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Conservation Enterprise – What Works, Where and for Whom?

By Joanna Elliott and Daudi Sumba

A Poverty and Conservation Learning Group (PCLG) Discussion Paper

Acknowledgements

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. We would particularly like to thank Kate Studd (WWF), Anna Spenceley (SNV), Giuseppe Daconto (CARE), Helen Schneider (FFI) and Nishant Pandey (Oxfam) for their personal contributions of background papers, ideas and examples for this paper, with WWF in particular contributing substantial analysis of several case studies. We hasten to excuse them from any responsibility for its contents, which are solely the responsibility of the AWF research team.

This paper was produced as a contribution to an international symposium on biodiversity conservation and poverty reduction organised by the International Institute for Environment and Development (IIED), UNEP-World Conservation Monitoring Centre (UNEP-WCMC) and African Wildlife Foundation (AWF) which was held at the Zoological Society of London on 28th-29th April 2010 (see http://povertyandconservation.info/docs/20100901_ZSL_Symposium_Report.pdf for more details). Production of the paper was supported with a grant from Poverty and Conservation Learning Group (PCLG), an international network coordinated by IIED and funded by IIED's range of framework donors (Danida (Denmark), DFID (UK), DGIS (The Netherlands), Irish Aid, Norad (Norway), SDC (Switzerland) and Sida (Sweden)) and the Arcus Foundation.

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Summary

The African Wildlife Foundation (AWF) works at landscape level in nine priority sites in Africa, covering parts of fourteen countries in east, central, west and southern Africa. Most of AWF's work is in remote rural areas of relatively high poverty, where sustainable development requires tackling the causes of rural underdevelopment and unsustainable resource use. It is widely accepted that there are limits to which any one organisation can expect to deliver on poverty reduction goals, particularly in areas lacking coherent or enforced government policies for rural development, effective institutions and strong local civil society organisations. However, AWF finds that helping wildlife to 'pay its way' through flows of cash and other benefits from locally owned businesses can help address these linkages, and is an important step forward from the base case of ensuring that conservation activities 'do no harm' to the poverty reduction agenda. AWF believes that where biodiversity and wildlife can demonstrate a clear value and contribution to national growth and poverty reduction strategies, this contributes to a favourable local, national and regional environment for conservation.

The World-Wide Fund for Nature (WWF) has identified poverty as a driver of environmental degradation and environmental degradation as a driver of poverty, and is determined to address these issues in tandem. The WWF pro-poor poverty and conservation policy states that, where relevant, WWF will strive to address the root causes of poverty.

Enterprise development has been one of five priority areas of AWF strategic intervention for the past decade, primarily because of the opportunities identified for delivering both conservation and local livelihood gains through improving wildlife-based business success. In drafting this paper AWF draws particularly on its own learning and that contributed to the paper by WWF, but also that of other organisations including FFI, SNV, CARE and Oxfam, to assess how successful this approach has been both in terms of conservation outcomes and of generating benefits and improving economic conditions for local people.

The paper is structured around the following questions:

1) What impact has conservation enterprise had on poverty reduction?
2) Which groups of poor people benefit most from conservation enterprise?
3) What types of enterprises work best to link local livelihood and conservation gains?
4) What are the necessary conditions for success?
5) What are the limits of and biggest challenges to using enterprise as a conservation strategy?
6) What aspects of biodiversity get conserved better through this approach? What cannot be conserved through this approach?

In terms of overall impacts on poverty reduction, evidence reviewed by the study indicates that conservation enterprise can have significant impacts on local livelihoods and therefore on poverty levels. These impacts are both economic (jobs, income, opportunities) and non-economic (political, social, rights) and different livelihood impacts are valued differently within each community and often within each household. The extent of the impacts depends on the goals of the project, complementary government and NGO activities (is the enterprise part of a broader development programme, for example), on underlying poverty trends (the difficulties of isolating and attributing causes of poverty reduction), and on the ease of poverty indicator measurement. WWF emphasises that these impacts are often delivered through combining conservation enterprise with other conservation, livelihood and institution strengthening activities within an overall community-based natural resource management (CBNRM) programme and that their experiences suggest that enterprise is just one solution to the inter-related challenges of poverty and conservation. AWF points out that its conservation enterprise

work is designed to address specific threats to conservation, that its livelihoods work aims to strengthen local conservation incentives rather than tackle poverty reduction per se, and that it therefore tends to measure livelihoods rather than poverty impacts.

In terms of targeting the poor, AWF experience suggests that conservation enterprise can be used to target specific groups within a community where it is possible to design a viable business project (e.g. handicrafts businesses to target specific groups of women with products that meet market demands). Benefit sharing mechanisms adopted by community partners can also be designed to target specific groups within the community (e.g. youth). Evidence from organisations consulted indicates that conservation enterprise can contribute to poverty reduction, or at least be associated with it, as causality is often difficult to prove (WWF, 2010). However, Oxfam confirms that the very poorest and most marginalised members of society are hard to reach through enterprise and business support programmes, and that these programmes require or assume some form of 'trickle down' model with supportive government welfare provisions to address the needs of the very poorest.

When reviewing types of enterprise that work well and conditions for success, AWF has made significant progress over the past decade in working out how to develop conservation enterprises that are commercially successful, often in difficult operating contexts – remote, logistically complex, and removed from functioning markets and significant infrastructure. While commercial and financial success is but one of several key pre-requisites for a functional conservation enterprise, it is a central one to community partners wanting a share in the resulting economic opportunities. That said, there is always a limit to the impacts of an individual enterprise such as a large lodge – these enterprises work well to deliver significant streams of economic benefits, particularly in areas of low human population density (e.g. various AWF joint venture tourism lodges in east Africa), but rarely transform conservation economics across a landscape. However, value chain interventions, such as WWF's Responsible Forest Management and Trade (RFMT) programme in Peru, Nicaragua, Panama, Colombia and Bolivia, and the AWF 'conservation coffee' (in Kenya), 'boat trade' (in DR Congo) and 'linking livestock markets' (in Kenya and Tanzania) projects, because they change producer value added, can change conservation and livelihoods across whole landscapes, particularly where the policy and institutional environment is supportive. There remains a question of the true cost of supporting conservation enterprises, which generally involve large volumes of time and donor resources to be invested by communities and NGO partners, which should be included in an assessment of the costs and benefits of this mechanism. The paper identifies and explores six characteristics of a successful conservation enterprise, and identifies the role that a supportive policy and economic environment plays in supporting success:

1) Clear logic that ties enterprise to conservation goals and ensures that the enterprise is compatible with peoples' livelihood needs.
2) Commercial success that delivers benefits streams.
3) Right private sector partner able to perform collaboratively.
4) Sound community partner with appropriate governance in place.
5) Contractual community ownership and enforcement of benefit streams.
6) Transparent intra-community benefit-sharing arrangements.

Finally, evidence indicates that conservation enterprise can help improve resource management and conservation of those parts of biodiversity with clear economic value such as hardwoods, or the mountain gorilla. However, conservation enterprise does not appear to work directly as a strategy for conserving species with low economic values.

1. Introduction to the Paper

1.1 Evolution of Conservation Enterprise

Community Based Natural Resource Management (CBNRM) is based on the premise that local communities are best placed to conserve natural resources, that people will conserve natural resources if the benefits they stand to gain exceed the costs of conservation, and that people will conserve natural resources that are directly linked to their quality of life (Taylor 1998; Rozemeijer, 2001). CBNRM may be based on commercial use of natural resources, such as managing wildlife for local tourism or hunting, or on subsistence uses of resources (Roe et al, 2009). CBNRM strategies are associated with a change in policy and/or legislation enabling local communities' legal control and management rights over their natural resources. This then provides the legal framework, which allows communities to commercially exploit natural resources to make a profit, and often to exclude others from exploiting them. Support for conservation enterprise is one of many CBNRM implementation strategies that have been used widely by conservationists to create benefit streams aimed at addressing conservation problems.

