

Evaluation of Community-  
Focused Enterprises that  
Support Sustainable  
Livelihoods in Partnership  
with Indigenous Peoples and  
Local Communities



DECEMBER 2020

Prepared for: The Nature Conservancy  
Prepared by: Conservation Strategy Fund



---

# Authors

Kim Bonine, Conservation Strategy Fund

Natalia Sanin, Conservation Strategy Fund

Erik Wallsten, Adobe Capital

Thais Vilela, Conservation Strategy Fund

# Acknowledgements

This study was conducted during the second semester of 2020, during global pandemic lockdowns and uncertainties. The CSF team deeply appreciates the kind participation of all the interviewees and survey respondents. We are hopeful that the social and environmental enterprises they operate and support will thrive in a post-pandemic world, one which will need more endeavors with their vision and heart. We would also like to thank Lisa Ferguson and Jessica Musengezi from The Nature Conservancy for their collaboration, insights, and guidance throughout this process.

# Contact

For questions regarding this report, please contact:

Lisa Ferguson

[lisa.ferguson@tnc.org](mailto:lisa.ferguson@tnc.org)

---

# Table of Contents

Executive Summary .....	4
Key Insights .....	4
Lessons Learned for Replication .....	5
Recommendations .....	6
Introduction .....	7
Methods .....	8
Case Studies .....	8
Investors and Incubators.....	9
Synthesis and Analysis .....	9
Key Insights .....	11
Case Studies .....	17
Overview .....	17
Takeaways from Case Studies .....	17
Enterprise Sectors .....	20
Enterprise Models.....	21
Case Study Snapshot .....	24
Internal and External Enabling Conditions .....	27
Barriers, Challenges and Gaps .....	32
Access to Finance .....	37
Case Study Summaries .....	42
Investor Surveys .....	48
Overview .....	48
Investors.....	48
Types of Financing and Sources of Funds .....	49
Key Takeaways .....	50
IPLC Partnerships .....	51
Investment Challenges.....	53
Lessons Learned.....	54

---

Lessons Learned for Replication .....	56
Recommendations .....	60
Further Research.....	62
Appendices.....	63
Appendix 1. Full list of enterprise examples .....	65
Appendix 2. Selection criteria .....	78
Appendix 3. Case study interview guide .....	79
Appendix 4. Investor survey.....	81
Appendix 5. Case study profiles .....	88
Appendix 6. Investor survey results.....	133

---

# Executive Summary

The objective of this study was to identify, evaluate and synthesize lessons learned from examples of community-focused enterprises and investments that support economic livelihoods, human wellbeing and environmental outcomes for Indigenous People and Local Communities (IPLCs) in various parts of the world. Lessons learned from these examples can provide guidance on designing and financing community livelihood models and help organizations that are seeking to strengthen existing efforts or start new initiatives related to sustainable livelihoods.

The research study consisted of an initial catalogue of examples of enterprises involving local and Indigenous communities, followed by remote interviews with representatives of 12 community-focused enterprises from nine different countries. Interviewees shared their experiences, enabling conditions, community ownership models, and sources of financing that have helped them develop sustainable livelihood opportunities. The study also included surveys of seven impact investment<sup>1</sup> organizations that incubate and invest in community-focused enterprises in order to identify some of the models, criteria and challenges they face when working with IPLCs.

The 12 case studies represent a wide swath of examples, including different organizations, structures and industries, ranging from fisheries in Africa to berries in Latin America. Enterprise models included private companies, joint ventures, community-owned companies, cooperatives, aggregator cooperatives and a non-profit organization. Some key themes, enabling conditions and insights can be gleaned, but we also note that each enterprise is unique, reflecting the fact that each country has its own regulations and business structures, and each community has its own characteristics and challenges.

## Key Insights

There is **no single model for successful community-focused enterprises** with social and environmental co-benefits, and the tailoring of each enterprise to the community has been key for success. However, **food and fiber production enterprises – such as farming and fishing – represented over 90% of the cases in our sample**, far outweighing service-oriented enterprises such as ecotourism.

**Community capacity building and technical support, partnerships with private sector and government, and gradual transfer of ownership** are key elements found in successful community-focused enterprise models.

---

<sup>1</sup> In the context of this study, impact investment is defined as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

---

**Governments often provide an important enabling environment** for community-owned businesses via technical support, financing, legal structures, regulations and infrastructure. Since communities often **lack the advanced business and management skills necessary for running enterprises**, partnerships between the community and the private sector or government can help fill these roles and/or develop these skills. Enterprises have also been able to draw on **local partnerships and the social capital of communities to solve transportation challenges** related to distance and insecurity.

Financial viability of an enterprise that is linked to environmental health and community livelihoods often **depends on price or wage premiums via certification processes**. Environmentally sustainable practices often require less intensive harvesting rates, pesticide-free farming practices, or other techniques that can **increase the costs of production compared to unsustainable or large-scale industrial models**.

**Access to finance is a barrier** for IPLC-led enterprises due to their community ownership structure and focus on agricultural production with high up-front costs, and they **often rely on public or private grants and donations in the early start-up stages**. Few investors provide financing in the start-up stages of enterprises, and commercial banks typically will not lend to community-owned enterprises or cooperatives. Joint ventures in partnership with the private sector is one model that can help overcome this barrier.

## Lessons Learned for Replication

- For community enterprises, it is important to evaluate the stage of development of the vocation in the community in order to determine the degree of support and the timeframe needed.
- Respectful, meaningful and long-term commitment to communities for at least 8-10 years seems to be necessary for successful community-focused enterprises working with, or operated by, IPLCs.
- Continuous and comprehensive capacity building programs are also needed, and the skills and capacities that communities need depend on the role that they want to play in the enterprise and supply chain. Technical expertise seems easier to develop than business administration skills.
- Enterprises need to have a robust financial model, taking into account the fact that most environmentally sustainable enterprises will not survive in the market without a price premium or cost savings strategy.
- Community-focused enterprises need two key things, which can be accomplished in different ways depending on how the enterprise is structured: 1) access to financial capital in the early stages and 2) commercialization, supply chain partnerships, and access to buyers and markets.

---

## Recommendations

1. Increase the number of incubators working with cooperatives and community-owned companies to provide capacity building, early stage financing, and connections to commercialization and distribution channels.
2. Help community-focused enterprises conduct pre-feasibility studies to determine if the market can bear a price premium, and to identify potential supply chain partnerships and distribution channels to minimize intermediaries.
3. Develop alternative investment structures that could help fill current gaps in the investment landscape for IPLCs, particularly in pre-seed and seed stages, by engaging and educating impact investors or by creating innovative investment vehicles that are suitable for both social enterprises and the hard assets required by agribusiness, forestry and fishery sectors.
4. Facilitate aggregator cooperative or joint venture models with gradual transfer of ownership for communities without sales and commercialization experience. If communities are going to engage in sales and distribution in addition to production, more assistance, time and skill development are needed. A collective brand or gradual transfer of ownership can help develop this in various enterprise models.

---

# Introduction

Indigenous Peoples and local communities (IPLCs) own or manage at least a quarter of the world's lands.<sup>2</sup> They have a proven track record of strong environmental stewardship of these lands, in many cases outperforming protected areas.<sup>3</sup> Indigenous People and local communities who have sustainable economic development opportunities are in a stronger position to withstand unsustainable economic development pressures and continue stewarding their lands. However, many IPLCs experience social, economic and political marginalization and often live in depressed circumstances<sup>4</sup>.

Community-led sustainable livelihood initiatives can be a means for Indigenous and local communities to invest in natural resource management as a cornerstone for culture, well-being *and* financial health. The term “livelihood” encompasses the capabilities, assets, income and activities required to secure the necessities of life, and a livelihood can be considered sustainable when it enables people to enhance their well-being and that of future generations without undermining the natural environment or resource base. Many local and Indigenous communities have pursued sustainable livelihood opportunities that include ownership or involvement in a business or company, broadly defined as a “community-focused enterprise”, that gives them a financial return in addition to supporting their social and environmental goals. Successful community enterprise strategies require sustainable financial flows and a feasible business model, the requisite human and operational capacity, access to financial capital and markets, and an enabling legal and policy framework. Examples from around the world of enterprise development efforts involving IPLCs can provide insights into enabling conditions and common challenges, and how factors such as access to financial capital can help overcome key barriers and drive success.

This short-term study was undertaken to better understand the enabling conditions, community ownership models, and financial investment models that are best suited to support IPLCs in developing sustainable livelihood opportunities that provide income, protect their natural resources and allow them to thrive in place. The objective of this study was thus to identify, evaluate and synthesize lessons learned from 12 examples of community-focused enterprises that support economic livelihoods, human wellbeing and environmental outcomes for IPLCs in various parts of the world. The scope of the study also included surveys of some key actors involved in incubation and impact investment<sup>5</sup> in order to identify some of the opportunities and challenges they face when working with IPLCs. Lessons learned from these examples can provide guidance for designing and financing community livelihood models and help organizations that are seeking to strengthen existing efforts or start new initiatives related to sustainable livelihoods.

---

<sup>2</sup> <https://doi.org/10.1038/s41893-018-0100-6>

<sup>3</sup> 2019 IPBES report

<sup>4</sup> State of the world's Indigenous Peoples (2010) United Nations report, First Volume

<sup>5</sup> In the context of this study, impact investment is defined as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

# Methods

Information about individual community-focused enterprises is lacking in academic literature and also can be difficult to find online, as many of these enterprises do not have websites or other publicly available information. This study therefore focused on gathering primary data by 1) identifying and interviewing community-focused enterprises to learn about their experiences, successes and challenges, and 2) identifying and surveying some of the major investors and incubators involved with IPLC initiatives to learn about their finance models, criteria and challenges.

## Case Studies

We first carried out a desk study to identify and gather a set of more than 70 examples of community-focused enterprises that meet the criteria of 1) being an economic development project or revenue generating scheme such as a business or enterprise, and 2) involving (members of) a local or Indigenous community. Examples represented a diversity of community livelihood opportunities, economic sectors, business and ownership models, and enterprise scales (see Appendix 1. Full list of enterprise examples). The set of cases was ranked by applying additional criteria: whether they were a business or enterprise, whether they were self-sustaining or profitable, whether they had received external financing, and whether the enterprise included conservation and sustainable development goals (see Appendix 2. Selection criteria). Twelve case studies in nine countries were then selected for further study based on their diversity in type of enterprise models and their involvement with IPLCs (see Figure 1).



Figure 1. Case study locations

---

The process of contacting the enterprises was in some cases lengthy and challenging, and alternate examples from the list were substituted for two of the selected case studies that had closed-off communications due to the pandemic. Thirty-minute to 1-hour remote interviews were conducted with the twelve final case studies with the aim of shedding light on the generalities of the enterprise (i.e. history, important challenges and successes, its ownership and governance structure), its business model and financing, community involvement, and environmental and social impacts. Interviews were conducted in English, Spanish and Portuguese. An interview guide containing the goals of the study, the nature of the interview, the terms of participation and the semi-structured questionnaire to be asked was shared with the interviewees once they agreed to participate (see Appendix 3. Case study interview guide). Afterwards, interviewees had the opportunity to review the interviewer notes from the call and verify the information contained in them.

### **Investors and Incubators**

In addition, CSF surveyed organizations working at global, regional or country-specific scales that are impact investors or organizations that incubate and provide technical assistance to community enterprises. Impact investors support businesses with clear, measurable, and demonstrable social and environmental goals that have the ability to repay investors at varying rates of return. Incubators provide a range of resources to startups and early-stage businesses to help them grow and succeed. An incubator typically provides technical expertise, guidance, advice, access to investors, and sometimes financial resources in the form of grants, loans or equity investments. The perspectives of both impact investors and incubators can shed additional light on the barriers that community-focused enterprises face in raising financing, achieving profitability, and scaling.

Through the case study research and drawing on existing knowledge and networks of the research team, the following organizations were identified as some of the key players in the impact investment and community enterprise incubator space: Acumen Fund, Adobe Capital, Conservation International - CI Ventures, Deliberate Capital / Meloy Fund, Encourage Capital, Luc Hoffman Institute, Mirova Natural Capital, and two more respondents who requested anonymity. They were asked to answer a short yet comprehensive online survey (see Appendix 4. Investor survey). The aim of this survey was to understand the finance models, investment criteria and evaluation metrics they use, and how they manage risks and overcome investment challenges, with a particular focus on investments involving IPLCs and community-led enterprises.

### **Synthesis and Analysis**

Once all of the interview data were gathered, we summarized the available information for each case study, characterizing its history, enterprise model and sector, scale of operations, governance structure, and environmental and social benefits. We also summarized other key aspects such as enabling conditions, access to finance, challenges, success factors, lessons learned and replicability. We then synthesized all of the case study information to identify commonalities, differences and general themes to draw out some general insights and lessons learned for success and replicability, although given the small sample size these are more anecdotal than predictive. The investor and incubator survey data were summarized and analyzed to characterize common

---

finance approaches, sources of funds and challenges when engaging with IPLCs. We then synthesized this information to identify gaps that still need to be filled in order to better support IPLCs in accessing capital and other resources. Finally, the lessons learned from both the case studies and the investor/incubator surveys were combined to generate some overarching insights and recommendations for organizations wanting to support community-focused enterprises, as well as identify data gaps that still exist and provide suggestions for further research.

---

# Key Insights

- 1. There is no single “ideal” model for successful community-focused enterprises with social and environmental co-benefits, and the tailoring of each enterprise to the community has been key for success.**

The 12 case studies represent a wide swath of examples, including different organizations, structures and industries, from a private aquaculture company in Kenya to a farmer owned forest products company in Mexico to a non-profit conservation cooperative incubator in Indonesia. Production enterprises – farming, forest products, fishing, aquaculture – represented over 90% of the cases in our sample. This might be taken as an indication that is more readily feasible for traditional communities to engage in a familiar vocation of production than a service industry such as tourism.

Some key themes, enabling conditions and insights can be gleaned, but it is also important to note each one is different and there is no one “recipe” to create a successful community-focused enterprise. Each country has its own legal and regulatory framework that define and govern business entities and enterprise development. Furthermore, each community has its own unique characteristics and challenges, and tailoring each enterprise to the community, regardless of the enterprise model, is part of the success of these case examples.

Sectors and enterprise models represented in case studies:

- Forestry products: Aggregator cooperative, Community company
- Agribusiness: Private company, Joint venture, Community company
- Textiles: Private company
- Fisheries: Aggregator cooperative
- Aquaculture: Cooperative, Private company
- Ecotourism: Joint venture
- Multiple sectors: Non-profit organization

- 2. Community capacity building and technical support, partnerships with private sector and government, and gradual transfer of ownership are key elements found in successful community-focused enterprise models.**

---

**Communities often lack the advanced business and management skills necessary for sustainable enterprise development, and capacity building and technical assistance are cornerstones of most company and government involvement with IPLCs.**

In particular, administrative and financial management skills are a key gap for most IPLCs, and seem harder to build than technical knowledge and skills for new farming or harvesting techniques. Many of the case study examples include technical assistance and training (e.g. knowledge of better agricultural or harvesting practices) as well as training in business and finance. Capacity building was present in all enterprise models, and from all major community partners, whether private sector, government or NGOs. In some cases, NGO and company representatives join community teams to help with business and administrative skills. The cooperative aggregator model helps communities with branding and sales, and with reaching markets at larger scales. Private companies often invest heavily in community capacity building, sometimes cultivating young talent for business management and leadership training.

In places where local communities have a cultural or historical tradition of market participation, they seem to have a shorter runway to engage in sales and commercialization. For example, the timeline can be as short as several years when community members are familiar with selling their harvests, such as farmers in the Bioguaviare joint venture case study in Colombia, or are ready to assume the processing, marketing and sales activities of a commercial enterprise, such as communities in the Aadhimalai community owned enterprise case study in India. Without this pre-existing involvement in a market economy, it can take decades until communities are really ready to move from being producers to engaging in the sales side of businesses. For these communities, enterprise models in which they produce, process and market the products and services themselves typically take 8-20 years of support and incubation before they come to fruition.

**Successful community-focused enterprise models often involve partnerships between the community and the private sector or government, and include a gradual transfer of business ownership to the communities.**

Some form of partnership between communities and government or communities and private companies (for-profit or non-profit) seems to be essential for helping local communities gain technical knowledge related to improved harvesting and farming techniques, and business and administration acumen in order to accomplish the sales and commercialization side of businesses. For example, successful cooperative enterprises such as Kayonza Growers Tea Factory in Uganda and Cooperostra aquaculture cooperative in Brazil have received significant government support over a period of decades. Joint ventures between communities and private companies is another partnership model that can be effective in addressing this gap, and usually the partnership is with a community that produces or owns the products, and a private company that processes and markets the products. The joint venture examples in our study, Posada Amazonas/Rainforest Expeditions ecotourism in Peru and Grupo Paisano agribusiness in Mexico, both include models of gradual transfer of ownership to the community over a period of 5-20 years. The ability for these communities to take on more of the management, administration and ownership of the business

---

often comes to fruition with the next generation of community members, who have grown up exposed to a market environment and for-profit business approach, and have benefitted from years of capacity building support.

