Rapid increases in benefits from a successful enterprise can create social impacts that lead to conflict. Equitable benefit-sharing systems must be agreed and executed transparently by community leaders, and negotiated as part of the planning process.

Other organisations have similar findings (Box 4). Fauna and Flora International (FFI) notes these elements of a successful enterprise: “*access to markets, start up capital, continued access to financial services, production skills and business skills, good quality products, good packaging and presentation, strong institutions, competitiveness, profitability, security of tenure over resources, and a stable and supportive legal and political environment*” (FFI, 2010).

BOX 4: SUCCESSFUL CONSERVATION ENTERPRISES: LESSONS FROM WWF

Enterprise characteristics

1. A strong link between the enterprise and the conservation of natural resources so as to reinforce people's role as stewards of natural resources.
2. No negative environmental impact from the enterprise.
3. A high value 'product' which is easy to harvest, grow or use, plus ideally the ability to add value locally.
4. Linked into existing community structures and/or help from local champions/entrepreneurs.
5. Part of a wider strategy for livelihood diversification.
6. Appropriately matched to local capacity, other livelihood strategies, traditional knowledge and practices; adaptable to local conditions; flexible in the application of management regimes. Tools and approaches need to be adapted to meet local needs and not just applied off the shelf.

Conditions for success

1. The right policy and legislative environment.
2. Local ownership and support by the community.
3. Sufficient investment in community management and technical capacity before starting. It may be advisable to work with a partner with enterprise development skills.
4. Effective links between the producers and the market place.
5. Mechanisms to enable the poorest members to benefit immediately after harvest, rather than waiting till products are sold. This allows people to see benefits immediately.
6. Appropriate research and development into potential environmental impacts or limits to harvesting beforehand.
7. Appropriate regulated processes (e.g. accountability, financial record keeping).

Studd, 2010

The role of the NGO as independently-funded 'broker' to help build trust between the partners and provide technical support and other services to the enterprise can be an important determinant of success.

The right legislative, policy and macro-economic environment is also key. In Tanzania, the Wildlife Management Area (WMA) directives/laws passed by the Director of Wildlife in November 2007 made it illegal for WMAs to negotiate local game viewing deals and required the channelling of revenue centrally. This presented a challenge to successful enterprise development. However, the government has shown willingness to amend the policy based on lessons emerging from pilot WMAs. Improved government capacity and supporting policy frameworks can also help. In Namibia, the new Concessions Unit in the Ministry of Environment and Tourism has helped improve the quality of concession contracts. In South Africa, the SANParks commercialisation strategy has greatly improved the tendering of ecotourism public-private partnerships in national parks (Spenceley, 2009).

Enterprise success often depends on the behaviour of other enterprises, whether in the same market or up or down the same value chain. For example, in one Community Trust area in Zambia there are 16 tourism enterprises, but only one with AWF support. To design and deliver effective conservation and livelihoods changes, the impact of all 16 has to be taken into account. The AWF southern Africa team has recommended engaging all of these enterprises to facilitate broad agreement on best practice and conservation and development goals, while placing these enterprises more concretely into tourism destination development and the larger tourism value chain (Metcalf, pers. comm.).

Main challenges

Careful assessment of potential weaknesses can turn them into strengths, or prevent unviable enterprises from being initiated at all (Daconto, pers. comm.). Challenges include:

- **Poor choice of private sector partner.** Unscrupulous partners may exploit weaknesses in community institutions or be unwilling to meet environmental sustainability goals. Avoid a 'build it and they will come' mentality; deals must be vetted against current and forecasted market conditions.
- **Community partner problems.** High expectations may mean that community members are unwilling to wait for annual dividends. Weak institutions, poorly defined and/or fragmented communities may need long term support—NGOs can find this hard to sustain. WWF's experience is that establishing these initiatives can mean supporting the enterprise through the product development stage (at least five years in the fragrance industry; Studd, 2010). Fragmented communities may experience high levels of conflict over benefit-sharing processes. Communities may lack funds to invest, and even when they are provided with grants they may be uncomfortable with the concept of 'equity' shares in businesses. Weak benefit-sharing mechanisms and high risk of elite capture of benefits can mean that the anticipated livelihoods impacts and conservation gains remain unrealised. Costs of transportation from remote mountain areas can be a challenge and significantly increase the costs, in some cases preventing the enterprise from breaking even (Studd, 2010).
- **Grant funding undermines entrepreneurship.** Grant funding for enterprises can take away the entrepreneurial element and weaken the overall commercial proposition, as well as its sustainability.
- **External factors.** Fluctuations in the tourism industry can make tourism enterprise a risky business for communities, as it is driven by seasonality, international events and crises, and foreign policy such as travel advisories or sanctions. Market fluctuations can be challenging, particularly when you want to set a fair price. This means that the financial planning of the operations has to be carefully done, especially when the margins are slim (Studd, 2010). Markets may change, for example the emergence of cheaper products from Asia. Weaknesses in government policy can inhibit whole enterprise sectors. The policy environment may need to be influenced.

- **The need to work within environmental limits.** This is particularly challenging for large-scale projects across whole product value chains (e.g. livestock, or ecotourism in vulnerable areas), or where projects are ready to scale up. Project design must avoid over extraction and be managed within the limits of ecological sustainability (Studd, 2010).
- **Choosing the right conservation intervention.** Enterprise development is one of several possible ways to address conservation priorities. AWF uses participatory threat analysis and zoning at landscape level to identify the types of intervention needed. WWF experience suggests that influencing the policy environment, or engaging in value chain and supply chain interventions rather than individual enterprises, can generate conservation gains faster, with lower opportunity costs and at more significant scale. However, the actual cost depends on the need for capacity building at household and community levels.

At times it appears that there is no such thing as a win-win in development practice: rarely is every stakeholder satisfied with their rights and benefits compared with those of their neighbour or neighbouring community or competitor; rarely are sustainable flows of benefits established through time that demonstrably and unequivocally lead to sustained improvements in conservation outcomes; rarely is there no 'leakage' where resource consumption foregone in one area does not lead to pressure on resources in another area. Yet where we are concerned with renewable resources, with areas where the opportunity costs of conservation are low (e.g. marginal rainfall areas, remote areas), and with areas of low human populations, experience suggests that conservation enterprise can deliver 'win-wins' for specific groups of people and resources, in defined geographic areas and for the duration of the life of the enterprise.

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