The growing body of literature that examines the history and performance of CBNRM (most recently Baldus, 2009 and Roe et al, 2009) find much to fault and many lessons to learn with regard to implementation experiences to date, for example failures in decentralising formal rights to local communities, widespread conflicts reinforced by lack of political incentives, weak governance, and elite capture of benefits (Roe et al, 2009). These studies of field based experience suggest that communities are quick to see opportunities from CBNRM but are often constrained from realising CBNRM benefits by governance issues at village and policy levels. Yet the literature increasingly concludes that CBNRM has earned its place as a valid conservation and development strategy. As a result, CBNRM has been adopted widely in sub-Saharan African countries where it is seen as an important element of rural development strategy for poverty reduction in poor rural areas (Hulme and Murphree, 2001). CBNRM is recognised as a mechanism that can deliver non-financial as well as financial benefits, notably in terms of rights (reconnection with traditional rights, reduced alienation), reduced poaching (local monitoring by village game scouts) and village level security (by village game scouts, particularly when allowed to deal directly with problem animal control).

The development of support for conservation enterprise in Africa came after the well known CBNRM programmes, such as CAMPFIRE in Zimbabwe and ADMADE in Zambia, had been established, and sought to bring additional economic benefits to reinforce community conservation incentives, rather than targeting the poorest or poverty reduction per se. Increasingly delivery of CBNRM has meant supporting natural resource based businesses at community level (particularly tourism, but also forest and agriculture product based), often with investment and/or co-management by private sector partners.

Thus the evolution of conservation enterprise as a conservation strategy is tied to the growing understanding of the need to valorise biodiversity resources if they are to be adequately protected. Enterprise is a tool for enabling biodiversity to deliver commercial success in line with its sustainable use. The ongoing TEEB (The Economics of Ecosystems and Biodiversity) study, led by Pavan Sukhdev, has estimated the global cost of lost biodiversity at €1.35-3.0 trillion p.a. by 2050, though Sukhdev points out these figures are meaningless when we recognise that there would be no global economy without healthy biodiversity and ecosystems (Sukhdev Earthwatch lecture, 2010).

1.2 The AWF Conservation Enterprise Programme

The African Wildlife Foundation was founded 50 years ago in Kenya with the dual principles of African leadership and sustainable use at the heart of its conservation strategy. Today AWF applies these same values across nine priority landscapes in fourteen countries in sub-Saharan Africa, focusing on mechanisms to bring land and resources under improved management, conservation enterprise, capacity building, applied conservation science and policy work. AWF adopted support for conservation enterprise as a core conservation strategy in the late 1990s, in parallel with its commitment to working long-term at landscape level.

AWF defines conservation enterprise as 'a commercial activity which generates economic benefits in a way that supports the attainment of a conservation objective'. Conservation enterprises are designed to provide incentives (primarily through monetary or non-monetary benefit flows) for communities and landowners to conserve wildlife on their land, without targeting specific individuals within a community. A conservation enterprise may take the form of support for a *single business* (often the case with tourism enterprise) or an intervention in the *value chain* for a product (at any stage in the value chain, particularly in agriculture and for forest products). Types of enterprises include *tourism enterprises* such as eco-lodges, campsites, *agricultural enterprises* such as coffee and livestock production, and *natural product enterprises* that harvest and process natural products such as honey. In AWF enterprise teams act as 'brokers' between the community and private sector partners, ensuring both commercial and conservation rigour of the design of each enterprise while offering various facilitation services such as due diligence and business planning, identifying private sector partners, legal contracting, community mobilization, raising capital among others, in order to address the transaction costs that so often hinder enterprise development in remote areas of Africa. Over thirty AWF enterprises are now operating successfully, including several that no longer require significant support from AWF, with a further eleven enterprises in different stages of development.

The AWF conservation 'single enterprise' model emphasises community-private sector partnerships. 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. In our experience, 'local ownership and private sector management' has emerged as the most effective partnering option in delivering substantial benefits for communities and conservation. These partnerships are formalized through legal contracts that clear map out the roles and responsibilities of each partner in order to forestall potential conflicts.

Figure 1: AWF - Four types of partnership arrangement

Management \ Ownership of the Enterprise		
	Local community ownership: local community management • Community rich in resources and function as owners and entrepreneurs • Works well for local enterprises that require local materials and tap into local skills and networks, • Does not work well for large or high quality enterprises e.g. tourism that depends on international market access	**Private sector ownership; local community management** • Does not happen at all. Generally, the community does not have the capacity and private sector does not accept community as managers
	Local community ownership; private sector management • Community as owner; private sector as entrepreneur and manager • Community rich in assets but poor in capital and management skills • Secures community rights and resources; does not alienate resources and has empowerment value • Community have other livelihoods and competencies and not interested in running enterprise • Partner with private sector for high equity model designed to get the private sector to deliver value for community • *Model most used by AWF*	**Private sector ownership; private sector management** • Most prevalent before CBNRM • Most alienating because private sector alienates community assets for token benefits • Community receive benefits if they behave and support private sector goals • Communities are observers or passive participants

Source: AWF

Typically AWF recommends a 'consolidated revenue' model to structure income for communities in single enterprise (usually tourism) partnerships. Under this model, the private sector manager pays a stream of benefits to the community owner - 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 that the community sets aside for purely tourism use, and then earns conservation fees as entry fees paid to view wildlife in the conservation area. The land lease fees are fixed (based on acreage) and are paid annually guaranteeing the community income for use of their area. The bed-night and conservation fees are variable 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.

1.3 Measuring Livelihood (and Poverty) Impacts of Conservation Enterprise

Like many NGOs, AWF has invested heavily in trying to build and improve a sound impact assessment process internally so as to ensure learning is fed back into project and programme design. AWF calls its organisational level system 'PIMA' (Programme Impact and Assessment). One of the nine sections in PIMA measures the socioeconomic benefits going to local communities from conservation-based enterprises (see Box 1). In the late 1990s AWF worked with the Overseas Development Institute (ODI) on a large impact assessment project with

European Community funding called 'Wildlife Enterprise and Local Development' (WELD) which generated a number of useful assessment methodologies rooted in the Department for International Development (DFID) Livelihoods Framework, and these are still at the root of the AWF approach (Ashley, 1998). PIMA incorporates a number of these measures, tracked from project to landscape to organisational level, including gender-specific measures of income and employment impacts. The challenge for AWF has been the choice between expensive rigorous surveys that can yield details of household level impacts vis-à-vis lighter, more qualitative analysis that appear to be more cost effective.

Box 1: AWF PIMA 'Human Livelihoods' Impact Indicators

- **Indicator: Number of business ventures identified, established and supported by AWF**. AWF reports annually on number of conservation enterprises or agreements that benefits both communities and conservation objectives. AWF should track the cumulative benefits of these enterprises.
- **Indicator: Amount of capital invested to develop enterprises.** AWF reports volume of grant, debt and equity funds invested in conservation enterprises.
- **Indicator: Commercial performance of enterprises.** AWF tracks the commercial performance of conservation enterprises to establish if they are successful and viable in commercial terms. Annual turnover, profit and return on investment are reported, as well as business specific indicators such as occupancy or volume of sales.
- **Indicator: Local financial benefits from enterprises and related activities**. AWF reports on employment benefits that result from conservation-based enterprises, disaggregated by gender, and on financial returns from dividends, profits, wages, fees, and other contributions.
- **Indicator: Local governance and empowerment impacts.** AWF reports annually the number of community institutions constituted or strengthened, women participating in conservation-based local institutions and enterprises, and community organisation partners managing revenues in excess of $USD 5,000.
- **Indicator: Number of direct beneficiaries of AWF action.** AWF counts the number of individuals in households, specific groups or organisations that directly benefit from the activities and results of conservation action in each landscape, disaggregated by gender. A direct beneficiary must be an active member of a specific group or organisation targeted, must participate in the implementation and must receive a benefit or service from AWF or as a direct result of implementation that impacts their lives positively.