**Governments often provide an important enabling environment for community-owned businesses via technical support, financing, legal structures, regulations and infrastructure.**

In our case study examples, particularly for cooperatives and community-owned businesses, governments provided important enabling conditions and support for businesses in the development and incubation phases, through things such as technical support, financial support or loans, provision of land rights or tenure, scientific monitoring or certification, establishment and enforcement of sustainability guidelines and regulations, or provision of transportation and energy infrastructure. The latter is still important through the life of the enterprises. For example, government technical support, granting of territorial rights and certification regulations helped Cooperostra aquaculture cooperative in Brazil, decades of government support was key for Kayonza Growers Tea Factory in Uganda, Aadhimalai farmer producer company has received financing from national agriculture banks in India, the government helped secure land rights for farmers in the case of IBIS rice in Cambodia, the Kenyan government helped develop guidelines and regulations in partnership with Victory Farms for development of a new aquaculture industry, and the Mexican government granted permits and concessions and assists with resource monitoring and management for Chakay lobster cooperative. In some cases, other organizations (e.g., Yayasan Planet Indonesia) or entities (e.g., GrupoPaisano in Mexico) have helped provide this kind of support during the incubation phases.

It is important to note that while government can be important sources of support, they can simultaneously undermine sustainable businesses through things such as high permit and certification costs, such as with sourcing Amazon rainforest products by Bioguaviare in Colombia, and perverse subsidies or other types of support for unsustainable practices creating unfair competition, such as with forest product harvesting and processing by Aadhimalai in India.

**Investors and enterprises have been able to draw on local partnerships and the social capital of communities to solve transportation challenges related to distance and insecurity.**

Transportation challenges are often solved through local partnerships. Transportation uncertainty due to presence of armed groups is problematic, but a company that is closely linked with the community has a form of protection, such as with Bioguaviare that transports goods through a region in Colombia that is still occupied by some armed groups and guerillas. Investors similarly reported that transportation is not a significant barrier to investment due to local partnerships, or by explicitly factoring the cost into the investment.

**3. Financial viability of an enterprise that is linked to environmentally sustainable practices and community livelihoods often depends on commodity or wage price premiums.**

---

### **Economic drivers of unsustainable practices**

Because prices typically do not incorporate the negative costs of production processes such as deforestation, overharvesting and pollution<sup>6</sup>, the market price of these activities is lower than the true social cost they represent. Environmentally sustainable practices often require less intensive harvesting rates, pesticide-free farming practices or other techniques that can increase the costs of production as compared with unsustainable or large-scale industrial models. By the very nature of their smaller scale of operations and traditional connection to the land, IPLCs often produce in more environmentally sustainable ways, but often cannot compete with prices on the market. In addition, because social enterprises hold broader community goals beyond financial profitability, they may not produce products as cheaply as other production models that do not use fair labor standards or other socially positive and equitable approaches.

This underscores the need to avoid unrealistic expectations that conservation actions and sustainable practices will yield financially sustainable businesses in and of themselves, without additional subsidies via price premiums or other long-term financial investments.

### **Price premiums**

In order for community-focused enterprises in sectors such as agribusiness, NTFPs, fisheries, aquaculture, and textiles to be viable in financial terms, most need to receive above market prices so that the pressure to overharvest or degrade the environment is reduced. These price premiums are typically supported through 1) environmental, organic or fair-trade certification processes, and/or 2) shortening the supply chain by cutting out the intermediaries and buying directly from producers. For example, Cooperostra oyster cooperative in Brazil, farmer-owned Kayonza tea growers company in Uganda, Chakay lobster and Chicza aggregator cooperatives in Mexico, and the private company IBIS rice in Cambodia all involve some sort of certification process and purchase harvests directly from producers and harvesters at 20%-50% above market prices.

For many of these enterprises, it is important to be able to prevent outside harvesters and people using unsustainable practices from “free riding” on the price premiums. For example, some intermediaries have bought unsustainably harvested lobsters but still market them under the Chakay environmental brand, and for both IBIS Rice and Bioguaviare they are trying to reward only those producers engaged in the company and complying with the environmental standards.

---

<sup>6</sup> Economists term these costs as “externalities” – a cost or benefit caused by someone else’s actions that is not transmitted through prices, i.e. not financially incurred by either the producer or the consumer. An externality can be positive or negative and can stem from either the production or consumption of a good or service.

---

## Certification

Obtaining certification for environmentally sustainable and “fair trade” products is typically expensive and can be cost-prohibitive for small enterprises without help from government, NGO, joint venture partners or investors. Sometimes communities have received certification, but struggle to receive higher prices because they are unable to access markets outside their immediate vicinity and still depend on intermediaries or local purchasers. A lack of demand for certified products can also be an issue nationally or globally, such as has been found to be the case for many seafood products. At the same time, one case mentioned that the international market for organic products is undersupplied, so an enterprise that can access this market and provide a reliable supply is in a strong position.

## Wage premiums

In addition to price premiums, many community-focused private enterprises and joint ventures who hire community members as employees pay better wages, in addition to investing in other forms of technical and capacity building support. Examples include the joint venture Posada Amazonas/Rainforest Expeditions eco-tourism lodge in Peru, the private aquaculture company Victory Farms in Kenya, the family owned textile company Suritex in Peru, and the joint venture GrupoPaisano in Mexico.

#### 4. **Access to finance is a barrier for IPLC-led enterprises due to their community ownership structure and focus on agricultural production with high up-front costs. As a result, they often rely on public and private grants and donations in the start-up stages.**

Access to loans and credit remains a significant barrier for community enterprises such as cooperatives and community-owned companies. The primary goal of social enterprises is to support the community rather than to maximize profits, and this, combined with the distributed and horizontal ownership structure of cooperatives and community-owned companies, makes them a less attractive investment for commercial banks and traditional private sector equity investment structures. Investing in IPLCs tends to increase risk and complication, and limits investor exit options.

Furthermore, the vast majority of IPLC-focused enterprises work in agribusiness and natural resource extraction, typically requiring significant up-front investments to purchase harvests and set up factories and other equipment. In the absence of price premiums, agricultural products need significant volumes to reach economies of scale to be price competitive, and very few investors are willing to take the risk of the large up-front investments required for hard assets such as as harvesting and processing equipment and factories. This is further compounded by the risks associated with weather, natural disasters and climate changes. Most current investors in the “Information Age” are focused on digital enterprises and information technology that have almost infinite potential to scale at little to no marginal cost. This model of investing in a “lean start up” with low initial risks and low up-front costs is completely misaligned with the reality of IPLC-led agribusiness enterprises, and the overall investor appetite for the agricultural sector has decreased significantly compared to 40 or 50 years ago, delaying fundraising and overall growth of these enterprises.

---

And finally, even impact investors that do have a focus on positive social and environmental impacts tend not to focus specifically on IPLC-led enterprises since this is an ownership model rather than a sector, and tend to primarily invest in growth stages once an enterprise has become financially sustainable. Only a few of the investors we surveyed reported having a focus on IPLCs and/or incubation support built into their investment strategies.

As a result, IPLC-focused enterprises often need grants or donations in the initial start-up stages of the enterprise, since few investors provide this early financing and commercial banks typically will not lend to community-owned enterprises or cooperatives. Equity investments for these types of enterprises are rare in general. For example, the cooperatives and NGOs in our sample received mostly grants and donations, while private businesses and joint ventures received mostly loans. Community-owned companies, such as farmer producer companies, often have difficulty obtaining loans from private sector banks. For example, Aadhimalai forest products in India received incubator funds from an NGO and subsequent loans from the National Bank for Agriculture and Development, and Kayonza Growers Tea Factory in Uganda sought international impact investors to finance the construction of a new factory because of the high interest rates of national banks.

The challenges of access to finance and access to markets are often interrelated, since enterprises need financing to invest in expanding or certifying their products in order to access markets more successfully. Joint ventures are one model that can help fill this gap somewhat since private companies are able to access credit more easily. Once enterprises have expanded or become more capitalized with equipment and factories, such as Suritex Textiles in Peru, they are then able to access credit from more conventional sources, in turn enabling them to grow further.

---

# Case Studies

## Overview

We selected 12 community-focused enterprises with conservation and sustainable development goals that represented a diversity of business types, industry sectors, partnership models, and enterprise scales. All of the enterprises in our sample are successfully operating, self-sustaining businesses in a growth stage. Productive enterprises – farming, forest products, fishing, aquaculture – represented over 90% of the cases in our sample. The case studies were drawn from nine countries and varied from fishing cooperatives and private agribusiness companies to community-owned forest product companies and joint venture ecotourism activities. Sectors and enterprise models were mixed depending on the situation: for example, one case study is an aquaculture cooperative in Brazil and another is a private aquaculture company in Kenya.

For each case study we developed more detailed profiles that include a brief overview, enterprise description and context, key facts and business snapshot, governance model, financing information, enabling conditions, challenges, social and environmental benefits, key success factors, lessons learned and replicability (see Appendix 5. Case study profiles). In this section we present a synthesis of key takeaways, description of enterprise models, summary of the case studies, and some general themes related to enabling conditions, challenges and financing.

## Takeaways from Case Studies

In addition to the overarching key insights described in the previous section, other takeaways from the case study research and interviews are as follows:

### 1. Differences in legal structures and business terminology

Synthesizing case study information and drawing generalized conclusions about various enterprise models was somewhat problematic due to differences in legal business structures and terminology in different countries – i.e. a cooperative in one country might be equivalent to a farmer owned organization in another, and might have different regulatory restrictions or support. Even the definitions of enterprise vs. business vs. company vs. corporation can vary from one country to another.

### 2. Challenge of obtaining financial information

It was challenging to obtain detailed financial information from a number of the cases because the person being interviewed had limited knowledge, sometimes because much of the financing happened a long time ago and detailed information was not known or not well recorded. This might indicate a lack of documentation and/or common finance knowledge across these enterprises, and the need to do some additional research to dig deeper to obtain this kind of detailed financial information.

---

### **3. Various ways that communities have succeeded in setting up production**

There are various ways that communities have succeeded in setting up production (or in one case, tourism) enterprises with social and environmental co-benefits. Sometimes communities form cooperatives or community companies and do all of the marketing and sales themselves, sometimes communities form a joint venture with a private company that has marketing and business expertise, sometimes cooperatives form an aggregator cooperative to create a brand and help with sales and marketing, some companies do not have formal partnerships but support communities through purchasing raw materials or providing employment, and sometimes companies form specifically to help with certification and marketing of IPLC products. Pro-social and pro-environmental companies often guarantee purchase of all of the production from the farmers/communities and often at an above market price, which can be challenging in terms of business profitability.

### **4. Land tenure, territorial rights and use rights can be a key enabling condition**

Land tenure, territorial rights and use rights are often a prerequisite to starting an enterprise. This is critical for the legal right to harvest and sell products, and also for the right to limit access or activities by outsiders that can lead to unsustainable harvesting and overexploitation. The process of working with government to establish these traditional territorial or use rights is typically difficult and time consuming, and has in some cases been facilitated by NGO partners advocating with government. An added challenge is that obtaining permits for mining or logging on “public lands” can take a month or two, whereas getting recognized land ownership or customary land use rights typically takes at least 3 years.

### **5. Most community members are ready and able to take an active role in the governance and decision-making processes, regardless of the enterprise model.**

The amount of time required to establish IPLC enterprises was mentioned as fluctuating between two and eight years depending on the community’s existing internal governance bodies and the overall business readiness. Communities with well-established governance structures may be able to more readily develop effective and efficient processes, such as decision making and capacity building. Readiness here is related to the stage of the enterprise and the familiarity that the community has with the product/service they offer or are planning to offer. For instance, pre-seed enterprises that would require an entire set of new skills in the community might take longer to launch than enterprises in the same stage, but that are aligned with the community’s vocation.

### **6. Link between community engagement and companies understanding community motivations**

Communities need to be fully motivated to participate, and strong and stable community leadership and transparent profit distribution systems are important. In turn, companies working with communities need to be deeply knowledgeable and respectful of community traditions and context, and find ways to support wider community goals. Another challenge is that it can be hard to avoid “free riders” in cases where not all of the community participates in certain practices or standards, but

---

might still benefit from receiving higher prices. Communities and companies have tried to address this by making profits and benefits more directly tied to participation and adherence to sustainability standards.

### **Vocational match**

The case studies demonstrated that communities starting new business can focus on their inherited vocations or venture in entirely new sectors. In either case, the success of such a business may be strongly related to their participation in making that decision. In other words, it is the community who should decide the enterprise sector (i.e., the product or service they would offer) and therefore be willing to make a long-term commitment to make the enterprise work. Exceptions to this were identified in cases where the enterprise sought to reverse some type of environmental issue (i.e., deforestation) by introducing a new type of crop that can thrive in a forest ecosystem or find an alternative source of income to traditional cattle ranching activities. In these types of cases, additional capacity building and technical assistance resources might be warranted in order to maximize future success.

Long-term ventures require the acceptance and willingness to participate of a vast majority of community members, and therefore an enterprise's products/services need to be aligned with the community's vocation and interest. Otherwise, the capital and time invested could result in an unsuccessful enterprise once a community's participation diminishes. Identifying a community's overall willingness to participate in the business' management is also important. In some cases, communities are not expecting to manage marketing, finance, or sales activities, and thus need partners for these roles. Community interest may be oriented to collecting products, manufacturing handicrafts, or other activities. In those cases, the role of external stakeholders could be primarily to help communities better understand the management of the business, create co-management schemes, and seek reliable partners.

### **Community timeframes for trust building and decision making**

The case studies we evaluated show that it can take years to generate mutual trust between IPLCs and external players willing to help undertake enterprises. This could be related to the fact that many communities have seen external actors continuously come and go, always constrained by program timeframes and short-term investments. In addition, due to their traditional governance structures, it usually takes more time for communities to make decisions and implement actions, compared to NGO program timelines and private investment timeframes.

Building trust, consistency and reliability are essential. Constant presence in the community, co-management schemes and financial transparency have worked for some of the case studies to help build that trust. Spaces for sharing knowledge and demonstrating a genuine interest in the community's well-being can also help break the ice during initial approaches.

### Gender and youth component

Women play an important role in the development and management of community-focused organizations in our case study sample. Many of the projects were created to help women out of poverty and/or to improve equality within the community. Regarding the latter, women are invited to actively be part of the organization as, for example, shareholders. However, some factors (e.g., education level, religious belief, family responsibilities) might reduce women’s participation and increase inequality within the community.

A community’s ability to engage in new vocations or business skills such as eco-tourism can take a generation to evolve, as in the case of Posada Amazonas where the current managers were children playing around the lodge 20 years ago. They saw their parents establishing the eco-lodge from its initial construction and thus understand their ownership and management role today. Other case studies have focused explicitly on building the capacity of younger community members, such as recruiting young talent for management and business skills training.

### Enterprise Sectors

Sectors represented in the case studies were primarily productive industries, including agricultural products, forestry products, aquaculture and fisheries, with one case being ecotourism (see Figure 2). The dominance of productive industries might reflect the fact that communities are more readily able to engage in enterprises that match traditional vocations related to growing and harvesting food and other products. The enterprises varied in the degree to which communities primarily provide raw materials or are also involved in developing value-added products.