Source: AWF 2010 PIMA Framework, Section 8

Despite significant progress, challenges remain. One important and recognised challenge in the AWF impact assessment system is the lack of systematic collection and use of household level data. Most impact analysis, including much of that within AWF, focuses at the aggregate community level and does not attempt to analyse impact at the household level where most resource use decisions are made. Where AWF has undertaken household level impact assessment (its Kenya programme), the focal group discussions have proved more useful than household specific data, however the costs of assessment have been high and hard to replicate. AWF continues to work on refining its household level assessment methodologies to ensure they are both meaningful and cost-effective. Another challenge lies in ensuring that an appropriate 'learning culture' is in place to enable impact assessment to feed rapidly and effectively back into programme and project design processes, with particular focus on ensuring that multi-disciplinary approaches, with appropriate social as well as biological science capacities, are accessible internally and through partners.

WWF identifies four principles which should be considered when designing processes to assess impacts of conservation on peoples' lives and livelihoods (see Table 1) (Studd, 2010):

Table 1: WWF Principles for Impact Assessment

Principle	WWF Rationale
People centred and Participatory	People themselves are best placed to tell us what impact project interventions have had on their lives. Participatory approaches tell us directly – through peoples' own voices, the reality of what they have experienced, what has changed and how significant these changes are to them. People are also capable of nuanced analysis of why certain things have and have not happened. This approach is always preferable to the perspectives of an external observer, and should be part of any monitoring strategy.
Dynamic	Peoples' wellbeing and access to different assets change through the seasons and over time (e.g. the effect of food scarce months, health). These factors fluctuate up and down. Ultimately we should be interested in understanding whether livelihoods are moving in a positive direction by looking for trends over time. The results of a one off study will be affected by when it was undertaken and what other factors were influencing peoples' lives and livelihoods at that time.
Holistic	Any analysis of changes in peoples' lives and livelihoods 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. if a project claims to generate income for families, how significant is this income to those families compared to other sources of income? Is it more regular, does it occur at periods during the year when income from other sources is particularly low?) *To gain a picture of the broader development and poverty reduction impact of projects, assessments must take a longer-term view, looking at both the intended and unintended consequences of projects across a variety of livelihood concerns.*
Disaggregated	The comparison between different socio-economic groups (economic class, gender, caste, ethnic groups) is important. Unless project managers and implementers know who is benefiting from project activities and who is not within a community, they cannot know whether the project is reaching those who are using natural resources in an unsustainable manner or whether they are damaging prospects for sustainable conservation by increasing poverty and inequity in the community.

Through its partnership programme agreement with DFID, WWF is trialling different methodologies to explore how people in communities are benefiting or not. These include more participatory approaches such as 'Stories of Change', and 'Community based participatory impact assessments'. These methodologies are incorporated into the programmes' regular monitoring and evaluation systems (e.g. stories of change are collected every 6 months), and are based on the principle of getting feedback from project staff and community members against predefined 'domains of change'. This generates qualitative information; however, it is possible that by applying methods such as participatory ranking or scoring, any opinion, perception or feeling can be expressed numerically and transferred into quantitative change (e.g. 50% of households ranked empowerment as the most significant positive change to emerge from the project).

In July 2007 AWF, Flora and Fauna International (FFI) and Birdlife International co-hosted a workshop on 'Measuring the Impact of Livelihoods Initiatives in the Conservation Context'[1]. At this workshop it was established that each organisation has evolved its own approach to impact assessment and that each has strengths and weaknesses, with huge value to be gained from sharing experiences. It was also clear that different organisations have differing degrees of preference for quantitative vs. qualitative methodologies, but that conservation scientists per se tend to prefer the more expensive quantitative approaches. All those attending emphasised the need for participatory approaches, both quantitative and qualitative methodologies, and data interpretation at household level. It was agreed that improving these approaches is critical to ensuring lesson learning and sound design of conservation activities, and a further cross-organisational review of progress is now warranted.

[1] For more information see: http://povertyandconservation.info/docs/20070917-AWFBLFFI_WorkshopSummary.pdf

2. Impact of Conservation Enterprise on Poverty Reduction

2.1 Livelihoods Impacts of the AWF Conservation Enterprise Programme

Using PIMA, we can identify some aggregate impacts of AWF's enterprise programme. By the end of 2009, AWF had facilitated the investment of US$11 million of capital from a wide range of funding sources including grants, debt and private sector equity to support development of thirty-one enterprises open for business, including 12 large tourism enterprises, 15 small and spin-off enterprises (honey, crafts, resins), 2 agriculture and 2 livestock based enterprises. These enterprises are now generating net income of about $1.9 million p.a. to communities. They employ about 255 community members full-time and approximately 76,000 local people benefit directly from associated capacity building, share in net benefit streams (averaging $25 per capita p.a.) and community-designed social development projects. In terms of conservation value, these enterprises secure commitments to improved conservation across 185,785 acres of communal and private land. The linking livestock markets to conservation project will when fully implemented secure another 3 million acres of land to improved conservation in northern Kenya.

AWF experience indicates that tourism enterprises, particularly those structured as 'community-owned/privately managed', are capable of generating substantial returns for communities, though per capita returns vary greatly with community size. In 2009 AWF tourism enterprises generated net income for community stakeholders ranging from $61,000 to $378,300 per enterprise yielding per person returns in partner communities of $4 to $259 p.a. Larger enterprises in terms of investment and/or turnover, tend to deliver the highest benefit flows, and per capita benefit flows tend to be smallest for those enterprises targeted at large numbers of beneficiaries, especially where beneficiaries number in the thousands. The returns reported by AWF for most tourism enterprises fall within the range reported in similar areas by Burnsilver (2009) for Olgulului and Imbirikani Group ranches in Kenya at $15 and $14 per capita p.a. respectively and Sachedina et al (2009) for Emboret at $24; but are lower than those reported by Stronza (2007) for small forest communities in Peru at $550 and by Wunder (2000) for five tourism enterprises in Ecuador that ranged from $97 to $403. Even though enterprises in both areas generate similar levels of net incomes, the main difference between the African and South American enterprises appears to be that in the latter benefit flows are shared within smaller beneficiary communities.

In the AWF conservation enterprise portfolio, the highest per capita benefits are delivered by two large value chain interventions: 1) the 'revolving debt' livestock enterprise in northern Kenya that provides pastoralists with direct market access to premium cattle markets ($825 per capita p.a.[2]); and 2) the Kenya Heartlands Coffee project - a partnership with the Starbucks coffee company – that enable coffee farmers to sell certified conservation coffee ($452 per capita p.a.). Learning so far from the AWF livestock project affirms this project as a good example of a poverty-conservation 'win-win', with combined livestock and wildlife conservation strategies yielding significantly increased incomes. AWF data confirms that value chain interventions tend to have higher per capita livelihood impacts than single enterprises, probably because the percentage of the local community directly participating in the project is higher.

Data suggests that enterprises that are small, use local materials, are managed through local skills, and with a low number of beneficiaries can provide substantial benefits for community members

[2] This is almost double what Thompson et al (2009) reported ($474 per person p.a.) for livestock keeping around the Maasai Mara.

even though their total revenues are not as large as the community-private sector partnerships. The best examples from the AWF programme are the cultural bomas/handicrafts businesses run by women. Such enterprises can empower disadvantaged groups of the community through improved capacity, self determination, and provision of higher individual benefits, and can be targeted to reduce poverty. Conversely those enterprises that are high value and generate higher returns but seek to benefit a large population generally provide the lowest returns, e.g. Sabinyo and Clouds Mountain Lodges, and do not empower and improve capacity of communities because only a few members can be directly employed and exposed to daily management of the business. This confirms that it is difficult to sustainably produce appreciable wealth for large numbers of people in poor rural areas through individual tourism enterprises (Young, 2006).

Employment is one of the main contributors to livelihood improvement and poverty reduction in poor rural areas with limited employment opportunities. AWF-supported tourism enterprises have created between 1 and 55 new jobs each. While each job is important, clearly this is not at a scale sufficient to reduce local poverty levels significantly. This generally point has been made in past research including the assessment of community based tourism conducted by Kiss (2004).

While communities appreciate and value financial benefits from enterprises it appears that non-financial socio-economic benefits often have higher livelihood value to communities. In AWF experience communities consistently decide to invest incomes from enterprises into communal benefits such as education, security, water, health services, that can have huge multiplier effects. Evidence from Ololosokwan, the first tourism enterprise that AWF helped broker more than ten years ago, shows that the steady stream of community income for more than 10 years has resulted in improved education (more than 175 community members been sponsored through university), improved healthcare with the development and staffing of a health centre, improved school infrastructure (better classrooms with computers). It has also provided funds that pastoralists have used to restock cattle after major droughts, thereby increasing their resilience. Even though there is a lack of detailed household data to judge livelihood improvement, various indicators of improved livelihoods such as improved quality of housing, installation of satellite dishes, more vehicles and an expanding town can be observed in Ololosokwan. Similar evidence is observed in other communal areas where enterprises have been open for business for more than five years, such as Koija.

One important question asked of conservation enterprises is whether these would be viable without donor support. Critics point out that when net costs of developing CBNRM projects and resultant benefits are fully factored in, donors are effectively subsidizing projects, to the point where some projects have a significant mismatch between the volume of donor funds invested and the levels of benefits generated. One important response to note is that many of the benefits delivered, including empowerment, capacity building, pride, security, and investment in communal assets such as education and clinics, cannot be adequately measured. NGOs often have not tracked and quantified the full costs of facilitation. In one case where AWF did track these costs, the analysis has shown an impressive return on investment that justifies spending donor money. Sumba et al (2007) demonstrate that the Koija Starbeds Ecolodge, an 8-bed facility, was developed with an investment of $70,000 ($48,000 in grants; $20,000 facilitation costs and $2,000 community contribution). It broke even after 5 years of operation and by 2006 had a 225% return on full investment costs (Sumba et al, 2007). These results present a model that has justified the use of donor funds and that can be readily replicated across community areas.

AWF increasingly promotes the use of commercial debt as a financing mechanism for conservation enterprise, to ensure risks are assessed and met appropriately - grant funds tend to

distort markets and remove the element of risk that is required to stimulate entrepreneurship. AWF is now experimenting with debt as a way of reducing the dependence on donor subsidies and inculcating risk in enterprises. The Sabinyo Silverback lodge pioneered this approach, with the community borrowing money to buy their equity in the partnership. They are currently repaying that loan. In future AWF sees enterprise funding evolving to a model where debt is a primary funding source, and grant funding is used principally to cover transaction costs such as community capacity building.

2.2 Livelihoods Impacts of WWF and SNV Enterprise Programmes

SNV cites a number of examples where their support for tourism and hunting enterprises has delivered significant livelihoods benefits (see Box 2 for some examples).

WWF has been supporting conservation enterprise for nearly twenty years. In 1992, it established the People and Plants Initiative (PPI) - a partnership between WWF, UNESCO and the Royal Botanical Gardens, Kew - to promote conservation and sustainable use of plant resources, the most groundbreaking of these was the 'GoodWoods' project in Kenya which led to the first successful community-based FSC certificate for neem. In addition WWF projects around the world use ecotourism and sustainable harvesting schemes as one part of a strategy to deliver livelihood benefits to local communities.

Box 2: Examples of livelihoods impacts from enterprises supported by SNV (Spenceley, 2009)

The Iby'Iwacu Cultural Village (Rwanda): established 2005, now generates $14,000 p.a.; tied to reduction in poaching.

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

The Torra Conservancy, Namibia. In 2003 Torra conservancy earned income from wildlife tourism through a joint venture (the Damaraland Camp operated by Wilderness Safaris) and trophy hunting (NACSO, 2004). Households received variable proportions of the total financial benefit through wages and salaries between 1999 and 2004, (25–57 per cent), but the actual value of the benefit generated by tourism increased by over 250 per cent over the 5-year period from US$77,375 in 1999 to $188,307 in 2004. On average, the proportion of the trust income generated by tourism joint ventures was significant at 48.1 per cent, while the proportion from hunting was minor at only 1.1 per cent. Other forms of income were not wildlife tourism related (e.g. live game sales, meat distribution, use of game, etc). The dividend of US$74 to each Conservancy member in 2003 was adequate to support basic grocery costs for a local household for three months. To put this in context, it was almost equivalent to the average amount raised annually from the sale of live goats; equivalent to 14 per cent of the average annual income (US$532) for individuals in the region; and 8 per cent of the average annual income of households (US$946). Interestingly, the most common use of the income reported was to pay for school fees.

The Nyae Nyae Conservancy, Namibia. Created by the Ju/'hoansi San of Nyae Nyae in northeastern Namibia in 1998, Nyae Nyae Conservancy and Khaudom National Park (3842km2) jointly span approximately13,000km2 of wilderness wildlife habitat. This area is populated by one of the country's most poverty-stricken and marginalized communities. Largely as a result of the game reintroduction effort made since 1999, game numbers increased, which contributed significantly to the livelihoods of the members. In 2002-3 the Conservancy provided 28 per cent of all employment, as well as income from a hunting concession cash payment (US$99,953), wages (US$4,267), handicraft sales (US$31,242) and game meat ($14,708). The per capita benefit in 2002 was estimated at US$75.

In 2010, WWF-UK conducted an synthesis analysis of the impacts and lessons learned from three enterprise projects which aim to benefit local communities from the sustainable harvesting, processing or production of natural resources as background for this paper: 1) harvesting and trade of *Commiphora* (locally known as omumbiri) in five Nambian conservancies; 2) establishment of community based forest enterprises in Peru, Nicaragua, Panama, Colombia and Bolivia (the Responsible Forest Management and Trade project - RFMT); and 3) Green enterprises (non timber forest products and medicinal and aromatic plant harvesting) in Nepal (Studd, 2010). These are all community-managed enterprises, which receive support for enterprise development, organisation strengthening, ensuring ecological integrity of harvesting practices and to effectively link to private sector partners for market access. The three projects are all taking place in areas of high poverty, with limited opportunities for employment and weak provision of government services, so the relative importance of these relatively small scale enterprises to communities is significant.