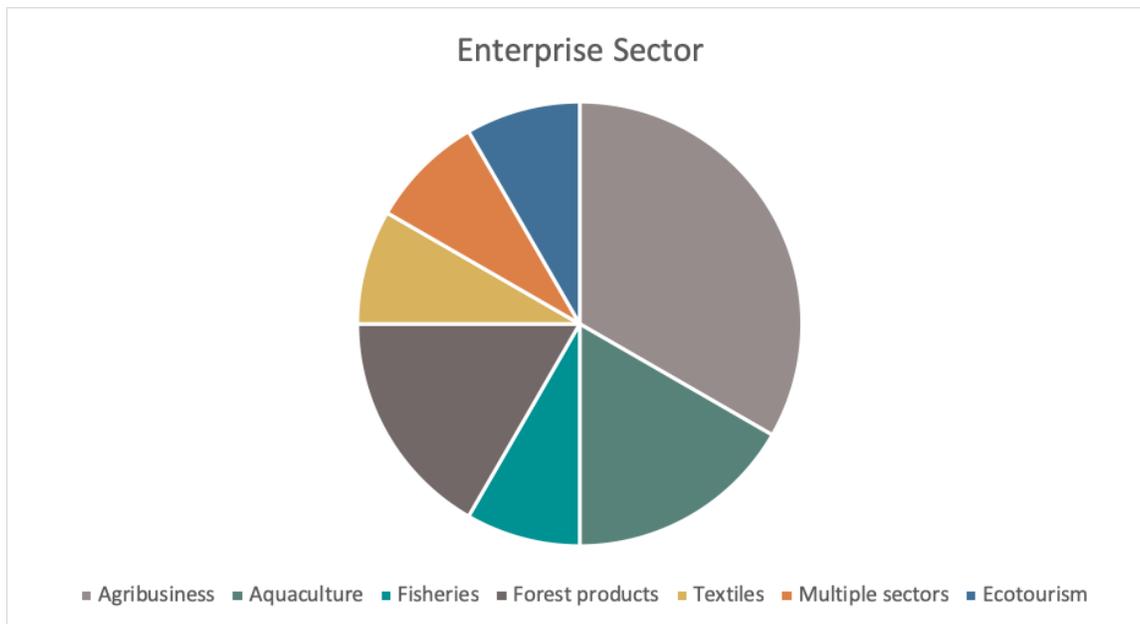


Figure 2. Distribution of enterprise types among the case studies

---

## Enterprise Models

The case studies showed that there is no one successful enterprise model for IPLC-led enterprises. The case studies were a combination of private companies, joint ventures, and community-owned companies, as well as cooperatives and aggregator cooperatives, and one non-profit that supports community cooperatives (see Figure 3). In the case of productive industries, almost all of the cases consisted of a partnership or joint venture to produce, develop and distribute the products. Common strategies from the different models include purchasing entire productions from local communities, endeavoring to cover all job positions locally, and strong capacity building in skills that go beyond the enterprise's specific needs, all with the aim of generating stability in their livelihoods.

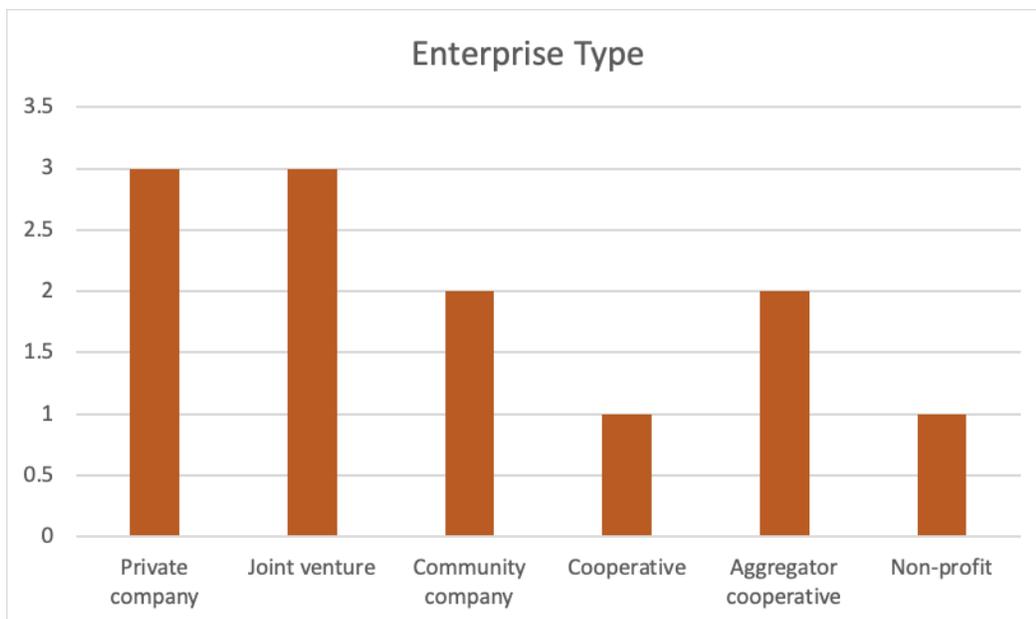


Figure 3. Distribution of enterprise types among the case studies

Below are some definitions of the different enterprises, followed by a brief description of how these enterprise types functioned in the case study examples.

- **Social enterprise:** A social enterprise is an organization that applies commercial strategies to maximize improvements in financial, social and environmental well-being. Social enterprises seek to maximize profits while maximizing benefits to society and the environment. They can be profitable, but their priority is to reinvest profits into their social mission, rather than fund payouts to shareholders. Social enterprises are highly participatory, with stakeholders actively involved and a minimum number of paid employees. They often take the form of cooperatives, community-owned or farmer-owned companies, as well as other more conventional structures.

- 
- **Cooperative:** a business or other organization that is owned and run jointly by its members, who share the profits or benefits. It is usually composed of a bigger number of shareholders than a private company, and is a form of a social enterprise. IPLC cooperatives are most successful when they receive long-term support from partners to build technical and management capacity for communities to take over all aspects of production and commercialization.
  - **Aggregator cooperative:** an associations of member cooperatives who maintain their individual management and autonomy while concentrating their local supply, usually in one collective brand. As a result, local producers do not compete between each, and instead they create regional competitiveness and achieve a larger market scale with more effective distribution and sales. Aggregator cooperatives are successful in solving market access and commercialization challenges, as long as they have strong and stable governance and consistent participation from member cooperatives.
  - **Community-owned company:** for the purposes of this report, the term “community-owned company” refers to for-profit business enterprises, including community-owned business and farmer producer companies, that are owned and controlled through community shareholders or other representative mechanism that allows a community to influence their operation or use and distribute the benefits. Successful community-owned companies typically have support from government or other partners to build the capacity for communities to take over all aspects of production and commercialization.
  - **Joint venture:** a business agreement between two or more companies to create a new business with collective aims and shares in the returns, while equally absorbing the potential risks involved. Joint ventures with IPLCs work well to help with the processing, marketing and sales, as long as companies have meaningful and long-term engage with communities.
  - **Private company:** for the purposes of this report, the term “private company” refers to for-profit businesses, including sole proprietorships, partnerships and corporations, owned by a relatively small number of shareholders and not owned by the government or by non-governmental organizations. Private companies can be successful in supporting IPLCs if they have a pro-social and pro-environmental orientation, and help communities with capacity building and other goals in addition to income generation.
  - **Non-governmental organization (NGO):** a non-profit, private organization that functions independently of any government. NGOs, sometimes called civil society organizations, are organized on community, national and international levels to serve a social or political goal such as humanitarian causes or the environment. They rely on a variety of funding sources from private donations and membership dues to government contributions. NGOs can serve as incubators and help communities form cooperatives or develop other enterprises, but due diligence is necessary to ensure financial profitability of enterprises.

Some of the most common examples in our study included privately-owned companies working closely alongside IPLCs, with a strong commitment to their wellbeing, and facilitating their participation in different roles and levels of management. These types of companies usually include continuous capacity building programs, which respond to the needs of the community and not only to the needs of the enterprise. Beyond

---

purchasing raw materials from communities at premium prices (usually in excess of 20% over market prices) and generating well-paid jobs, these enterprises have implemented other types of support mechanisms such as gifting of a percentage of the company's shares, scholarship programs for children, flexible schedules for women, and the incubation of business ideas. Victory Farms aquaculture in Kenya, Suritex textiles in Peru and IBIS Rice in Cambodia all incorporate some of these aspects in their business models.

Joint ventures between the private sector and IPLCs are another successful model, and joint ventures with cooperatives were common in our case study sample. Joint ventures bring both private sector strengths (such as pre-feasibility studies, stakeholder analysis, business plans, marketing plans, etc.) and the community's social and environmental focus. Posada Amazonas in Peru is an example of a joint venture with a transitioning approach. Initial share distribution was 60% for the community and 40% for Rainforest Expeditions, this evolved to a 75% community split, and a mid-term objective of reaching 100% if the community decides to do so. GrupoPaisano in Mexico is another interesting joint venture model that combines a holding company with three private entities. For each type of agricultural product harvested by local communities in rural Mexico (i.e., fruits, berries or roots), GrupoPaisano establishes an agricultural aggregator that purchases the local harvests and an industrial aggregator that owns the processing equipment and produces the end products. Initially, local producers are gifted 10% of the shares in each entity, with a right to purchase up to 100% of the total shares through future distributions once each project becomes profitable.

The business model of community-owned companies is similar to private companies in terms of their access to investments, technology and markets. The main difference is that these companies usually have hundreds or even thousands of shareholders from local communities. In India, this type of enterprise takes the form of Farmer Producer Organizations that are highly promoted by the central government to build their capacity to collectively leverage their production and marketing strengths. Kayonza Tea Factory in Uganda and Aadhimalai forest products in India are both examples of community-owned farmer producer companies in our case study sample. The operations of these two companies extend from farming activities to marketing, distribution and selling of their products in national markets. This model can provide high levels of autonomy and broader finance strategies for IPLC enterprises.

IPLC cooperatives are also a common model, including Cooperostra oyster cooperative in Brazil. This structure allows decision-making in a more horizontal way, which is usually how well-organized communities make decisions in other aspects of their daily lives. It also allows them to distribute earnings equally and have a greater focus on social goals than on financial metrics. The NGO Yayasan Planet Indonesia helps incubate cooperatives and other enterprises in local communities. Mexican cases Chakay lobsters and Chicza latex collectors demonstrated that cooperative aggregators can be used to generate regional competitiveness and achieve economies of scale. An advantage of these demand aggregators is that local producers do not compete with each other. Instead, they standardize roles and procedures in order to achieve higher quality products to support collective brands. This is especially important in order to access institutional clients that have more stringent quality standards and frequently demand much higher volumes than a single cooperative can provide. These models have mixed governance structures, with horizontal relationships and standardized roles between cooperatives, as well as more vertical business management structures to channel funds and

investments, sometimes even integrating private investors, and to manage marketing, distribution and commercialization activities.

### Closer Look: Bioguaviare Joint Venture in Colombia

The three-way joint venture between local communities, an experienced commercial partner, and a technical team, has been a key aspect of Bioguaviare’s success to date. The early support of a recognized international investor such as Acumen gave the company significant credibility, and Selva Nevada’s participation as commercial partner translated into an initial buyer for the company’s products that ensured minimum product volumes, as well as an intricate knowledge of the needs and requirements of institutional clients. That said, this relationship did generate some conflicts of interest, since Selva Nevada was both a shareholder and a customer at the same time, with differing needs and expectations. If this model were replicated, the ideal commercial partner would be a local logistics/distribution player with deep industry contacts, bulk purchasing transport agreements and working capital financing capabilities.

The creation of an initial business plan and financial model took time and effort but allowed for the adequate planning of resources required and scale of operations. Likewise, achieving community buy-in was also a lengthy process, but allowed the company to be successful two years after the planning process began and Acumen was secured as an initial investor.

### Case Study Snapshot

Below is a table that gives an overview snapshot of all 12 case studies, including enterprise model and sector, community involvement, ownership and governance structure, benefit sharing, environmental impacts and external financing. Summaries of each case study are provided in the next section, and more detailed information can be found in the case study profiles (see Appendix 5. Case study profiles).

Table 1. Overview of case study information.

Enterprise Name Country Enterprise model Sector/Product	Ownership and governance structure	External financing	Social impacts	Environmental impacts
Cooperative				
COOPEROSTRA Brazil Cooperative Aquaculture/ Oysters	Cooperostra is a community-owned company.  All decisions are made by its members.	Donations and grants from the public sector, including from national sources such as government ministries and biodiversity fund, and state sources such as universities, forestry fund and fishery institute.	Cooperative members have been able to double, and in some cases triple, the revenues obtained for their oysters without compromising the sustainability of the harvest.	Fishermen have reduced wild harvest of oysters. They use rearing beds to allow oysters to reproduce and attain larger, more profitable sizes, thereby increasing the total oyster reproductive yield and helping replenish oyster stocks in the mangrove.

Aggregator cooperative, collective brand				
<b>CHAKAY</b> <b>Mexico</b> <b>Aggregator cooperative</b> <b>Fisheries/  Caribbean spiny lobster</b>	<p>The “Integradora de Pescadores” is an umbrella entity with the Chakay brand.</p> <p>It is owned equally by the six cooperatives who have representatives on the board of directors.</p>	<p>Incubation support, donations and grants from public and private sources that are channeled through NGOs and other organizations. Member cooperatives each have their own financing model and fundraising activities.</p>	<p>Fishermen benefit from a consolidated brand, reduced competition, and improved commercialization and distribution.</p>	<p>Chakay’s sustainable fishing practices have helped the lobster’s population to thrive.</p>
<b>CHICZA</b> <b>Mexico</b> <b>Aggregator cooperative</b> <b>Forest products/  Natural chewing gum</b>	<p>Thirty-two cooperatives and their 2,000 chicleros are part of Consorcio Chiclero, which is the aggregator cooperative owning Chicza.</p> <p>They have an ample participation of the chicleros in the company’s decision-making process.</p>	<p>Incubation funds, donations and loans from both public and private sources. Currently most of their capital comes from financial reinvestment by member cooperatives into a trust fund.</p>	<p>Chicza pays premium rates to local communities for the processed latex. The enterprise has an equitable distribution of benefits. The company has implemented capacity building programs, incubation of IPLC-led enterprises, health services and education opportunities for the local community.</p>	<p>Chicleros have become rigorous guardians of the chicozapote tree and its ecosystem. They have forest restoration and carbon sequestration programs in place and their gum is 100% biodegradable.</p>
Joint venture				
<b>BIOGUAVIARE</b> <b>Colombia</b> <b>Joint venture</b> <b>Agribusiness/  Tropical fruits</b>	<p>Joint venture between three original partners (Selva Nevada, Asoprocegua and Bioingen) with a governing Board of Directors composed of seven members, two appointed by each shareholding group, and one representing Acumen, which provided an initial loan.</p>	<p>Private seed-stage loan from Acumen and public grants from USAID and Visión Amazonía (Colombian government) to start operations, to purchase initial raw materials, machinery and equipment, and to build a production facility.</p>	<p>Bioguaviare guarantees the community that it will buy their products at above market prices. It also represents the only source of income for the Nukak Indigenous community to whom it provides technical assistance on harvesting methods.</p>	<p>Bioguaviare promotes sustainable harvesting practices to secure community livelihoods and decrease deforestation rates.</p>
<b>GRUPO PAISANO</b> <b>Mexico</b> <b>Joint venture</b> <b>Agribusiness/  Multiple fruits and vegetables</b>	<p>A joint venture that includes an impact investment fund; an incubator; an entity to commercialize products; and a non-profit to ensure overall development of local producer communities. Each project is comprised of an agricultural aggregator and</p>	<p>Private equity and loans, including an initial individual investor and later investment from US-based Renewable Resources Group.</p>	<p>GrupoPaisano seeks to create productive, community-centered enterprises that can maximize the value of small-scale farmer harvests by providing access to investment, technical training and aggregated commercialization services. They are focused</p>	<p>All projects focus on sustainable small-scale harvests. The Monarch Biosphere project promotes reforestation and discourages logging since the growing of organic berries can be made under the standing forest.</p>

	an industrial aggregator each with a Board of Directors with local representation.		on generating economic, social, environmental and human development in the regions where it maintains operations.	
<b>POSADA AMAZONAS</b> <b>Peru</b> <b>Joint venture</b> <b>Ecotourism/</b> <b>Forest lodge</b>	Joint venture between Rainforest Expeditions and Ese Eja Indigenous community. The community elects 5-6 representatives to the Management Committee, which meets monthly with Rainforest Expeditions. Both parties have equal weight in terms of decisions.	Loans, awards, donations, and grants from private and public sources. Loans and awards have mainly been used for construction and to renovate lodges. Donations and grants have supported capacity building.	There is almost complete community ownership of the lodge and its shares, and the community benefits from diverse training programs. The lodge has received national and international exposure and recognition.	The goal is to protect and conserve the forest in the Tambopata National Reserve through various sustainable livelihood initiatives and research programs.
<b>Community-owned company (Farmer producer company)</b>				
<b>AADHIMALAI</b> <b>India</b> <b>Farmer producer company</b> <b>Forest and agri-products /multiple products</b>	The farmer producer company is owned by over 1,600 members from 209 villages, and has a Board of seven directors from traditional Indigenous communities in the Nilgiris.	Private donations and incubation during the start-up phases, and loans from government programs to support operations.	Aadhimalai guarantees the community that they will buy their wholesale agricultural products at a premium price.	Aadhimalai promotes sustainable traditional harvesting and organic farming practices to secure sustainable livelihoods and a healthy environment for the tribal communities of the Nilgiri Biosphere Reserve.
<b>KAYONZA GROWERS TEA FACTORY</b> <b>Uganda</b> <b>Farmer producer company</b> <b>Agribusiness/</b> <b>Black tea</b>	Kayonza Growers Tea Factory is a for-profit company fully owned by over 7,000 small-scale farmer shareholders. The factory is governed by a board.	Loans from private sector (Oikocredit) and shareholder reinvestment.	Kayonza pays premium prices to its farmer shareholders. The measures adopted by the factory enhance the community's resilience and its ability to respond to extreme weather and/or pests.	Kayonza has developed several conservation programs such as reforestation, reducing soil erosion, and training on best practices.
<b>Private company</b>				
<b>IBIS RICE</b> <b>Cambodia</b> <b>Private company</b> <b>Agribusiness/</b> <b>Rice</b>	IBIS Rice Conservation Company is a private limited company, and it is managed by a Board of Directors (three directors and the chairman of the board of directors).	Loans from commercial (and local) banks. Occasionally donations from private sources and venture philanthropy funds.	Improved financial opportunities for the participating community members.	Preservation of 500,000 hectares of intact forest and protection of more than 50 vulnerable species.