The commiphora and Nepal enterprises both fall under wider CBNRM programmes, which adopt multiple strategies to address conservation issues and deliver livelihood benefits to local communities, including substantial efforts in capacity strengthening of the local organisations involved, leading to a much broader range of benefits to local communities. When assessing impacts, it is therefore difficult to assess the impact of enterprise components in isolation from the wider programmes of work. In Nepal for example the WWF team is committed to addressing peoples' livelihoods needs, and adopt multiple strategies for working with local people including green enterprises, revolving small scale loans to stimulate income generation activities or send young girls to school, livestock insurance schemes and access to alternative forms of energy (e.g. biogas). The enterprises that are selected are not necessarily going to be the most productive or financially beneficial but have been chosen to align with the conservation strategies WWF is promoting. This is an important distinction to make compared to poverty reduction agencies.

A key finding from WWF's analysis is that these enterprises are not substantial enough to take people out of poverty per se, but that they make an important contribution to improving socio-economic status. The most direct contribution of the enterprises to poverty reduction in each case was through the generation of income via employment or sale of harvested products (Studd, 2010). Less tangible but no less important benefits emerge as a result of the establishment or strengthening of community based organisations – a pre-requisite for strong governance of community managed enterprises. For example, an evaluation of community based forest enterprises established under the Responsible Forest Management and Trade (RFMT) project in Latin America 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 less tangible benefits are more difficult to capture yet can have wider knock on benefits, in terms of local democracy and community empowerment. However, these benefits are not necessarily down to the enterprise itself, but the associated support provided to local communities to organise themselves, understand their rights and to negotiate with external agencies. The study finds that the timing of benefits is also very important – in the Namibia and Nepal projects, project income is received by communities 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).

The commiphora project in Namibia generated income for the 275 participants involved in collecting commiphora equating to 25% of average annual household incomes for the region. 17% of adult residents in 5 conservancies were involved in harvesting this valuable plant resin with over 1,006 beneficiaries in 2009 (Studd, 2010).

An International Finance Corporation (IFC) study (IFC, 2009) of three community forest enterprises in Nicaragua involving 501 families,, found that these enterprises generated $116,000 of profit between 2006-8, with 95% of the profit channelled through social investment programmes chosen by the communities in the areas of health, education, road building, demarcation of territories, reinvestment in the community cooperative, agricultural development projects, support to the elderly and support to the community church. Employment by the projects trebled in the same period from 100 to 300. The IFC study also found that the proportion of people living on less than $1/day fell significantly in the period 2006-8 (from 62%, 87% and 84% to 34%, 67% and 63% respectively). Across all countries involved in the RFMT the significance of the initiative to peoples' poverty levels was an observed decline in the rates of outmigration from communities due to the employment / income generation opportunities generated (Johnson, 2009). This has many potential benefits including the preservation of vibrant and viable rural communities.

An external assessment of the impacts of the Nepal project differentiates between impacts in the less populated mountain area and the densely populated terai (Practical Action Consulting, 2010). In the lowland terai, 75% of the households surveyed are subsistence farmers, who are food insecure for more than 6 months a year, so impact on food security was used as a key indicator of impact on poverty. 67% of people surveyed said their food security had improved after participating in green enterprise initiatives and 57% that cultivating medicinal plants was now their primary source of income. Menthe and chamomile are effective crop raiding deterrents as well as being high value crops for essential oil production. However, Studd points out that only a small percentage of the population is involved in the project, so the implications for reducing pressure on the overall landscape or addressing overall poverty levels is not clear. In the mountain area 95% of those involved reported an increase in income as a result of participating in the enterprises and 88% of people invested this income into grain and food, improving food security by up to 6 months. Local dependency on fuelwood was decreased. Given lower population densities, the benefits in the mountain areas had more significant impacts per capita.

While there is a significant volume of general information published about the benefit flows from conservation enterprise, usually by the NGO partners, it is surprisingly difficult to establish accurately the net income earned by the community from each enterprise, and the share of the community in total net income flows. In part this is due to the reluctance of many private sector partners to make available what may be perceived of as commercially sensitive information, and in part it reflects the fragmented nature of conservation enterprise efforts where data is held by many different parties. This lack of data makes it hard to refute criticisms of the conservation enterprise approach from some donors (this is not happening at replicable scale, or scale sufficient to justify donor engagement) and some anthropologists (there are very few places where communities are able to make these mechanisms work). Most available research is case study based – with different methods of evaluation – thus precluding comparison and aggregation of data. There are few systematic assessments– see Dixey 2008, Spenceley 2008, and Hauser 2007 for examples.

3. Who Benefits Most from Conservation Enterprise?

3.1 AWF Experience

AWF recognises that the 'benefit-sharing' is critical to changing conservation incentives – i.e. that benefits need to be felt by all members of the community and particularly by those making decisions about resources or foregoing resource use. AWF experience suggests that some types of enterprise can be used to target specific individuals, for example through selection of women beneficiaries for a handcraft enterprise, where training is offered for participation. Enterprises that support improved value chains for poor producers, such as the AWF coffee and livestock projects in Kenya and river trade project in DR Congo, are directly targeted at poor farmers. However, tourism joint ventures, which still account for the largest share of AWF conservation enterprises, are not directly targeted at the poorest members of a community.

AWF has in the past largely left benefit sharing decisions to the governance processes of community partner institutions. However, the mounting case study evidence of the negative impacts of weak community governance processes and the growing concern to tie benefits more openly to conservation goals, are leading AWF to try to address these issues clearly and openly with community partners during the enterprise design process, and to have the agreed approach to benefit allocation documented and monitored.

AWF identifies two levels for assessing benefits sharing: inter-community (poorer vs richer villages/communities) and intra-community (poor members vs elites). In terms of determining inter-community benefits, AWF decides which communities to work with based on conservation priorities and the scope for effective AWF action. Consideration of local poverty levels only enters the selection criteria indirectly, to the extent that high poverty levels may be associated with high threats to conservation e.g. dependence on fuelwood and charcoal leading to deforestation. That said, the bulk of AWF's work is in poor parts of remote, rural Africa where poor people are themselves highly resource dependent. AWF recognises that poverty reduction and improved conservation are closely linked.

In terms of intra-community poverty considerations, it is generally the village or community leaders who decide on how this income is spent and the extent to which different individuals and households within the community benefit, as they determine the community decision making processes and the nature of benefits management. Thus the quality of community governance processes determines the equality of benefit sharing among community members. In most of the AWF supported enterprises, no household level dividend is paid out, but rather money is invested by community associations to provide social services such as education through scholarships, health, water and rural transport, so the financial benefits are spread among community members. In northern Kenya AWF supported enterprises have established sanctuaries which have improved security and reduced cattle rustling, making it possible for key livelihood activities to be conducted safely and thereby improving livelihoods for 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.

However, employment benefits tend not to favour the poorest community members. Tourism enterprises, for example, tend to provide employment benefits to the elite, or relatives of the elite, as those community members tend to have the education and other skills required to work in tourism facilities and as guides, and the private sector partner rather than the community generally determines who among the community get the employment benefits – though the

community may be able to nominate beneficiaries. Employment opportunities as game scouts, guards and in construction projects tends to be more equally spread.

AWF promotes transparent benefits management mechanisms to forestall elite capture of benefits at the expense of the wider community, yet AWF experience includes cases of elite capture and misappropriation of funds. In some enterprises those with local wealth, political connections and who hold local office, have captured disproportionate shares of benefits. There have been some isolated cases where elites with traditional authority, e.g. the traditional chief, have used their authority to capture benefits from enterprises or to sell/lease land contra to other agreements.