<b>SURITEX</b> <b>Peru</b> <b>Private company</b> <b>Textile/  Alpaca wool textiles</b>	<p>Suritex is a private limited company 85% owned by its founder and CEO, and 15% owned by his daughter who is the CFO. Both have the same legal power. Decisions are made within a small board composed of the nuclear family.</p>	<p>Loans from national banks as well as from NESsT and Innovate Peru.</p>	<p>80% of Suritex employees are women. They have a flexible schedule which allows them to decide how many hours a day they work and the starting time.</p>	<p>The factory is partially solar-powered and has a water treatment system for cleansing chemicals, which has reduced pollution from production activities.</p>
<b>VICTORY FARMS</b> <b>Kenya</b> <b>Private company</b> <b>Aquaculture/  Tilapia</b>	<p>Victory Farms is a Kenyan entity, owned by a Dutch holding company. The shareholders of Victory Farms are its two founders and several investors from different countries such as Kenya, Germany, USA and UK. Decisions are made by a board of directors.</p>	<p>Public funding from European governmental programs. Private investors such as shareholders, family offices and environmental organizations have provided equity, debt financing and grants.</p>	<p>Wages paid by Victory Farms are higher than what other companies pay in the area. Victory Farms invest heavily to develop technical management and leadership skills in local talents working with the company.</p>	<p>The company has high standards of sustainability for their production, based on the UN Sustainable Development Goals and on their founder's expertise in aquaculture best management practices, taking extensive measures to protect and restore the environment in which the farm operates.</p>
<b>Non-profit organization</b>				
<b>YAYASAN PLANET  INDONESIA (YPI)</b> <b>Indonesia</b> <b>Non-profit organization</b> <b>Multiple sectors/  (agribusiness, tourism,  fisheries, etc.)</b>	<p>YPI consists of two non-profit organizations, each with a separate Board of Directors: one operating in Indonesia with a focus on ground operations, and the other in the US with a focus on fundraising and outreach.</p>	<p>YPI sustains its activities through private and public donations and grants from national and international foundations and government agencies.</p>	<p>Increase in household income via livelihood and financing opportunities. Recovery of communities' pride in developing traditional way of life. Better quality of life through education and health services enabled by YPI.</p>	<p>Conservation outcomes in areas where YPI works have improved considerably because of YPI's work with local and national government management authorities to help them adopt more efficient management practices and land-use planning.</p>

## Internal and External Enabling Conditions

Despite the variability among the twelve case studies, some common themes emerged in terms of key enabling conditions. The most frequently mentioned were related to support from government and partnerships with government institutions and agencies. Other enabling conditions often mentioned include the establishment of clear land rights or use rights, development of certification programs, and the role of community experience, cohesion and leadership. These enabling conditions were common across all enterprise sectors and business models. Below we outline some of the most important enabling conditions found across the case studies and share some illustrative examples. The case study profiles in Appendix 5 have more information about these enabling conditions and how they played out in the development of each enterprise.

---

## 1. Government involvement and support

Government support was a critical factor for many enterprises in our study, particularly cooperatives and community-owned companies who needed additional regulatory support, legal recognition, or technical and administrative support during the formation and start-up phases of the enterprises. Some of the cases involving private companies and joint ventures also indicated that good relationships with government institutions were an important part of the success of the business. The list below provides a synthesis of some of the key types of support provided by governments in our case study sample:

- Financial, legal and technical support

In the case of the private company IBIS Rice in Cambodia, government agencies have helped with land tenure, mapping, and technical guidance with marketing and agricultural extension. Government agencies, along with member villages, have played an important role in helping collect and analyze the data in order to monitor participating farmers.

- Infrastructure provision such as energy and transportation

In the case of the community-owned company Kayonza Tea Growers in Uganda, the government played an important role in the development and promotion of tea growing in the region and the launching a privatization program for farmers. Their presence is still important for building and maintaining electricity infrastructure and road networks.

- Supportive policies and regulations such as licensing and industry regulations

In the case of the private aquaculture company Victory Farms in Kenya, they worked closely with the State Department of Fisheries and local authorities to develop new industry guidelines and regulations for aquaculture, and received letters of authorization from the State Department of Fisheries, local authorities and the fishing community.

Yayasan Planet Indonesia works hand-in-hand with government institutions involved in natural resource management in Indonesia, advises and provides recommendations to local and national governments on environmental policies, action plans, correct land-use zoning, and management practices in protected areas.

- Establishment of land or marine territorial or use rights to the community, and/or previous protected designation of surrounding areas.

In the case of the aggregator cooperative Chakay Lobsters in Mexico, the fishermen have exclusive concession rights and permits to extract lobsters from the biosphere reserves, and permits and concessions were granted by national environmental and fishing authorities.

- 
- Legal framework enabling community members to own shares and distribute profits

In the case of the community-owned company Aadhimalai, the national government promotes farmer producer companies across the country through things like tax incentives and concessionary loans with low rates and flexible terms. The government also allows company profits to be distributed among shareholders.

## 2. Certification programs

Certification programs were an important factor in most of the enterprises and formed the basis for the consumer price premiums necessary to support many of them. These certifications can help create better products, greater efficiency and open new markets, but can also be cost prohibitive for new, small enterprises. Many of the enterprises engaged in some sort of partnership to assist with the costs of certification.

- Certification and standardization programs, such environment, health or fair trade

Health certification was key for the Cooperostra oyster cooperative in Brazil to market and sell their products, Chicza chewing gum cooperative in Mexico involved long process of quality control standardization and distribution systems, and international organic certification has enabled the IBIS Rice company to export the rice produced in Cambodia and scale-up the business.

- Support for permitting process or certification via financial or technical support

In the case of the Bioguaviare joint venture in Colombia, harvesting of Amazonian products requires a federal permit. A detailed study performed by a public research institute (Instituto de Investigaciones Científicas del Amazonas) was key since the company would have not been able to afford hiring local consultants to complete the required study.

## 3. Community involvement and relationships

The role of IPLCs as owners or full partners is a common element in the case study enterprises, regardless of the sector or business model. In most cases the enterprises were community-driven initiatives, which greatly increases motivation and long-term commitment. In other cases, the idea of a new enterprise emerged after a long history of engagement with a community, or was led by a private sector distributor partnering with a community enterprise for mutual benefit. Private companies engaging with a community for supply of raw materials or employment were successful when these were part of a more holistic model of community capacity building and support.

- Continuing a vocation or practice already known by the community

---

This was the case with most of the productive enterprises, including Cooperostra oysters, Chicza latex collectors, Aadhimalai forest products, Chakay lobsters, IBIS Rice, Bioguaviare Amazon fruits, Suritex wool textiles and GrupoPaisano agribusiness. In cases where a community was adopting a new vocation, it took 8-20 years develop the new knowledge and skills, such as Kayonza Tea Growers and Posada Amazonas eco-tourism lodge.

- Social cohesion within and among communities involved

For the Cooperostra oyster cooperative, the strong cohesion of the Mandira community helped with formation and governance of the enterprise. In the case of Kayonza Tea Factory, the strong internal organization and reliability of the shareholder farmers has led to stability and success. For Posada Amazonas ecotourism lodge, the community's strong cohesion and commitment led to development of a successful new vocation and enterprise.

- Strong relationships built with community from outset or previous experience working with community.

Victory Farms in Kenya built relationships with local communities from the beginning. For example, they understood that the community was going to provide the workforce, so they recruited and set training programs to build talent in all of the company's roles: fish farmers, supervision, logistics, management, distribution, marketing. Victory Farms owns the land in partnership with the original land owners, and the community owns shares in the company owning the land. In the case of Posada Amazonas in Peru, Rainforest Expeditions already operated the Tambopata Research Center lodge, deep in the Tambopata rainforest. The Ese Eja community provided field support such as guidance and knowledge of the area during the construction of that first lodge. During that process, and after years building mutual trust, both the company founders and the community became close and the idea emerged for a second lodge, Posada Amazonas, built and managed in a joint venture. The community provided the pristine forest land on their highly protected communal reserve, along with knowledge about local ecology and culture. Rainforest Expeditions brought the tourism management experience, financial capital, and marketing know-how.

#### **4. Other enabling conditions**

- Financial and technical support from NGOs

In the case of Chakay Lobsters, the Colectividad Razonatura non-profit research institution supported the creation of the aggregator cooperative from the initial stages. Besides providing quality scientific information, it also acts as an advisor and liaison in the co-management of the resource, and has helped with fundraising and channeling national and international resources.

- Commercialization, supply chain and distribution partnerships

---

In the case of Bioguaviare, Selva Nevada’s participation in the joint venture translated into an initial buyer for the company’s products that ensured initial product volumes, as well as an intricate knowledge of the needs and requirements of institutional clients. In the case of GrupoPaisano, the agricultural and industrial aggregators created for each project have enabled them to achieve the economies of scale for agricultural products that are necessary to be competitive.

- Region accessible for product distribution or access by tourists

In the case of Posada Amazonas, the existing Tambopata Research Center by Rainforest Expeditions meant there was already access to area.

- Pre-feasibility studies and development of business plan

GrupoPaisano joint venture in Mexico generated an initial detailed business plan and financial model that was key in order to convince the initial investor that each project could be profitable. In the case of Victory Farms, the founders ran a pre-feasibility study and developed a six-year business plan before starting the company. IBIS Rice has financial models, including forecasts, and strategic five-year business plans focused on scaling up the company and exporting rice. These goals help justify the investments that need to be done at the farmer level, such as acquiring international certifications, that would otherwise seem too costly.

- Prestige of partner or funder

In the case of Bioguaviare, the early support of a recognized international investor such as Acumen gave the company significant credibility. For Posada Amazonas, the fact that Rainforest Expeditions was a well-known ecotourism company made foreign visitors feel more confident.

- Availability of natural resource for harvest or favorable conditions for farming product

This is the case for most of the productive enterprises in our sample. In the case of Suritex textiles in Peru, for example, the local communities have an ancestral alpaca wool vocation and are able to provide a stable supply of alpaca wool to the company. In the case of Victory Farms, the location on Lake Victoria has all the right biophysical conditions for tilapia aquaculture.

#### **Closer Look: Cooperostra Oyster Producers’ Cooperative in Brazil**

The need for sustainable management of small-scale oyster harvesting in the Cananéia region of São Paulo state drew the attention of government institutions in the 1980s and 1990s. In 1989, work by São Paulo’s Secretariat of the Environment showed both a critical need for conservation efforts in the region, and the economic potential of sustainable natural resource management strategies controlled and run by the local population. The Mandira community, who are quilombolas (descendants of

---

people who were enslaved), have occupied the territory since the nineteenth century. Oyster production is the main economic activity developed in the community, representing up to 90% of households' income by the 1990s.

In 1997, the oyster producer's cooperative was created by the community. Although the decision to create the cooperative was made by the oyster collectors, its implementation had the technical and finance support of government and non-government institutions. The Forest Foundation, the Fisheries Institute, and the University of São Paulo all helped Cooperostra members of the Mandira community obtain political voice and legal rights to their resources and territory by assisting them with the designation of the Mandira Extractive Reserve. The creation of the Mandira Extractive Reserve was proposed in 1994, and the area surrounding the Mandira territory was already protected by the Jacupiranga State Park and the Federal Zone for Wildlife Protection. The process of creating the Reserve took eight years and, in 2002, the reserve was formally established by the national government.

During this time, several pilot programs related to oyster production were developed in the region. For example, the project for Research on the Viability of Promoting Oyster Aquaculture developed by the São Paulo's Department of the Environment. Cooperostra has received health certification for their oysters by the Brazilian Federal Inspection Service, which has helped them to sell directly to individual consumer and restaurants for a premium price.

## **Barriers, Challenges and Gaps**

The most frequently mentioned challenges faced by social enterprises were related to market access and commercialization, particularly challenges with supply chains and accessing buyers directly to avoid losing value to intermediaries. Entities that lacked a strong distribution or marketing component had the most difficulty with this. Another major challenge is lack of management and administrative capacity to fill factory and corporate positions. Some companies invested major resources in capacity development, while others were structured such that the community producers were aligned with a corporate partner that handles the distribution and marketing. A third challenge often mentioned was related to the high costs of certification. Having the certification is important for accessing markets and getting a higher price, but the cost of obtaining the certification can be prohibitive. Below we outline some of the most important challenges found across the case studies, and share some illustrative examples. The case study profiles in Appendix 5 have more information about these challenges and how they have affected the development of each enterprise.

### **1. Market access and commercialization**

- Lack of supply chain partnerships and buyer commitments.

---

For example, Cooperostra oyster cooperative has no formal supply chain partnerships, and Kayonza Tea Factory does not have formal partnerships with stores in Uganda so they face significant competition.

In the case of Yayasan Planet Indonesia, most of the community cooperatives sell their products to intermediaries, and the community producers receive very little. These cooperatives face difficulty getting consistent commitment from buyers, which leads to communities being frustrated and farmers losing interest. Yayasan is trying to help the cooperatives to shorten the supply chain so they can pay a premium price to producers

GrupoPaisano takes time to identify serious, institutionalized customers since most agricultural buyers are informal in nature and tend to aggressively leverage their intermediary position to drive down harvest prices.

- Intermediaries or consumers not willing to pay higher price for certified products

In the case of Cooperostra oyster cooperative, many local buyers are not willing to pay a higher price for certified oysters. Similarly, in the case of Chakay Lobsters, intermediaries are not interested in traceability and are not willing to pay for certified products, and some even have used the brand without authorization.

- Additional costs and excess supply due to price premium given to members

In the case of IBIS Rice, they face additional costs from paying a premium price and buying all production from participating farmers; Similarly, Aadhimalai guarantee buys all of the production of their members.

- Competition from informal market or non-certified products

In the case of Cooperostra, excess oysters are sold in the informal market at a lower price than the legal oysters harvested and commercialized by the cooperative, which creates pressure to continue pursuing unsustainable practices and sell to middlemen; In the case of Adhimalai, they face competition from the many producers' companies currently being created with support from the national government, but that do not abide by fair trade prices; and for Victory Farms aquaculture company, they face competition from inexpensive Chinese fish now being imported to Kenya, sometimes as much as two years old.

- Costly or risky transport due to remote location, poor road infrastructure or presence of armed groups

In the case of Bioguaviare, the community is located in a remote area with unreliable and expensive energy coverage, with a 4-hour drive to reach the closest government office. The region

---

continues to have a strong presence of illicit armed groups and guerillas that tend to exploit the local community and make the transport of goods over land complicated and unreliable. Similarly, in the case of GrupoPaisano transportation needs to be made during daylight hours due to insecurity, complicating logistical procedures and shipping times; For Aadhimalai, the company is not always able to procure 100% of the farmers' production because of the need to cover a vast area with a small team.

- Difficulty meeting requirements for international markets

In the case of Kayonza Tea Factory they are not able to meet all the European requirements, and they currently lack a business strategy on how to access the European market directly. IBIS Rice has developed this business strategy but needs to invest a lot of resources at the farmer level to enable them to acquire international certification.

- Markets for products are not well-developed

In the case of Yayasan Planet Indonesia, markets for products and commodities produced by the cooperatives are not always well-developed and they struggle with commercialization and sales; In the case of Bioguaviare there is a general lack of knowledge outside of Colombia regarding the benefits and potential of other types of Amazonian fruits and products.

- Market fluctuations

Market fluctuations were mentioned as a challenge by many of the production enterprises, such as Kayonza Tea Growers and Aadhimalai forest products. Similarly, Posada Amazonas deals with fluctuations in tourism demand and external global economic shocks, and in particular the pandemic has greatly affected their operations this past year.

- Need for storage facilities

Cooperostra has no way to freeze oyster products, which has affected their ability to access markets and form agreements with seafood distributors; In the case of Aadhimalai they have seasonal and surplus production that needs to be stored.

## **2. Lack of Capacity**

- Lack of management and administrative capacity and talent in local community to fill factory and corporate positions

This was a common theme for almost all of the case examples. Exceptions include Kayonza Tea Factory and Chicza latex collectors, who had prior experience and history of developing the commercialization side of production. In the case of Bioguaviare in Colombia and GrupoPaisano in

---

Mexico, lack of local talent to fill management and factory positions has meant that specialized corporate jobs are filled by outsiders and often based in major cities. Cooperostra needed to bring in external members for administrative and management roles, but this has resulted in poor management, embezzlement of funds and legal troubles for the cooperative.

- Lack of technical knowledge and skills for new farming or harvesting techniques.

This challenge was largely overcome by most of the case study enterprises. In the case of Victory Farms, there were no Kenyan fish farmers with the previous knowledge, skills or experience in aquaculture farming, so this capacity had to be newly developed with guidance from the founders. Many of the productive enterprises, such as Cooperostra, Chakay and Chicza, gained new technical knowledge and skills as part of government, NGO and private partner assistance.

- Lack of capacity and consistency with governance

For Chakay Lobsters, not all cooperatives are in equal governance and management capacity, and this affects the effort and funds they dedicate to their participation in the aggregator cooperative. Some cooperatives also have marketing and commercialization partners and therefore greater participation and use of the collective brand. In the case of Yayasan Planet Indonesia, communities have previously had bad experiences with other conservation and social programs and are not motivated to try yet another long-term approach.

### **3. Regulations and certification**

- Government harvesting and sanitary regulations and permits are costly

In the case of Cooperostra oysters, government harvesting and sanitary regulations are very costly, but also allow them to obtain health certification for their oysters. In the case of Bioguaviare, local government officials have very limited knowledge around the issuance of federal rainforest harvesting permits, and in the past have calculated unviable prices per harvested kilo that would have made the company financially unfeasible. In the case of Chicza, the permit to extract latex is at least twice expensive than the permit to extract timber, even though latex extraction is less harmful for the environment and better for the livelihoods of local communities.

- Organic and Fair Trade certification processes difficult and costly

Regardless of the enterprise model, many of the case study enterprises, including Kayonza Tea Factory, Cooperostra oysters, Aadhimalai forest products, Chakay Lobsters and IBIS Rice, rely on environmental, fair trade or wildlife friendly certification. However, the process is complicated and costly, and enterprises have needed additional financial and technical support to successfully obtain certified products. In the case of Bioguaviare, local organic certifiers have not been able to

---

travel to this remote area and international certifications are too expensive given their scale of operations.

#### 4. Land tenure

- Difficulty obtaining ownership rights of customary land or waters

Obtaining territorial or use rights was an important enabling condition for many of the case study enterprises, but it is a complicated and time-consuming process that often requires assistance and advocacy support. In the case of Yayasan Planet Indonesia, for example, community cooperatives face a challenging 3-4 years of effort to obtain ownership of customary or community-owned forests, whereas it takes 30 days for an oil palm or mining company to get permits to develop government held lands.

#### 5. Social

There were fewer social challenges shared across enterprises as compared to other challenges, underscoring the uniqueness of communities and the importance of understanding the local context in the development of any community-focused enterprise.

##### Internal Conflicts

- Conflicts between members and non-members  
Cooperostra oysters: there is a minor grudge between Mandira and non-Mandira members.
- Community fatigue with conservation and social programs  
Yayasan Planet Indonesia: communities have had bad experiences previously with other conservation and social programs and are not motivated to try yet another long-term approach
- Allure of free riding or continuing unsustainable practices  
IBIS Rice: difficult to convince farmers to not accept short-term earnings and sell their rice before its time.
- Clashes in relationships among member cooperatives due to uneven management capacity (mentioned above) and natural resource availability  
Chakay lobsters: environmental and geographic conditions differ in different reserve areas, and therefore some of the participating cooperatives have more lobsters than others.
- Uncertainty about involvement of younger generations  
Aadhimalai: uncertainty whether the younger generations will want to be part of the enterprise.
- Religious beliefs and cultural customs affecting community participation

---

In the case of Cooperostra oysters, communities with a strong presence of neo-Pentecostal churches initially believed cooperatives to be evil.

### **External threats**

- Organized criminal groups affecting safety of operating areas

GrupoPaisano: operating areas tend to be insecure with the presence of organized criminal groups and drug traffickers, but being a social enterprise with community ownership has translated into protection from the local communities.

- Illegal access or harvest by outsiders

Chakay Lobsters: illegal fishermen enter the reserves and fish using hooks and nets.

- Illegal mining in area

Posada Amazonas: illegal mining is heavily affecting the region, bringing social unrest and insecurity along with environmental problems such as deforestation, water pollution, and biodiversity loss.

## **6. Environmental**

- High risks associated with climate change

Most of the productive enterprises face challenges with climate change affecting harvests due to increased droughts or extreme weather events. Kayonza Tea Factory mentioned serious concerns about climate change affecting the tea crop, and GrupoPaisano reported that changing climate and weather are affecting harvests and leading to significant losses

## **Access to Finance**

The case study enterprises received a variety of types of financing, including loans, grants/donations, equity, and reinvestment. Loans were the most common source of financing for private and community companies, while grants and donations were the most common source for cooperatives and NGOs (see Figure 4). Two private companies and one community owned company also benefitted from equity financing and reinvestment.

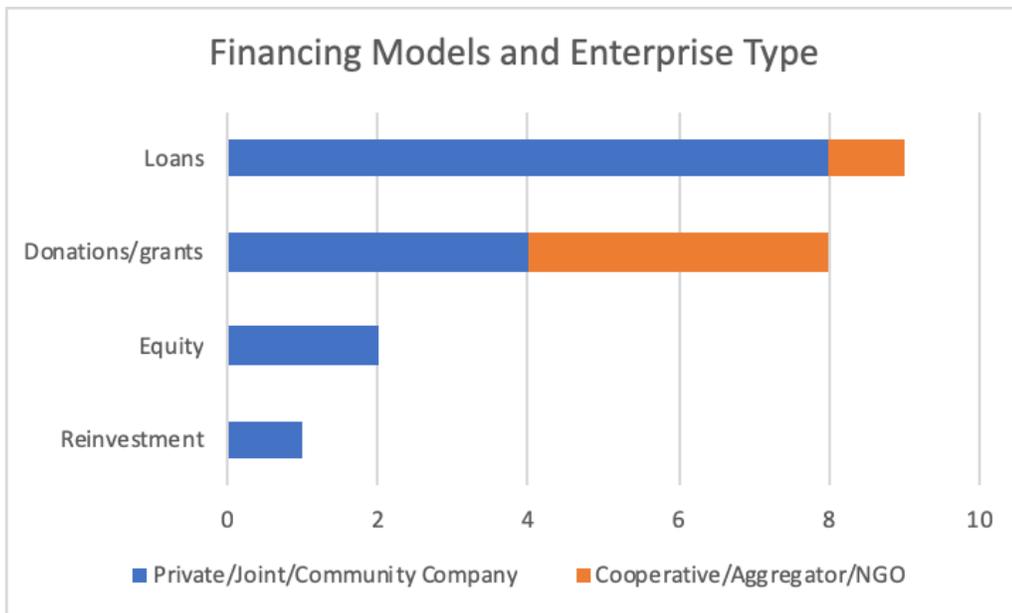


Figure 4. The distribution of financing models based on type of enterprise.

All of the case study enterprises struggled to some degree in accessing finance, but all of them were successful in securing needed financial support to help them build and grow. A shared experience among most cooperatives and community-owned enterprises was difficulty accessing credit through traditional national banks and private sector investors, and the need for public assistance or private donations and grants to help them get started in the early stages. This is largely due to the fact that the primary goal of these enterprises is not to become profitable but to support the community, so the private sector is usually not willing to invest. An important theme is that once enterprises are able to reach the growth phase and are capitalized with facilities or equipment, they are then able to access more conventional forms of finance such commercial loans. Below we outline some of the experience with accessing finance across the case studies and share some illustrative examples. The case study profiles in Appendix 5 have more information about how each enterprise experienced challenges and success related to access to finance.

### 1. Barriers accessing finance

- Difficulty accessing capital from private sector or commercial banks

Cooperostra oyster cooperative has not been able to attract any private investors.

Kayonza Tea Growers community owned company has had difficulty obtaining a loan from national banks in Uganda because of high interest rates and short payback period, so they sought international credit markets to finance investments.

GrupoPaisano, a private company, struggled with finding initial investors.

---

In the case of Chicza cooperative aggregator, they mentioned that national banks do not consider this type of social enterprises as reliable enough for formal institutional bank accounts and loans.

Yayasan Planet Indonesia NGO is dependent on external funding from private donations and technical assistance from multilateral development agencies. Yayasan Planet Indonesia provides access to capital via village savings and loan programs that give grants to conservation cooperatives that in turns provide small loans for farmers and community members who do not have access through traditional financial institutions.

## **2. How barriers accessing finance have inhibited enterprise development**

- Lack of funds and capital to invest in growing and diversifying products, and in increasing scale to participate in national or international markets

Cooperostra oyster cooperative does not have the financial capital to invest in increasing its participation in the national and international market.

IBIS Rice needs additional capital in order to grow and diversity its products.

In the case of both Aadhimalai and IBIS Rice, they buy all of the production and have challenges maintaining cash flow operational funds.

## **3. Access to finance as an enabling condition for enterprise development**

### **Public and private financing for start-up processes**

- Build facilities and purchase equipment

Cooperostra cooperative received government grants to build an oyster purification station.

Bioguaviare joint venture received seed loan from Acumen and from USAID that were used to start operations, purchase initial raw materials and build a production facility, including machinery and equipment.

In the case of GrupoPaisano, an initial private investor helped establish the original operating entities, launch operations, and purchase machinery and equipment, and they were also able to finance the purchase of solar panels for refrigeration equipment through a government grant.

Suritex private company received loans from national banks as well as impact investors that used for purchase of machinery and construction of factory, as well as construction of headquarters.

In the case of Victory Farms private company, investors provided equity, debt financing and grants Funds to build the aquaculture infrastructure.

---

Chicza cooperative aggregator received loans, incubator, donations from public and private sources to set up production.

- Initial investments for agricultural enterprises help reach economies of scale to be competitive

In the case of GrupoPaisano, they received significant up-front investments to purchase local harvests and set up the processing/packaging plants in order to achieve the volumes necessary to reach economies of scale and be competitive in price.

- Support for business planning

Cooperostra received government grants to support development of business and operational plans.

In the case of Chakay, funds were channeled through stakeholders such as Colectividad Razonatura for the co-management of the resource. Razonatura received financing in the form of incubation support, donations and grants from public and private sources, which were used for business planning, studies, consolidation of the brand, creation of Kanan Kay Alliance, and capacity building for partners.

- Support for certification costs

Cooperostra received government grants to support the process and costs of health certification.

IBIS Rice, in partnership with a local NGO, receives primarily grants to help support the international certification process, including training, paperwork, and the costs of the certification.

### **Financing during growth and expansion**

- Access to loans for expansion and building new facilities

Kayonza Tea Factory received long-term loan from a social impact investor (Oikocredit) is enabling them to build a new factory

Posada Amazonas Loans, donations, grants, awards, start-ups from public and private sources  
Used to renovate lodges, new construction

- Being capitalized with factories and equipment to facilitate access to bank loans

In the case of Suritex, construction of factory and office headquarters capitalized the company, which makes it easier now to access bank loans to invest in yarn machines, which will allow them to purchase the raw alpaca wool directly from local communities at fair trade rates.

GrupoPaisano was able to attract other private investors once they reached the growth phase.

- Reinvestment

---

Chicza has used reinvestment, together with a commercial bank and international aid, to build a nursery for the production of up to two million seedlings a year and has reforested more than four thousand hectares of forest.

Kayonza is constructing a new factory, and about 40% of the money needed for construction comes from reinvestments by farmer shareholders.

#### Closer Look: Aadhimalai Farmer Producer Company in India

Aadhimalai Farmer Producer Company is a farmer producer company registered in 2013 with over 1600 members of native communities in the Nilgiri Biosphere Reserve in India. Aadhimalai produces both raw and value-added non-timber forest and agricultural products. The enterprise is entirely owned by the Indigenous communities, who farm for their own consumption and then sell the surplus. Aadhimalai purchases harvests directly from the communities at a rate 20-30% higher than the market price, processes the products, and then distributes them under a certified fair trade label. It has incorporated value-added operations to increase market value, and has also implemented storage mechanisms to enable them to make sales when the price is higher.

Aadhimalai received incubator funds from Keystone before its formal registration as a company. The Keystone Foundation runs programs, activities and research related to sustainable livelihoods and biodiversity conservation in the Nilgiris Biosphere Reserve. Along with Aadhimalai, Keystone has created two other organizations that work together to increase cohesion both within indigenous communities and with the natural systems they inhabit. The funds from Keystone were used for training, product procurement, product development, capacity building and staff salaries. After the company was registered, Aadhimalai began taking one-year loans from the National Bank for Agriculture and Rural Development in India, which has lower rates than commercial banks.

Aadhimalai guarantees that they will buy all of the production of the farmers. Challenges include storing surplus production, since supply usually exceeds demand, and absorbing any losses from market price fluctuations. They frequently struggle to sell enough product to cover the cost of business operations, and ongoing needs include accounting knowledge, stock maintenance, and development of new products. Another concern is uncertainty about whether the younger generations will want to be part of Aadhimalai. Many producer companies are now being created with national government support, but they do not abide by fair trade practices and prices and threaten to out-compete Aadhimalai.

Despite these challenges, Aadhimalai is a profitable enterprise with a recognized brand, and produces over 30 tons of NTFP and agricultural produce, and over 50 different varieties of products, each year. They have four processing centers spread across the Nilgiri Biosphere Reserve and four retail outlets called Honey Huts, and their products are sold by over 20 stores across India.

---

## Case Study Summaries

Below are summaries of each case study enterprise interviewed in the course of this study. The summaries are organized by enterprise model, and highlight aspects of the enterprise's history, operations, community engagement, and successes and challenges. More detailed information about each case study, including key success factors and lessons learned, can be found in the case study profiles in Appendix 5.

### Cooperatives

#### Cooperostra Oyster Producers' Cooperative, Brazil

Cooperostra is a community-based aquaculture cooperative located in the Mandira Extractive Reserve in the state of São Paulo, Brazil. It was created in 1997 by oyster collectors in the municipality, with support from the São Paulo Forestry Foundation, the Fishery Institute, and other governmental and non-governmental institutions. The creation of the Mandira Extractive Reserve and designation of exclusive property rights were a critical factor in the successful creation of the cooperative.

Cooperostra pays a premium price for the oysters produced by its members, and then sells oysters directly to consumers and restaurants in São Paulo. Depending on the situation, the premium can be twice or even three times more than the market price paid by middlemen. The cooperative is financially feasible, but it does not have the financial capacity to make additional investments for expansions such as increasing its participation in the national and international oyster market. Challenges include financial debt from mismanagement and ensuing legal fees.

### Aggregator Cooperatives

#### Chakay Lobsters, Mexico

Chakay is a collective brand of the Integradora de Pescadores de Quintana Roo, a social enterprise that aggregates six fishermen cooperatives. The cooperatives are based in Sian Ka'an and Banco Chinchorro Biosphere Reserves in Quintana Roo, Mexico. The brand sells Caribbean spiny lobster collected by freediving fishermen who have exclusive concession rights and permits to extract this resource from the biosphere reserves. The permits and concessions were granted by national environmental and fishing authorities, and the fisheries resource is co-managed by national and local governmental entities and authorities, fishermen cooperatives, and national research organizations and NGOs, often allied with international institutions.

By selling the lobsters live, the collective brand sells 2/3 more weight (previously they only sold the tails). This increases fishermen revenues, adding even more value by selling a fresh product and avoiding refrigeration costs. The lobsters are sold alive to middlemen, as well as to restaurants, who pay a better price for a fresh product that is part of a traceable system that ensures fair trade and sustainable fishing practices.

---

Furthermore, the collective brand legally registers the product, its exclusive origin site and the sustainable fishing practices, not only adding value to the final product but setting the rules and roles for the co-management, use and protection of the resource. Challenges include illegal fishing in the area, intermediaries not willing to pay for sustainability and traceability, and changes in governance of the member cooperatives that hinder continuity of process, vision and leadership.