3.2 Lessons from Outside AWF

WWF experience agrees with the points made by Oxfam in Box 3. Fundamentally, successful community-led enterprise depends on harnessing skills, resources and entrepreneurship, rather than targeting activities only at the poorest members of the community (Studd, 2010). Reaching the poorest then relies on successful delivery of complimentary government services, sound community benefit sharing practices and the trickle-down effect of successful community businesses. Studd concludes that the question of who benefits depends on the context and the design of the intervention, and highlights that the poorest can be targeted by certain types of enterprise, whereas other enterprises may require ownership of land, levels of education and/or time to effectively participate. For example in the mountain areas of Nepal community forest user groups prioritise the poorest people (primarily women) to receive permits for the collection of juniper leaves for subsequent processing into essential oils. Similarly in Namibia, those conservancies with less potential for development of the high profit tourism or trophy hunting enterprises were targeted for the trial of commiphora harvesting. Again this initiative targeted women initially but when men realised it was a profitable livelihood activity the number of participating men rose substantially!

Box 3: Oxfam perspective on using enterprise to reach the poorest (Pandey, 2009)

Oxfam in its work supporting small and medium sized enterprises in developing countries recognises that enterprise development might not suit the poorest of the poor and people in very vulnerable conditions who should benefit from approaches that ensure their food security through emergency response (cash transfers, cash for work) and or social protection measures. However, in our experience enterprises run by or involving poor people do create opportunities for poorer people. In Palestine, one of the honey produce organizations recognises, for example, that members include much poorer people who might have fewer assets but still benefit from the cooperative's marketing channels and technical assistance. Smallholders create job opportunities for landless people or people with few assets as temporary workers.

Oxfam looks at a wider web of institutions and structures which need to be dealt with to create sustainable enterprises. One element are aspects related to the enabling environment and here appropriate access to land and basic infrastructure (water, roads) are essential. Another element is business services such as credit and market information which usually do not 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.

In terms of measuring the impact of enterprise/SME programs, Oxfam's Enterprise Development Programme looks specifically at a number of indicators recommended by the Donor Committee for Enterprise Development such as:

- enterprise earnings (income)
- jobs created (in enterprises, farms and others)
- women's membership, including in management positions
- women's empowerment, as a combination of their access and control over key assets and services, as well as their decision power over household expenditure.

Wider evidence from Tanzania and Kenya appears to show high levels of elite capture from conservation tourism enterprises. Sachedina finds negative implications of conservation benefit flows in general (not specifically enterprise-linked) for the poorest, particularly in terms of restrictions on access to resources and in terms of personal insecurity, and conversely positive flows for those who were able to use conservation to advance their own extraction of wildlife resources, e.g. corrupt hunters/official gatekeepers, through quota setting and double-filing of quotas, in the Simanjiro area of Tanzania (Sachedina, 2008). In Homewood et al (2009) detailed information from household surveys around parks leads to the conclusion that few families in Kenya benefit significantly from wildlife conservation, with the possible exception of the Maasai Mara, and that the situation is worse in Tanzania. However, the situation in some new community wildlife sanctuaries in Kenya is found to be much better, with sanctuaries serving as 'grass banks' to reduce pastoralist vulnerability in times of water stress. In the case of the Maasai Mara, Thompson (2009) found that elites – those with livestock wealth and have land allocating authority captured 60-70% of all income from wildlife. Thompson also found that those pastoralists that have diversified their livelihood activities to include pastoralism, agriculture, wildlife tourism, and other income generating activities benefitted most in terms of household income and therefore stand the highest chance of making real gains in poverty reduction.

Evidence from Namibia and South Africa suggests that enterprise impacts can contribute to poverty reduction. Spenceley (2009) reports that Conningarth Consultants evaluated the economic effects of nature tourism in Zululand in 2002, finding that nature tourism provided better opportunities for impoverished people than did other industries. These advantages included more labour for unskilled and semi-skilled workers, and higher returns on capital to local communities and small businesses than the economy as a whole. For nature tourism 26 per cent of expenditure was spent at small, micro and medium-sized enterprises (SMMEs), and 14 per cent was spent in local communities, while total spending by the economy as a whole was only 15 per cent of expenditure at SMMEs and 11 per cent in local communities. A separate study of 7 private game reserves in the Eastern Cape found that the number of employees increased by a factor of 3.5 when properties converted their use to wildlife-based tourism (from 175 people to 623). The average wage bill also increased by a factor of 20, from US$20,848 to $416,000 per year, increasing the average annual salary from $715 to $4064 (a 5.7-fold increase). Employees also received additional benefits that were not normally received by farm labourers, including accommodation, food and training, medical insurance and pension contributions. Spenceley also identifies that luxury tourism products in South Africa generate more employment and salaries for local people per tourism bed than do budget lodges. Roe et al (2009) cite Bandyopadhyay's work in Namibia that finds that the 'improved welfare effects of conservancies are poverty neutral in the arid north-western Kunene region and pro-poor in the semi-arid Caprivi region', though this finding is contested in other analyses.

4. What Types of Conservation Enterprises Work Best?

AWF identifies six characteristics of a conservation enterprise that is more likely to work well to link livelihood benefits with conservation gains:

1) **Clear conservation logic**. The benefits earned from the enterprise must be clearly tied to conservation gains, if those gains are to be realised and sustained. Too often enterprises assume that delivering livelihood gains to communities will lead directly to improved conservation practices. However, experience indicates that this works best where a specific conservation gain is negotiated, agreed and contracted e.g. a conservation easement, a wildlife corridor, a reduction in use of a specific resource.

2) **Commercial success**. This has been the cornerstone of AWF enterprise design, addressing conclusions from evaluations of NGO-supported CBNRM programmes that pinpointed lack of commercial logic as a frequent weakness (e.g. Ashley et al, 2008) by ensuring that AWF enterprise work is designed and managed by pro-conservation venture capitalists and experience business managers, with communities supported by AWF community conservation officers and processes. Multiple streams of revenues and benefits must be secured contractually and delivered transparently, preferably with high per capita value (i.e. not spread very 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 indefinite to the point that a community becomes 'trapped' in a deal. Enterprises that provide opportunities for 'spin-off' enterprises can help communities tap into value chains and strengthen benefit flows. Each AWF enterprise is taken through a thorough 'due diligence' process including 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) **Right private sector partner able to perform collaboratively**. The choice of private sector partner is critical. Many private sector businesses, particularly those operating in poor rural parts of Africa, see themselves as having a socially beneficial as well as profit making (and environmentally neutral) role to play. AWF chooses to work with 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 there is a community partner, be that an association, trust, etc. with fairly well articulated and functioning management and governance structure engaged throughout the enterprise process. Strong, representative and inclusive community institutions are ideal, with strong leadership that represents a clearly defined community, can negotiate on its behalf, and is accountable to it. However, this condition is rarely fully satisfied and understanding and addressing this is a key step in enterprise planning. AWF has identified a need to offer community institutions more support with strategic planning and detailed operating procedures covering governance issues (calling of meetings, decision making protocols, appointment and retirement of Trustees/Directors), financial management issues (controls, approvals) and accountability issues (communicating nature and extent of benefits created and distributed; preparing, auditing and communicating accounts). AWF emphasises the need for further thinking about the type of legal vehicle used for the community partner in order to bolster good governance practice – for example in

Kenyan group ranches it is possible to structure the community interest as corporate one in which every household is a shareholder and received dividends, which can be used to circumvent risks of elite capture. WWF identifies its experience of commiphora harvesting in Namibia as an example of working with strong local community based organisations which are being supported to become strong sustainable organisations as part of a broader CBNRM programme to manage small scale enterprises. CARE emphasises the need for a realistic assessment of what support is needed to bring the community partner to the levels of governance needed to ensure enterprise performance is not overestimated (Daconto, pers.comm.).

5) **Contractual community ownership and enforcement of benefit streams.** Community members must feel that the benefits flowing from the enterprise are sufficient to justify sacrifices made, e.g. in terms of allowing wildlife corridors across their land. Contractual benefits can flow from equity, leases, rents, other payments and employment, and should be monitored closely by a multi-stakeholder enforcement committee or other formal compliance mechanism.

6) **Transparent intra-community benefit-sharing arrangements**. Various conflicts can arise as an enterprise is developed, both between the operator and the community and among community members over resource management issues rooted in historical power relations. Rapid increases in benefits from a successful enterprise can create social impacts that lead to conflict. AWF experiences suggest that equitable benefit-sharing systems must be agreed and executed transparently by community leaders, and negotiated as part of the enterprise planning process, with expected conservation gains made explicit. Benefit sharing and conservation gains must be monitored tightly by a representative monitoring committee.

The AWF list tallies well with the experience of WWF, as described in Box 4.

Box 4: WWF - Successful Conservation Enterprises for Poverty Impact

Characteristics of a Successful Conservation Enterprise

1. Those where there's a strong linkage between the enterprise and the conservation of natural resources – these then act to reinforce peoples' role as stewards of natural resources
2. Where the enterprise does not have a negative environmental impact
3. The 'product' is easy to harvest, grow or utilise with a high market value, plus ability to add value locally if possible.
4. Linked into existing community structures – e.g. Community Forest groups, or conservancies and/or finding local champions / entrepreneurs.
5. Part of a wider strategy which acknowledges the value of livelihood diversification – we do not have to have one solution to address livelihood and conservation challenges for everyone in community.
6. Local appropriateness - Appropriate to local realities of capacity, skills, peoples' other livelihood strategies, traditional knowledge, practices and norms, adaptable to local conditions, flexible with regard to the application of management regimes. In each situation, tools and methodological approaches need to be adapted to meet specific needs of community, it is rare to be able to take a methodology off the shelf and apply it directly.

Enabling Conditions for Success

1. Enabling Policy and Legislative Context is the greatest prerequisite for long term sustainability and upscaling.
2. Local ownership and support by the community is essential.
3. Sufficient investment in community capacity prior to engaging – empowerment, capacity building of organisations to be able to manage the enterprise, technical support, etc. Often working with a partner organisation with skills in enterprise development is advisable.
4. Effectively linking the producers to the market place - physical distance and/or appropriate contacts with buyers, information about market price.
5. When working with the poorest members of the communities, having mechanisms to enable the harvesters to benefit immediately from the harvesting of their product, rather than waiting until it is actually sold is important so people see benefits immediately. (e.g. Namibia – Commiphora harvesters receive a pre-agreed set rate for the harvesting – do not need to wait until the resin is actually sold to the international buyers;)
6. Appropriate research and development completed – to understand potential environmental impacts or limits to harvesting - that harvesting methods are completely sustainable, there are sufficient quantities of the resource to meet industry needs, to secure market access etc.
7. Appropriate processes for checks and balances in place and regulated (e.g. accountability, financial record keeping etc.)

Source: Studd 2010

FFI notes the following as "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).

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. Furthermore a supportive legislative, policy and macro-economic environment is a key determinant of enterprise success as these drive perceptions of investment risk and overall market attractiveness e.g. security is a big driver of the tourism industry. In Tanzania, the State's reluctance to devolve control, and the new Wildlife Management Area (WMA) directives/laws passed by Director of Wildlife in November 2007, making it illegal for

WMAs to negotiate game viewing deals at local level, and requiring the channelling of revenue centrally, have presented a rather large challenge to successful enterprise development. However the government has shown willingness to amend the policy based on lessons and experiences that are emerging from the pilot WMAs. For example Sinya village, which was initially outside of the WMA, is now willing to join Enduimet WMA so that they can use the policy to reign in rogue private sector partners who have not remitted revenues to them for deals they joint signed at local level since the policy can be easily enforced (Ben Mwongela, per com).

An additional dimension to this question arises when recognising that enterprise success often depends on the behaviour of other enterprises, whether in the same market or up or down the same value chain. Ashley et al (2000) emphasise the challenge of working with government to ensure sound destination-level planning for tourism enterprises, to ensure commercial success of individual enterprises, and pinpointed this as a weakness in Africa. Working at the landscape level and with zoning for different land uses as a cornerstone of landscape planning, AWF has an opportunity to better address this issue. For example, one Community Trust area in Zambia where AWF works now has some sixteen different tourism enterprises, only one with AWF support. To design and deliver effective conservation and livelihoods changes through the AWF enterprise, it is necessary to understand and assess the impact of all sixteen. Commercial forces, particularly in specific high value natural resource areas, may work to perpetuate or exacerbate rural poverty and unsustainable resource use unless lessons are learned and best practices followed by all stakeholders. The AWF southern Africa team has recommended engaging enterprises across Trust lands as a block and attempting to facilitate broad community-private sector partnership 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 (Simon Metcalfe, pers. comm.).

Spenceley (2009) identifies two examples of where improvement in government capacity and supporting policy frameworks have improved conservation enterprise success, particularly from the communities point of view. First in Namibia, where the new concessions unit in the Ministry of Environment and Tourism has helped improve the quality of concession contracts. The example of Etendeka is cited, where a new concession agreement negotiated (in 2008?) transformed the employment and income earning prospects for the community; second in South Africa, where the SANParks commercialisation strategy has greatly improved the tendering of ecotourism public-private partnerships in national parks.

5. What are the Main Challenges to Success?

AWF experience indicates a long list of possible challenges to the success of conservation enterprises. Careful assessment of these challenges, as CARE notes (Daconto, pers.comm.) can turn potential weaknesses into strengths, or prevent potentially unsuccessful enterprises from being initiated. Challenges include:

- **Poor choice of private sector partner**. Unscrupulous private sector partners may exploit weaknesses in community institutions and decision-making, and may not be willing to take environmental sustainability goals on board. Choice of private sector partner is key to whether or not the enterprise is commercially and socially viable. Avoid a "build it and they will come" mentality; deals must be vetted against current and forecasted market conditions.

- **Community partner challenges**. High community expectations may mean that they are unwilling to wait for annual dividends to meet daily household needs. Weak community institutions, difficulty in defining communities and/or fragmentation of communities indicate a need for long term facilitation and support that NGO intermediaries can find hard to sustain. Fragmented communities may experience high levels of conflict in benefit sharing decision making and monitoring. Communities tend to lack funds to invest, and even when they are provided with grants they often still are 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.

- **Grant funding removes 'risk'**. Grant funding for enterprises can take away the entrepreneurial element and weaken the overall commercial proposition. AWF is investigating how best to create more debt funding, in preference to grant funding for conservation enterprise.

- **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 e.g. travel advisories by UK/US on Kenya; EU/US sanctions against Zimbabwe. WWF cites the case of its support for 'GoodWoods' carving products in Kenya where the market for carving products shifted as a result of the emergence of cheaper products from Asia. Weaknesses in government policy can inhibit whole enterprise sectors, e.g. the WMA benefit distribution issue in Tanzania.

- **The need to work within environmental limits.** This is particularly challenging for projects working at scale e.g. across whole product value chains (e.g. NTFPs, livestock, ecotourism in vulnerable areas), where project design must take into account any spill over impacts.