### **Chicza, Mexico**

Chicza is a social enterprise based in the states of Campeche and Quintana Roo in Mexico that produces natural chewing gum in a sustainable way that prevents deforestation. Chicza is the official brand of Consorcio Chiclero, an aggregator cooperative of 32 cooperatives and 2,000 chicleros (chewing gum makers). Its products are distributed in Mexico and exported to countries around the world. The enterprise mixes both cooperative and corporation approaches. The cooperatives function in a horizontal scheme, with shared and standardized latex collection methods, quality control processes, logistic operations and production policies. Chicza's corporation arm operates in a vertical scheme, facilitating the implementation of a variety of investment models, manufacturing the final product, and commercializing it in national and international markets.

Chicleros sell the processed latex directly to Chicza. The cooperatives receive credit for their yearly operation from Chicza, which is paid back when chicleros deliver the latex cooked blocks. Public sources of funds from the government were important in early stages to establish the production and the foundations of the consortium and its economic activities. Currently, 75% of Chicza's financial resources are their own. Chicleros have become rigorous guardians of the chicozapote tree and its ecological surroundings, engaging in reforestation and carbon sequestration programs. Challenges experienced by the Consorcio include lack of access to credit from national banks by nature of being a social enterprise, and the high cost of latex extraction permits that are double the cost of timber permits.

## **Joint Ventures**

### **Bioguaviare, Colombia**

Bioguaviare is a private agribusiness company in Colombia that is a joint venture between Selva Nevada, a company focused on processing and selling artisanal ice cream using locally-sourced Amazon products, Bioinges, a group of Amazonian region agroforestry technicians, and Asoprocegua, a local association of 230 small-holder farmers in the Guaviare region looking to capture more value from its local products. Seed loans, as well as support from a public research institute for the permitting process, were both important enabling conditions for the venture.

Bioguaviare sources 100% of its fruits from local small farmers and Indigenous communities, and is the only source of income for the Nukak Indigenous community, from whom the company purchases fruits at above-market prices. Bioguaviare processes and commercializes wild grown Amazonian fruits into products, including

---

frozen açai, araza, and buriti pulp, as well as natural palm oil. Bioguaviare is currently looking for additional financing to ensure cheaper and more stable energy through the construction of a solar/hydraulic power plant. Challenges include an expensive and difficult rainforest harvesting permitting process, and difficulty with transporting goods through a region still occupied by some armed groups and guerillas.

### **GrupoPaisano, Mexico**

GrupoPaisano is a joint venture, established in 2013 by a Mexican agribusiness entrepreneur and a retired local businessman, in order to develop a variety of fruit and vegetable products by rural communities to be sold in national and international markets. To date, the company has launched three community-based agriculture projects: Apatzingan Valley in Michoacan that works with 500 local small fruit farmers to develop local production and distribution capabilities for national and international markets; Tuxtepec Region in Oaxaca that works with several hundred farmers to reactivate local agricultural activities on idle lands by producing local roots and vegetables for commercialization and export; and Monarch Butterfly Biosphere Reserve on the border of Michoacan and Mexico States that promotes reforestation by reducing illegal logging activities and working with several dozen small farmers to produce organic blackberries and blueberries.

GrupoPaisano supports the communities in each project via four entities: Inverpaisa attracts investors and manages an impact investment fund that invests in each project's legal entities; ImpulsoPaisano incubates each new project; ProductosPaisano commercializes all products produced, and CorazonPaisano (a non-profit) ensures the overall development of local producer communities by helping them properly invest their time and money.

Each project is itself composed of two private entities: an agricultural aggregator that purchases the local harvests, and an industrial aggregator that owns the processing equipment and produces end products. Initially, local producers are given 10% of the shares in each entity and can purchase up to 100% of the total shares through future distributions once each project becomes profitable. Challenges include harvest losses due to unfavorable weather conditions, and organized criminal groups and drug traffickers compromising the security of operating sites and transportation routes.

### **Posada Amazonas/Rainforest Expeditions, Peru**

Posada Amazonas lodge is a joint venture between Rainforest Expeditions, a Peruvian Ecotourism private company, and the Ese Eja Indigenous community. The lodge is located in El Infierno communal protected land in the Tambopata rainforest, two hours from Puerto Maldonado. The lodge employs 30 people from the community. The joint venture has implemented an extensive training program for all the roles needed in the lodge.

In 1996, a strategic alliance was formed by signing a 20-year agreement between the company and the Ese Eja Community of Infierno. In that first agreement, 60% of the dividends were for the local community and 40% for Rainforest Expeditions. When the agreement was coming to its end, the community requested to extend

---

the partnership. A new agreement was signed in 2016 for eleven more years. This new agreement grants 75% of dividends to the community, 10% of those shall be invested in supporting and improving infrastructure and services from the lodge. The mid-term goal is to reach a 100% community-owned company. The award-winning lodge has been profitable for over 20 years, but is currently closed due to the pandemic. Other challenges include illegal mining in the region, bringing social unrest and insecurity along with environmental problems such as deforestation, water pollution, and biodiversity loss.

## Farmer Producer Companies

### Kayonza Growers Tea Factory, Uganda

Kayonza Tea factory is a for-profit community-owned company located north of Bwindi Impenetrable National Park in Uganda. The government initially established and managed the factory in the 1960s, and in 1995 it was privatized and farmers were allowed to own shares. Currently there are over 7,000 smallholder farmers who own Kayonza Growers Tea Factory Ltd. Kayonza is governed by a board, and has a strong and reliable administrative and management capacity. The government continues to play a supportive role by improving essential infrastructure such as road networks and electricity.

Kayonza has environmental certification, and members are paid a premium price to produce the leaves that are processed in the factory and transformed into tea. Kayonza is also responsible for the distribution of its products, and tea is sold throughout Uganda, as well as in European markets under a different brand. Kayonza is expanding, and after being unable to access capital in Uganda due to high interest rates, has received international financing to help construct a new factory. Kayonza faces continued challenges such as climate change impacts (prolonged drought, increases in pest and diseases, and erratic rainfall), unfair competition from uncertified producers), and maintaining profitability in the face of high certification and transportation costs.

### Aadhimalai, India

Aadhimalai Pazhangudiyinar Producer Company Ltd (APPCL) began as a micro social enterprise and has since grown into a farmer producer company registered in 2013 with over 1600 members of native communities in the Nilgiri Biosphere Reserve in India. Aadhimalai produces both raw and value-added non-timber forest and agricultural products. Aadhimalai has received support from an incubator as well as low-rate loans from the National Bank for Agriculture and Rural Development in India.

The enterprise is completely owned by the Indigenous communities, who farm for their own consumption and then sell the surplus. Aadhimalai purchases harvest directly from the communities at a rate 20-30% higher than the market price, processes the products and distributes them. The community is involved in the entire process, from product collection to operational requirements and management of the company. It has incorporated value-added operations to their forest and farming harvests to increase the market value, and they have also implemented storage mechanisms to enable them to sell when the price is better. Challenges

---

include storing surplus production, since Aadhimalai guarantees that they will buy all of the production, and supply usually exceeds demand.

## **Private Companies**

### **IBIS Rice, Cambodia**

IBIS Rice is a private company in Cambodia launched in 2009 by the Wildlife Conservation Society (WCS). Prior to forming IBIS Rice, WCS worked with government agencies to secure land user rights to farmers around the forests of the Northern Plains. Once the land was legally secured, farmers were encouraged to use environmentally friendly farming methods that limit deforestation and protect critical wildlife.

Farmers who agree to a set of conservation regulations limiting agricultural expansion and prohibiting hunting are offered a premium price for their rice. About 1,000 rice-farming families have benefited from the initiative. IBIS Rice sells rice directly to consumers in Cambodia and in other places in the world, as well as to national and international supermarket chains. IBIS Rice is growing and diversifying its products. Because of this, IBIS Rice needs new investments and commercial banks are becoming more attractive at this stage of the business.

### **Suritex, Peru**

Suritex is a Peruvian private family-owned social enterprise founded in 2001. Its headquarters are located in Lima and its factory is in Huancayo, a region where local communities have an ancestral alpaca wool vocation. The company hires locals, 80% of which are women, to process the yarned alpaca wool as well as manufacture accessories and clothes. The products are then transported to Lima and commercialized in boutiques within the country and abroad.

Suritex lowers the cost of processing raw wool through solar-powered technology. Currently, Suritex buys yarned alpaca wool from intermediaries, processes it and manufactures accessories and clothes. In the near future, Suritex plans to invest in yarn machines which will allow them to purchase the raw alpaca wool directly from local alpaca farmers at fair trade rates, higher than market rates. The company offers training programs and employment opportunities for women in the communities. At the production site, they learn skills to work in wool processing, knitting and manufacturing. The women are paid a fair price for the products and benefit from flexible working conditions that also allow them to care for their families. Since Suritex became capitalized with both equipment and a factory, it has been easier for the company to access bank loans.

### **Victory Farms, Kenya**

Victory Farms is a private aquaculture company that has built a commercial tilapia farm on Lake Victoria in order to meet the demand for affordable protein in Kenya and East Africa. They have already become the largest producer of fish in the region. The company has high standards of sustainability for its production,

---

based on the UN Sustainable Development Goals and on founder's expertise in aquaculture best management practices, taking measures to protect and restore the environment in which the farm operates.

Victory Farms is in control of the entire process and supply chain in a vertically integrated company: from genetics program, collection, hatching, nursery, growing the fish, processing the fish, to distribution almost to the end consumers: they sell directly to market women, restaurants, and hotels. Victory Farms has strong relationships with local communities, and they have made significant investments of time and money to create local capacity. Most employees are from the local Indigenous communities, and a large proportion of them are young talent whom the company is heavily training for future leadership opportunities. As the first tilapia aquaculture company in Kenya, they had to integrate the entire process, from production and logistics to distribution and sales. This vertically integrated system is very capital intensive but has also allowed them to control the quality and sustainability of the whole process.

## **Non-profit Organizations**

### **Yayasan Planet Indonesia (YPI)**

YPI is a non-profit organization that supports development of conservation cooperatives in Indonesia, with the goal of revitalizing traditional management practices and enabling local communities to seek alternative economic activities using non-timber forest products. YPI consists of an Indonesian entity and a U.S. entity that work together. YPI fills a finance gap for local community members who face barriers borrowing money from traditional financial institutions such as banks and credit unions. To counter this, YPI created the 'Village Saving and Loan' program through which they provide small grants to community cooperatives across the project sites.

YPI provides seed funds to the cooperatives to provide loans to small business groups, and the repaid capital and accrued interest is then used as a revolving fund over years to come. Currently more than 3,000 households are associated with YPI, and members gain access to opportunities to improve their livelihoods, health and education, in order to create conditions for them to support conservation work and simultaneously improve their livelihoods and well-being. Challenges include undeveloped markets for the products and commodities produced by the cooperatives, and YPI has been working with cooperative producers and wholesale buyers to shorten value chains for agricultural products and provide rural producers with premium prices for their agricultural commodities.

---

# Investor Surveys

## Overview

Some of the primary players in the impact investment and community enterprise incubator space were identified through the case study research and from existing knowledge and networks of the research and TNC team. More detailed results of the survey can be found in Appendix 6. Investor survey results.

## Investors

The following six organizations, plus two respondents who requested anonymity, answered the online survey to provide insights into finance models, criteria, challenges and expectations when working with IPLC focused enterprises. We also conducted an interview with the Luc Hoffman institute, and their input is reflected as part of the sections below.

### [Acumen Fund](#)

Acumen is a non-profit impact investment fund with over 20 years' experience in investing in social enterprises that serve low-income communities in developing countries across Sub-Saharan Africa, South Asia, Latin America, and the United States. It aims to demonstrate that small amounts of philanthropic capital, combined with large doses of business acumen can result in thriving enterprises in water, healthcare, housing, energy and agriculture.

### [Adobe Capital](#)

Through the use of tailored financing alternatives, they support impact-driven entrepreneurs who are able to create innovative, profitable and scalable business models to address the most pressing social and environmental challenges. They provide financing and technical assistance to enterprises in Latin America.

### [CI Ventures / Conservation International](#)

CI Ventures is an investment fund that provides loans to small- and medium-sized enterprises that operate in the forests, oceans and grasslands where Conservation International works. Whether in sustainable agriculture or forestry, ecotourism or wild fisheries. CI Ventures provides capital and other resources to enhance "investment readiness" and enable larger additional investment.

### [Encourage Capital](#)

Encourage Capital works to consolidate a community of investors, foundations, market-leading companies and nonprofits to deploy private capital into systemic solutions to climate change. They invest in projects focused on the conservation, restoration and improved management of biological systems — such as forests using, for example, carbon offsets.

---

### [Luc Hoffman Institute](#)

The Luc Hoffmann Institute aims to be the world's leading catalyst for innovation and transformative change to maintain biodiversity, the foundation for all life on Earth. They create the conditions for new approaches to emerge, identify and mobilize the most promising innovators and ideas, and provide a flow of impactful, de-risked and exciting initiatives for investors.

### [Meloy Fund / Deliberate Capital](#)

The Meloy Fund for Sustainable Community Fisheries is an impact investment fund that incentivizes the development and adoption of sustainable fisheries by making debt and equity investments in fishing-related enterprises that support the recovery of coastal fisheries in Indonesia and the Philippines. The Fund is a wholly-owned subsidiary of Rare and the team at Deliberate Capital created and serves as the fund manager. Rare and the Meloy Fund assist investees with technical expertise, funding and grant assistance to support business transition to operate in sustainable ways. As such, the creation of economic opportunities for small-scale fisheries is linked with the conservation of critical marine habitat.

### [Mirova Natural Capital Limited](#)

Mirova focuses on Nature-Based Solutions, defined as actions to protect, sustainably manage and restore ecosystems, simultaneously providing human well-being and biodiversity benefits. Such solutions include investment in reforestation, sustainable agriculture, ocean conservation and the restoration of degraded land. They do so by designing natural capital investment strategies for institutional investors aimed at combining profitability and ecosystem conservation and regeneration.

## **Types of Financing and Sources of Funds**

The impact investors and incubators surveyed use a diversity of financial models and types of investment and operate across a range of enterprise sectors and regions. The most common type of financing was long-term loans followed by quasi-equity, and the least common was grants and revenue-based financing.

Sources of funds include development finance institutions (DFIs), foundations, high net-worth individuals (HNWIs), government, family offices, and philanthropy, and do not seem related to any specific focus on IPLCs. DFIs and foundations were the most common source of funds, followed by philanthropy and government-related funds. HNWIs were the least mentioned, and this could be due to the longer-time horizon involved in these types of investments, and/or a lack of knowledge regarding the importance of investing in IPLCs. Most investors reported a variety of sources, with the exception of Conservation International Ventures being entirely sourced by philanthropy, and Mirova Natural Capital being entirely sourced by DFIs.

Investment criteria ranged widely in terms of geographic region, ticket size, focus areas and the type and length of financing provided. General areas of focus and the types of financing were widely distributed among all investors surveyed, regardless of whether they had a specific IPLC focus. Environment, financial inclusion and gender inclusion were the most common focus areas indicated in the survey.

## Key Takeaways

1. Most impact investors do not focus on early stages such as seed and pre-seed, and only those with a specific program focused on IPLC-led enterprises reported investing in early stages such as pre-seed and seed (see Figure 5). Of the investors surveyed, only Mirova and Acumen mentioned that they support business planning processes. Thus, there are few impact investors identifying and supporting IPLC-led enterprises in early business stages, and this lack of planning and preparation could be one of the factors leading to their failure in reaching markets.