- **Setting priorities among different types of conservation intervention.** Support for enterprise development is one among several possible ways to address conservation and CBNRM priorities. AWF uses participatory threat analysis and zoning at landscape level to identify which types of intervention alone or in combination are priorities, and whether AWF, partners or joint responses are needed. WWF experience suggests that influencing the policy environment, or engaging in value chain and supply chain interventions, like the Forest Stewardship Council (FSC) certification scheme (which ensures that consumers can buy forest products of all kinds with confidence that they are not contributing to global

forest destruction and are supporting the livelihoods of people dependent on forests), or the AWF livestock debt facility, can generate conservation gains faster, with lower opportunity costs and at more significant scale, than support for individual enterprises. However, the actual cost of value chain interventions depends on the need for capacity building at household and community levels, which can be very expensive and require significant NGO investment.

Box 5: WWF Experience of Challenges to using Enterprise as a Conservation Strategy

- Investing and supporting the enterprise through the product development stage. For example, in the fragrance industry this is at least 5 years. The inputs and demands are huge for establishment of these initiatives. Combining the support of communities at local level as well as supporting the marketing and development of the product requires a huge range of skills and working at multiple levels, e.g. the commiphora project in Namibia.
- Market fluctuations – particularly when you want to try and secure a set fair price. This means that the financial planning of the operations has to be done with as much precision as possible especially when the margins are slim.
- Operating in remote areas – costs of transportation from remote mountain areas a challenge and significantly increases the costs – in some cases not allowing the enterprise to break even, e.g. Nepal.
- Long term sustainability.
- Up-scaling beyond micro-scale, while avoiding over extraction and managing within the limits of ecological sustainability
- Capacity of cooperatives to establish and secure a strong linkage with the market rather than relying on other NGOs, plus access to market information.
- Value Chain Analysis, marketing strategy, brand establishment etc. are not always the skills held within conservation organisations. Strategic partnerships are recommended.
- Context: working in counties where markets are poorly developed and governance weak
- Influencing the policy environment if it is not already conducive.

Studd, 2010

Ashley et al (2000) identify common problems from a series of evaluations and lesson-learning exercises, all of which are addressed successfully in the AWF enterprise model:

- commercially unsustainable products that are isolated from the private sector and thus the market
- irregular flows of tourists
- reliance on a collectivist approach to business management, rather than an entrepreneurial one
- requirements for long-term and expensive inputs for a product that can only ever generate a tightly constrained benefit flow for one community.

In a review of 218 community-based tourism enterprises operating in twelve southern African countries, Spenceley (2008) identified severe business capacity constraints including limited market accessibility (among 91% of enterprises), market access (72%), advertising (70%) and communications (57%) – despite more than half of them receiving some form of external support from a third party. Key determinants of success were linkages to tourism companies, proximity to main tourism routes, competitive advantage, financial management, visitor handling and community motivation.

6. What is the Potential Impact of Conservation Enterprise on Biodiversity?

Evidence shows that conservation enterprise can successfully trigger improved conservation of key land areas notably rangelands (e.g. through easements, concessions, trusts) and key species (e.g. mountain gorilla tourism) by ensuring that incentives are created and contracted for conservation gains. However, conservation enterprise is not generally the best approach to use when trying to conserve biodiversity with low market value.

Nearly 200,000 acres of land have been brought under improved management through new community-private sector tourism enterprises supported by AWF. For example, in Koija 500 acres of critical corridor land has been secured through a conservation area by the Koija Starbeds Ecolodge. This area is managed by community scouts paid by the lodge. An assessment of conservation area after the lodge had operated for 4 years found that the health of the conservation area had improved, 13 species of wildlife including elephants now used the area frequently and there was a biomass of 241 individuals (Oguge, 2005). The AWF livestock project in northern Kenya is expected to improve management of an estimated 3 million acres of pastoralist land. The success story of mountain gorilla conservation in Rwanda, Uganda and the DR Congo, is one rooted in the sale of gorilla viewing permits to high value international tourists, who increasingly stay in facilities owned by local communities.

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 contracting (around the conservation goals and outcomes as well as the benefit flows) and active enforcement of the agreed contract, is key to ensuring that the enterprise delivers what it is intended to deliver. This principle reduces the risk of negative conservation impacts that may result from successful enterprises. For example, the more profitable livestock industry in northern Kenya could, if not properly linked to conservation conditionality, 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, this could encourage expansion of cultivated land at the household level in order to increase benefits, unless an appropriate 'quid pro quo' safeguards the principle of sustainable resource management.

7. Cross Cutting Learning Questions

7.1 Win-win vs Trade-Offs?

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 as 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.

For example, in DRC, AWF has been able to secure a 'win-win' in its work towards 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 with reduced bushmeat hunting and slash and burn agriculture.

7.2 Impact of Climate Change

However, climate change is likely to have a hugely negative impact on the success of conservation in Africa, and enterprises as a strategy to achieve this. Catastrophic impacts of climate change are predicted that will include prolonged drought, heavy rains, changes in seasons and violent weather events which will have adverse impacts on both livelihoods and biodiversity. The severe drought in Kenya in 2009 gave an indication of the scale of potential impacts, causing extensive hunger, great inter-community conflict and wildlife decimation.

Conservation enterprise opportunities will be greatly affected by climate change as they depend on the stable and productive presence of valuable species and on stable social, political, economic and market conditions. In the Virungas ecosystem a recent climate change impact study indicated that mountain gorillas are likely (and probably able) to leave the existing national parks if predicted temperature and rainfall changes occur, thus risking the complete collapse of the existing mountain gorilla tourism industry this century (AWF, 2010).

Climate change will increase food insecurity especially in fragile rangelands through widespread death of livestock and degradation of pasture. This will put huge direct (bushmeat) and indirect (competition for water, grazing) pressure on wildlife populations. Growing water scarcity means that competition for water will increase leading to conflicts between pastoralists, wildlife and tourism establishments that may make tourism enterprises impractical in certain localities. If as a result of climate change, some rangelands which hold wildlife become wetter, the possibility of conversion to agriculture is high – which will reduce range and could lead to extinctions.

7.3 Future Research Needed

A number of areas for future research have been identified in the course of researching this paper. These include:

- The need to share and strengthen best practice approaches to measurement of poverty and livelihoods impacts of conservation enterprise among conservation and development organisations.

- The need for more aggregate studies of the poverty impacts of conservation enterprise, but also of the environmental impacts of enterprise programmes supported by development agencies.
- Exploration of effective approaches towards strengthening community governance and benefit sharing decision making and monitoring.

Through researching this paper, AWF identified four further important and challenging questions:

1. Should conservation organisations design poverty reduction projects if they work in areas of high poverty? Or is that best done by working with government/development organisations? AWF has come to the conclusion that as a conservation organisation it needs to work effectively with development partners to ensure sound conservation practice is integrated with efforts to reduce poverty.

2. Do livelihood gains delivered through conservation enterprise reduce poverty? What are the impacts on conservation if the poorest are not reached? Assessment and understanding of this issue currently varies hugely between organisations and between projects.

3. How well do conservation organisations understand livelihoods-conservation linkages? We know that a multiple stream of enterprise benefits under some circumstances improves livelihoods. What we do not know is how these benefits impact complex livelihoods in specific localities and what scale is critical to trigger sustainable conservation and poverty reduction (i.e. what scale is optimal for incentives to work?).

4. What can be done to strengthen benefit sharing mechanisms? We know that often elites try to capture benefits from enterprises, and we try to address this through careful assessment, discussion and negotiation, and yet the problem persists. The challenge is to work with local and other partners to understand enough about power relations within specific communities to improve benefits management and ensure that benefits are spread across the community. AWF is researching new models for structuring community businesses, such that households receive transparent dividend flows, thereby reducing the risk of elite capture.

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