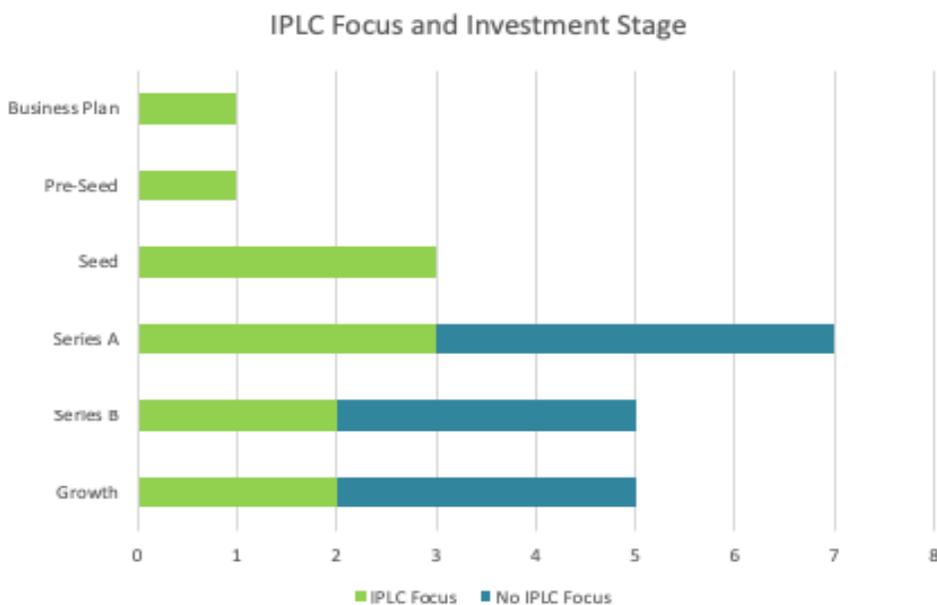


Figure 5. Investment stage and IPLC focus

2. There does not seem to be a specific impact investment vehicle targeting IPLC-focused enterprises, since this relates to an enterprise's ownership model, and most investors instead focus on specific sectors (e.g., ecotourism, agribusiness, etc.) regardless of whether a community participates economically in the project. Investors provided a range of financing, including revolving credit lines, long-term loans, equity and quasi-equity, and rarely provided any grants. When enterprises reach financial breakeven, they can typically access loans. For enterprises at an earlier stage, equity tends to be the norm. Quasi-equity tends to come in when the investor wants to tailor the structure to the company's needs. However, due to their distributed community ownership model and the lack of exit options, most investors are not willing to make equity investments in IPLC-owned enterprises.

- 
3. The average 5-year time frame of investments is shorter than the time frame needed for most IPLC-led enterprises to develop, which often take at least 8 years per our case study research. Only one investor, Acumen, has a holding period longer than 7 years.
  4. All investors surveyed reported that lack of financial acumen is a challenge when working with IPLC enterprises, and almost all of the investors reported that they provide some type of capacity building support or technical assistance as part of their investments.
  5. Investors who do not focus on IPLCs mentioned that these types of enterprises are usually too small, lack the necessary management team sophistication, operate in risky industries, have a low perceived profitability of success or are viewed as lacking sufficient social impact. This last comment likely reflects a lack of generalized knowledge around the various types of impacts generated by investing in IPLCs.
  6. Investors who are based in-country and are familiar with the local context are more successful in identifying and investing in IPLC enterprises, and solving challenges related to market access and transportation. These investors view their role as true partners with the communities, and they are knowledgeable and responsive to their needs and context.
  7. All of the IPLC-focused investors reported requiring mission drift avoidance language as part of their closing documents in order to ensure that the purpose of the enterprise, impact generation model and relevance to the fund investing is maintained.

## **IPLC Partnerships**

### **Models**

A number of financial and partnership models were described when working with IPLC focused enterprises.

In the case of Mirova, they invest in companies, cooperatives or NGOs that impact IPLCs, and mainly distribute long-term, carbon-backed loans to companies or NGOs, who then distribute financing to IPLCs to develop agroforestry projects, for example, or to finance conservation efforts such as forest monitoring/patrolling. In cases when they choose not to invest, it is usually because the business plan is unviable or the company is lacking commercial/financial acumen.

Acumen partners with IPLCs to develop, incubate and grow businesses generated by the communities themselves. Usually, they invest equity with share repurchase over time. They are also exploring quasi-equity structures. Their impact theory involves improved livelihoods, protection of the environment, rebuilding social fabrics, generating greater autonomy and agency for grassroots organizations, and developing formal economic models owned by communities that can compete with illegal activities.

---

The Luc Hoffman Institute focuses on ideation, incubation and funding stages of enterprises aiming to generate positive environmental impacts, although they do not have a specific focus on IPLCs. They help entrepreneurs take their ideas and test their assumptions about theories of change and how change happens, and offer a suite of technical expertise, tools, and networks in order to reduce investment risk, connect with investors, and increase success.

An anonymous investor provides one-year to five-year term loans or working capital loans to social impact-driven enterprises that create dignified jobs in vulnerable communities. Their targets are companies whose sales are minimum \$100k annually. They provide tailor-made loans with friendly conditions regarding interest rate, tenor, amount, grace period and collateral requirements.

### **Capacity building, business planning and technical assistance**

Almost all of the respondents reported that they provide some type of capacity building support or technical assistance as part of their investments. These come from a variety of sources of funds.

Mirova incorporates technical assistance through NGOs that distribute grants for capacity building, business planning, environmental and social action plans (ESAP) development, and feasibility studies, among others. Meloy Fund and Adobe Capital provide various forms of technical assistance, and Adobe mentioned that they fund these activities through some of their DFI investors.

Acumen acts in partnership with communities, providing extensive pre- and post-investment support to launch and strengthen businesses, directly supporting business planning, pre-feasibility studies, accounting, marketing, supply chain management and market studies. They also work with investees to improve ESG matters and impact potential, including business processes.

The Luc Hoffman Institute, although not specifically focused on IPLCs, reiterated the importance of injecting business knowledge and expertise into socially and environmentally focused projects in order for them to succeed in the market and be appealing to investors. They emphasize that allowing for that time to evaluate and de-risk (the first phase) is very important in making ideas more successful, and saves money in the long term.

CI Ventures does not allocate funds for capacity building activities. However, they occasionally incorporate them as part of other CI-related projects. One of the undisclosed investors mentioned that they provide business assistance facilities, not in grants, but in terms of staff time.

### **Evaluation metrics**

Almost all of the investors reported that they request investees to establish specific impact metrics pre-investment. Some types of metrics mentioned by IPLC investors include:

- Impact and financial metrics specific to each individual project

- 
- Breadth of impact (# of lives)
  - Depth of impact (changes in net income or quality of life measures)
  - Poverty focus (% of beneficiaries living in poverty)
  - Select portfolio-level social, environmental and financial metrics
  - Specific metrics depending on the nature of each investment

An undisclosed investor mentioned that they define a broad impact framework pre-investment, but specific impact metrics are developed throughout the life of the investment.

## **Investment Challenges**

### **Pipeline**

One of the most common challenges expressed by investors working with IPLCs is the difficulty in finding projects that are investment ready. Survey responses indicate that identifying pipeline for IPLC-focused work is more difficult than for other types of investments, potentially due to their frequent location in rural areas far removed from large business centers. Investors who are based in-country are more familiar with the local context and conditions, and work more directly with the communities reported less difficulty identifying pipeline. For example, Acumen mentioned that as local partners working on developing a community-centered approach, pipeline opportunities are somewhat less difficult to identify. Most investors working with IPLCs mentioned that they support business plan development efforts as part of their investment process.

### **Financial acumen**

A key factor for a successful enterprise is having sufficient human resource capacity to operate and manage the business, and investors across the board indicated that a lack of business and finance capabilities within IPLCs was a challenge for successful investments. Investors with an IPLC focus mentioned that difficulty understanding and negotiating investment terms and conditions sometimes arise, so they dedicate time and resources to ensure that their counterparts understand the financial aspects of the proposed investment. Some strategies implemented include hiring specialized advisors to support IPLC-led enterprises to understand the main financial aspects, and/or placing a member of the investor team on the IPLC board as a voting member or an observer. In the case of Acumen, if the required expertise cannot be found within the community, they agree to hire someone who can manage the business on an interim basis while it trains local community members. CI Ventures often deals with lower management skills, and tends to structure more simple transactions (e.g., debt instead of quasi-equity).

### **Geographic isolation, market access and supply chains**

IPLCs are frequently geographically isolated or face transportation difficulties. Investors without a specific focus on IPLCs reported more frequent challenges stemming from transportation issues and geographic isolation than investors with a targeted IPLC program, some of whom reported less difficulties by partnering

---

with local NGOs or cooperatives who have experience in overcoming transportation difficulties. Acumen addresses this by explicitly factoring in transportation costs.

Interestingly, investors with an IPLC focus reported large variability in their experiences with market access. CI-Ventures mentioned that cultural and language barriers can be a challenge, and Mirova reported that challenges with market access are usually overcome through the intermediary NGOs they invest in, who facilitate access to markets for IPLCs. This variability might indicate that some of the investors focus on enterprises who are in growth stages and have already solved challenges related to market access.

A lack of reliable supplies from IPLCs has often been indicated as a barrier to developing successful businesses. However, surveyed investors reported that securing a dependable and predictable supply chain is only sometimes a challenge for their IPLC investments. Acumen stated they work with the local communities and third parties to provide necessary technical assistance to maintain reliability of supply. Mirova mentioned that climate risk in tropical areas sometimes affects supply. To overcome this, they have allocated financing to help mitigate climate risks and secure a more dependable supply chain, such as by installing irrigation systems in smallholder cocoa plots to mitigate drought-related risks.

### **Governance capacity**

Organizational decision-making structures and capabilities are a key factor for the success of an enterprise, and investors reported that establishing proper governance mechanisms has sometimes been a challenge for their IPLC investees. Mirova mentioned that governance is a key focus of their pre-investment analysis. To avoid any governance challenges, they work to ensure that the project has proper governance systems in place prior to investing, such as appointing a member of their team on the board to oversee governance issues. Acumen works alongside its community partners to establish proper governance mechanisms. Another strategy from an undisclosed investor has been to work with communities in establishing boards for IPLC-led companies.

### **Political risk**

A country's overall political risk can be a barrier to investment, in addition to more localized risks such as transportation insecurity. Investors that are based in-country and work more locally reported less of a challenge in dealing with political risk, and Acumen highlighted that investors must act as true local partners to better understand and manage these and other challenges. Mirova mentioned that they always conduct an assessment of political risk for any investment, both on a project and country basis. Some funds have a 50% first-loss guarantee from USAID, which can be used to somewhat mitigate this risk. They also tend to invest through offshore Special Purpose Vehicles (SPVs) so as to not be exposed to future legal or tax changes in local countries.

## **Lessons Learned**

### **Partnerships from the early stages**

---

There is a mismatch between the investment stage and timeframe of most impact investors, and the finance needs of most community-focused enterprises. Most investors focus on the growth stages, whereas our research shows that most community-focused enterprises are most in need of finance during the start-up phases, and that this enterprise development process can take a decade or more.

Acumen provides a useful model in that they act as partners to enterprises, providing extensive pre- and post-investment support to launch and strengthen businesses, directly supporting business planning, pre-feasibility studies, accounting, marketing, supply chain management and market studies. They also work with investees to improve ESG matters and impact potential, including business processes. The Luc Hoffman Institute also offers a unique model of incubating and accelerating social enterprises, starting with the idea phase, that could be adapted for working with IPLCs.

### **Mismatch between existing investment structures and IPLC financing needs**

Few investors have a specific focus on IPLCs, since IPLC largely relates to an ownership model, and investors focus on industry sectors. Within each sector, both traditional and impact investors tend to focus on privately-owned companies having fewer complications and lower risk rather than social enterprises. Most IPLC-owned enterprises are characterized by fragmented or distributed ownership, low administrative and business capacity, and a lack of co-financing. As such, the use of traditional equity investment structures is usually ill-suited for IPLCs given a generalized lack of potential exit options (e.g., eventual sale to a third party or other investor of the resulting equity stake) for investors and the need for high growth rates to ensure typical 30%+ internal rates of return. It is for this reason that so many Silicon Valley investors have turned to investing solely in digital businesses that have exponentially scalable business models at low marginal costs and short investment timeframes.

Conversely, IPLCs usually engage in agricultural enterprises with high up-front costs and products that are limited to one or two harvest seasons per year and that can be adversely affected by elements such as high winds, freezing temperatures, irregular rainfall and insect populations. Likewise, eco-tourism focused endeavors cannot continuously increase volumes without sacrificing the overall client experience and causing degradation of the local ecosystem. IPLC investments also tend to require longer investment timeframes due to the more complex process of building understanding and trust with communities, and the need for capacity and skills development to commercialize traditional products or establish new vocations.

Finally, emerging markets tend to have a limited number of active investors, making the traditional funding curve (from seed stage to growth) haphazard in nature and forcing enterprises to tailor their funding requirements and timing to what is available in the local market. This situation is even more pronounced when considering the handful of impact investors actively looking for IPLC-led opportunities in emerging markets.

---

# Lessons Learned for Replication

1. For community enterprises, it is important to evaluate the stage of development of the vocation in the community in order to determine the degree of support and the timeframe needed.
  - If it is a new vocation, then many years of groundwork are needed to build new skills and capacity, and a partnership with an experienced actor in this vocation is typically essential.
  - If it is an existing vocation, but not yet a business, then work needs to be done to develop the market orientation, commercialization and sales, and technical aspects for commercial production.
  - If it is already a business activity in the community, then communities often need additional connections to distribution and supply chains to access new markets, as well as financing to expand their business with new equipment, infrastructure and advanced techniques.
  - In addition, if community members want to take on business and administration roles in addition to production and supply of raw materials, new skills and capacity need to be built, which typically require significant capacity building investments by partners or donors, and can take a generation to truly develop.

The enterprise models examined in this study show that they all can be successful for various stages of community vocational development, but cooperatives and community-owned enterprises might struggle more with sales and commercialization without the benefit of an aggregator cooperative, joint venture or other partner with business experience, industry contacts and distribution networks.

2. Respectful, meaningful and long-term commitment to communities for at least 8-10 years seems to be necessary for successful community-focused enterprises working with, or operated by, IPLCs. Short-term projects of 3-5 years will not yield successful enterprise development, and often result in frustration by communities, and decreased willingness to participate in future endeavors.
3. Continuous and comprehensive capacity building programs are also needed. For instance, communities often need training in collection and processing of raw materials, final product production, customer service, marketing and branding, distribution and sales, management and supervisory roles, languages, and negotiations with investors, among others. The set of skills and capacities that communities need depends on the role that they want to play in the enterprise and supply chain:
  - Technical capacity and skills for improved harvesting and farming techniques are needed by all enterprise models involving production.
  - Skills in value added processing and production are needed if the community wants to produce final products, and this typically requires access to finance for equipment, machinery and factory infrastructure.

- 
- Skills in business management and administration are needed if the community seeks to run a corporate enterprise, otherwise this can be assumed by a partner in a joint venture, or by hiring externally to the community.
  - Skills in sales, marketing and distribution are needed if the community will be responsible for commercialization, otherwise this can be assumed by an aggregator, a partner in a joint venture, or by hiring externally to the community.

In our case study sample, capacity development was provided by a wide range of actors including private companies, government institutions and NGOs. Capacity building for these IPLCs is oriented towards holistic community development and empowerment, and often goes beyond just the enterprise needs to include health and education.

4. Successful enterprises need to have a robust financial model, taking into account the fact that most environmentally sustainable enterprises will not survive on the market without a price premium or cost savings strategy. If a price premium is based on a special permit or certification such as organic or fair trade, community-focused enterprises often need additional financial support to cover the high, and often recurring, costs of permitting and certification processes.
5. Community-focused enterprises need two key things, which can be accomplished in different ways depending on how the enterprise is structured:
  - Access to financial capital in the early stages. This is required for new infrastructure, equipment, marketing and business operations, particularly for agribusiness enterprises. If the model is a cooperative or community-owned enterprise, the communities typically need the financing. If the model is a private company or joint venture sourcing products or hiring employees from communities, the companies are the ones typically needing the financing, and they often have an easier time obtaining credit.
  - Commercialization, supply chain partnerships, and access to buyers and markets. This is essential for all enterprises, and has been shown to be one of the biggest challenges for cooperatives and community-owned companies, since they typically have less experience with commercialization and less leverage to negotiate with buyers. In addition, agricultural products require significant volumes in order to reach economies of scale and be competitive in price. It takes time to identify serious, institutionalized customers since most agricultural buyers are informal in nature and tend to aggressively leverage their intermediary position to drive down harvest prices. As a result, a number of enterprise models involve 1) some form of aggregator to increase volume and scale, and/or 2) certifications, price premiums, and production purchase guarantees.

Joint ventures and other partnerships that incorporate companies with deep existing industry contacts, bulk purchasing transport agreements and working capital financing capabilities can help address both of these two key issues.

### Lessons learned from an aggregator cooperative: Chicza latex collectors in Mexico

With social enterprises it is important to find a balance between their social role and the ability to become competitive and face market challenges. (i.e., between their horizontal relationships and governance and their vertical capital investment and management).

Aggregators of cooperatives are an effective model for generating regional competitiveness. An advantage of these is that local producers do not compete with each other, rather they are stronger working together and standardizing roles. A collective brand with a vertical structure can then commercialize the product or service in an effective yet fair way.

Chicza is one such example that successfully incorporates both cooperative and corporation approaches. Chicza is the official brand of Consorcio Chiclero, an aggregator cooperative of 32 cooperatives that produces natural chewing gum using latex extracted from the chicozapote tree. The Consorcio Chiclero functions in a horizontal structure, with shared and standardized latex sap collection methods, quality control processes, logistical operations and production policies. The corporate arm of the Chicza brand operates in a vertical manner, facilitating implementation of a variety of investment models, manufacturing the final product, and commercializing it in national and international markets

Social enterprises processes are slower compared to corporations. It took the Consorcio Chiclero 6-8 years to consolidate the consortium and its business brand Chicza, and an additional five years to generate self-sustainability. Governmental programs played a strategic role in establishing the production and the foundations of the consortium and its economic activity. In the early stages, the company ran an aggressive business plan focused on generating employment for the chicleros as well as a robust and long process of quality control standardization and distribution systems.

In the case of Chicza, the government was most helpful by acting as an early-stage supporter rather than a partner, providing incubation funds and advising and technical support. The private sector helped by partnering in specific roles such as commercialization, intermediaries, consultants, soft-investment and loans, and Chicza recommends that the private sector should not become partners in land ownership.

Capacity building programs for the shareholders of a cooperative should be gradual, starting with basic roles and gradually advancing to management roles, and should be oriented to develop collective, structural changes in the entire community rather than only focused to cover the enterprise needs.

### Putting it all together: GrupoPaisano agribusiness joint venture in Mexico

GrupoPaisano joint venture in Mexico is an innovative and successful model of a holding company and joint venture formed by three private enterprises and a non-profit organization (all owned and operated

---

by GrupoPaisano) focused on generating economic, social, environmental and human development in the regions where it maintains operations.

The model includes an impact investment fund that invests in each project's legal entities; an incubator for each new project; an entity to commercialize all products produced; and the non-profit to ensure the overall development of local producer communities by helping them properly invest their time and money.

At the enterprise project level, they have developed a successful model of combining 1) an aggregator purchaser with 2) an industrial aggregator to process and produce end products. The model includes a transfer of ownership option, and local producers can buy shares in each of those entities.

This comprehensive model not only provides economic support to micro- and small-scale producers, but also provides training services that include professional assistance at each stage of development in order to transform their agricultural harvests into value-added products and commercialize them in differentiated local and international markets, all while offering producers the option to purchase shares in each project through future dividend distributions in order to promote community-based ownership.

The territories where the Company operates are characterized by marginalized populations, poverty, malnutrition, and illiteracy. Going forward, GrupoPaisano seeks to become a source of opportunity for more than five million small-scale Mexican farmers who live in extreme poverty, distant from government programs or financial services.

---

# Recommendations

The following recommendations are meant to fill the gaps identified through our case study research and investor surveys, informed by lessons learned in terms of key challenges and success factors.

1. Increase the number of incubators working with cooperatives and community-owned companies to provide capacity building, early-stage financing and connections commercialization and distribution channels.
2. Help community-focused enterprises conduct pre-feasibility studies to determine if the market can bear a price premium, and to identify potential supply chain partnerships and distribution channels to minimize intermediaries.
3. Develop alternative investment structures that could help fill current gaps in the investment landscape for IPLCs, particularly in pre-seed and seed stages, by engaging and educating impact investors or by creating innovative investment vehicles that are suitable for both social enterprises and the hard assets required by agribusiness, forestry and fishery sectors.
4. Facilitate aggregator cooperative or joint venture models with gradual transfer of ownership to link horizontal community structures with vertical business administration and commercialization. If communities are going to engage in sales and distribution in addition to production, more assistance, time and skill development are needed. A collective brand can help develop this in various enterprise models.

Pre-seed and seed stages are pivotal points for IPLC enterprises because they require significant knowledge and expertise in business preparation and set up. For instance, to reach a point of investment readiness - when communities would be prepared to engage with loans and other types of pay-back investments - some processes should first be completed including pre-feasibility studies, stakeholder analysis, business plans and action plans, among others. External aid to conduct those studies, as well as to establish a financial model, may be of utmost importance at these stages. Assistance with the costs of certification processes and permits is another area of needed support for IPLC enterprises to remain competitive. More time and resources are also needed for community capacity building in technical and management skills, and the process to reach investment readiness typically takes 8-10 years or longer. However, we identified relatively few external actors supporting IPLC-led enterprises in these early ideation and pre-seed stages. Thus, the lack of planning and preparation could be one of the factors leading to their failure in reaching markets. This finding could represent an opportunity for more entities to undertake this role of incubator of IPLC-led business development.

In addition, there are few financing options for IPLCs given the mismatch between IPLC financing needs and existing investment structures, and no way for them to "shop around" for the best terms. As previously mentioned, the pre-seed and seed stages seem to be key in the development of IPLC enterprises, although they represent a higher risk for investors. In addition, the primary goal of social enterprises is not to maximize

---

profits, but to support the community, so the private sector is less willing to invest. Organizations wanting to support community-focused enterprises could set up an IPLC focused investment vehicle with an ideation and incubation focus and the type of financing that these types of enterprises need, which is oftentimes grants and donations to support early stage development and capacity building. This is the focus of the programs developed by IPLC enterprise incubators such as Yayasan Planet Indonesia, Keystone, Acumen and others.

Alternative donor models and innovative investment structures other than traditional debt and equity such as revenue-based loans (i.e., paid back as a predefined percentage of company revenues instead of a fixed amortization schedule), preferred redeemable shares (i.e., where an investor's equity stake can be repurchased over time at a predefined amount), royalty payments, or demand dividends (i.e., where the company shares a percentage of future profits) could be analyzed to better understand their applicability and overall attractiveness. The particular characteristics and time to reach investment readiness identified for IPLCs requires that any type of external financing provided be tailored to the actual needs and timeframe of each community-led enterprise.

And finally, IPLC-focused enterprise models tend to be most successful when they can combine the horizontal governance structure of social enterprises and focus on community well-being and environmental sustainability with a more vertical corporate structure and focus on business skills, investment, commercialization, industry partnerships and distribution. Conservation-oriented enterprises often fail to achieve profitability without the latter, and private enterprises often fail to bring about positive social and environmental change without the former.

---

## Further Research

This short-term study offers initial guidance and lessons for supporting IPLC-focused enterprises, and below are several suggestions for further research to deepen and broaden our understanding:

- Research IPLC-focused enterprise case studies in more depth

Each case study could be researched further to gain a deeper understanding of the context and enabling conditions, how partnerships were initialized and formalized, how challenges and conflicts were overcome during various phases, how the governance model was developed within the community, and more details about financing in the early stages of the enterprise. In particular, information about financing – including at what stage of the enterprise development process financing was most needed, how the enterprise succeeded in getting the finance, the type and source of financing that was received, and how the financing was used – was not as well known by the interviewees, perhaps because the financing occurred long ago or is not known in detail by the enterprise contacts whom we were able to interview.

- Analyze enterprise models in more breadth

The cases in this study were chosen to represent a wide range of sectors and enterprise models. In order to gain a more robust understanding of these models, including enabling conditions, challenges and key factors for success, additional research is needed to gather a larger sample of each kind of enterprise. For example, if the goal is to identify the key success factors for developing an aquaculture cooperative or agribusiness joint venture, at least ten examples of each from around the world could be identified and analyzed in order to identify commonalities and lessons for replication, while accounting for political and cultural context.

- Interview investors in more depth, and explore other investment models and vehicles

We found that most impact investors do not have a specific focus on IPLCs, nor were many active in pre-seed and seed stages in general. In order to gain a deeper understanding of the reasons for this, and identify strategies for IPLC enterprises to access financing during these critical early stages, it would be beneficial to conduct in-depth interviews with these investors, as well as with incubators who work with IPLCs. This could also include deeper research on innovative investment vehicles, and an exploration of other potential models involving consumer investors and donors who are interested in supporting IPLC livelihood development.

- Integrate this study with other IPLC research

A number of recent efforts have sought to identify and learn from examples of successful financial models that strive to support both sustainable IPLC livelihoods and environmental protection. It would be useful to organize and catalogue these results in a way that would make it possible to compare them with one another, such as by combining case study databases and creating a common set of variables and filters, or by creating a standardized one-page diagrammatic summary sheet for each case study.

---

# Appendices

**Appendix 1. Full list of enterprise examples**

**Appendix 2. Selection criteria**

**Appendix 3. Case study interview guide**

**Appendix 4. Investor survey**

**Appendix 5. Case study profiles**

**Appendix 6. Investor survey results**

# Appendix 1

## Full list of examples

The first 12 cases are the ones interviewed in this study.

No.	Name of company	Type of enterprise	Case study location	General description
1	Aadhimalai	Farmer producer company	India	Aadhimalai Pazhangudiyinar Producer Company Ltd (APPCL) began as a micro social enterprise and has since grown into a tribal producer company registered in 2013 with over 1600 members.
2	Bioguaviare	Joint venture	Colombia	Bioguaviare obtains 100% of its fruits from farmers and Indigenous communities living in the Guaviare region, ensuring the purchase of fruit at fair (above market) prices and providing technical assistance to fruit collectors.
3	Chicza	Aggregator cooperative	Mexico	Chicza is a cooperative social enterprise that produces natural and organic gum in a sustainable way. Its products have reached countries around the world including England, France, Italy, Spain, Russia and Australia.
4	Chakay Lobsters	Aggregator cooperative	Mexico	Chakay, meaning lobster in the Mayan language, is a collective brand that integrates six fishermen cooperatives. The brand sells Caribbean spiny lobster collected by freediving fishermen who have exclusive concession rights and permits to extract this resource from the biosphere reserves.
5	Cooperostra	Cooperative	Brazil	Cooperostra is a community-owned aquaculture cooperative located in the Mandira Extractive Reserve in the state of São Paulo, Brazil. It was created in 1997 by oyster collectors in the municipality, with support from the São Paulo Forestry Foundation, the Fishery Institute, and other governmental and non-governmental institutions.
6	GrupoPaisano	Joint venture	Mexico	GrupoPaisano is a holding company formed by 3 enterprises and a non-profit organization focused on generating positive economic, social, environmental, and human development impacts in Mexico. Inverpaisa attracts investors and administers the Impact Investment Fund, ImpulsoPaisano incubates the Impact Investment Projects, ProductosPaisano commercializes the products, and CorazónPaisano ensures the development of the producer communities.

7	IBIS Rice	Private company	Cambodia	Certified organic rice company launched by Wildlife Conservation Society that purchases rice at above market prices from local farmers who commit to environmentally sustainable harvesting practices. IBIS Rice markets and sells the rice internationally.
8	Kayonza Growers Tea Factory	Farmer producer company	Uganda	Kayonza Growers Tea Factory is a for-profit community enterprise, 100 percent owned by its 7,229 smallholder tea farmers. At least 70 percent of the population is involved in a landscape scale, community-led climate change adaptation and mitigation strategy that addresses energy efficiency, food and income security, and natural resource management.
9	Posada Amazonas/ Rainforest Expeditions	Joint venture	Peru	Posada Amazonas is a joint venture between the Ese Eja Indigenous community and Rainforest Expeditions, a Peruvian Ecotourism company with activities in the Tambopata National Reserve and adjacent buffer zones. They build lodges where their guests are able to get in touch with nature as well as support local communities.
10	Suritex	Private family-owned company	Peru	Suritex is a social enterprise that lowers the cost of processing raw wool through solar-powered technology and passes on these savings by buying the wool fiber from the alpaqueros at fair market price. Suritex also offers training programs and employment opportunities for women in the communities, who are paid a fair price for the products and benefit from flexible working conditions that also allow them to care for their families.
11	Victory Farms	Private company	Kenya	Victory Farms is a sustainable aquaculture business that produces tilapia on Lake Victoria and sells in primarily low-income neighborhoods across Kenya. Their mission is to build a commercial tilapia farm that can provide 2 billion Africans with affordable, accessible and healthy protein over the next two decades, while also taking extensive measures to protect and restore the environment in which the farm operates.
12	Yayasan Planet Indonesia (YPI)	Non-profit organization	Indonesia	Planet Indonesia aims to empower rural communities living in tandem with the world's most biologically diverse ecosystems. YPI's goal is to reduce inequalities in rural communities, while promoting conservation and sustainable resource management. To achieve this, they create Conservation Cooperatives (CCs) - community-led organizations who engage in management or co-management of protected areas. CCs are platforms for the organization to administer services to communities in three sectors: business, education, and health.

13	Grupo Cooperativo Quali	Cooperative Social enterprise	Mexico	Grupo Cooperativo Quali currently comprises several cooperatives bringing together 1,500 families scattered throughout the Mixteca Popoloca region in Puebla and a number of towns in Oaxaca, Veracruz and Tlaxcala that produce amaranth. This social enterprise was created to address local problems of malnutrition, lack of employment and migration, and has focused on women, the poorest families, and people with disabilities.
14	Mezcal Viejo Indecente	Social enterprise	Mexico	Sustainable production and marketing of artisanal mezcal.
15	Alianza Selva Maya (ASM)	Cooperative social enterprise	Mexico	ASM offers FSC certified timber products from tropical tree species. It promotes the development of rural community forestry based on the responsible management of forest resources, as well as best practices in the conservation of the biodiversity of the Mayan jungle, especially in jaguar habitat.
16	Impacto Café	Cooperative social enterprise	Mexico	Impacto Café works with local coffee producers by providing them with quality learning processes aimed at empowering them and their organizations to be agents of change and create positive impact. They incubate social enterprises, help them increase their productivity, train young rural workers to become leaders, and give them access to financing.
17	Unión Nacional de Organizaciones de Forestería Comunal (UNOFOC)	Community forestry union, civil enterprise	Mexico and Central America	UNOFOC was created in 1992 with the objective of influencing public policies in the forestry sector, seeking concrete government actions and helping to regulate communities to obtain better benefits by working legally and taking advantage of resources responsibly. As of today, there are 20 agrarian nuclei in 20 states and work has been carried out in five countries (Mexico and Central America).
18	Xanini Tradición Indígena Orgánica	Social enterprise	Mexico	Xanini produces organic corn in a biologically sound and socially equitable manner.
19	Tip Muebles	Social enterprise	Mexico	Tip Muebles is a socially and environmentally responsible enterprise that preserves the natural resources and commercializes FSC certified wood products from the forests. They promote social welfare and generate economic benefit in the communities.
20	Federación Indígena Empresarial y Comunidades Locales de México (Cielo)	Federation social enterprise	Mexico	Cielo brings together local Indigenous communities in order to help them exercise their rights and appropriate their territories. They are a social enterprise that offers professional business advice and consultancy, funding, and legal representation for their members.
21	Comunidades Organizadas de la Sierra de Hidalgo	Social enterprise	Mexico	COSH is an organization of farmers in Tlahuiltepa who want to become the leaders

	(COSH)			and first production enterprise of oregano and other organic agriproducts.
22	CESMACH	Cooperative social enterprise	Mexico	CESMACH is a fair-trade cooperative located in the southern highlands of Chiapas, Mexico where biodiversity is at risk and over 70 percent of the population lives below the national poverty line. For thousands of small farmers living in the region, coffee is the principal agricultural activity and the only source of income. CESMACH aims to improve the living conditions of member producers while caring for the environment by providing tailored credit and crop-focused technical assistance coupled with certification support, commercialization services, and access to specialty markets.
23	Pueblos Mancomunados de Oaxaca	Cooperative social enterprise	Mexico	Pueblos Mancomunados de Oaxaca is a cooperative that operates three companies: Serra Norte Expeditions, a network of hiking and mountain biking trails; Inda Pura, a bottling enterprise that collects water from the region's springs; and a certified-wood furniture company. The cooperative aims to show visitors the most relevant aspects of this important natural site, while also promoting the preservation of the natural and cultural heritage of local communities through the promotion of responsible, high quality services.
24	Comunidad Indigena de Nuevo San Juan Parangaricutiro (CINSJP)	Social enterprise	Mexico	CINSJP is a company dedicated to sustainable management and production of wood and non-timber products obtained from local pine forests located in Michoacan. The two main objectives of the enterprise are: to increase the economic benefits of the community through sustainable management of natural resources and equitable benefit distribution; and to create jobs for the local population to prevent migration.
25	Grupo Tochtli	Cooperative social enterprise	Mexico	Grupo Tochtli is a cooperative dedicated to the production of organic and sustainable fruit, edible plants and other natural products without synthetic food preservatives. The company is based in Tlapacoyan, Veracruz.
26	Tajín Citrus	Cooperative social enterprise	Mexico	Tajin Citrus is a cooperative that benefits orange farmers in Michoacan, Nuevo Leon, Puebla, San Luis Potosi, Tamaulipas and Veracruz. The company integrates the farmers into the orange juice value chain by helping them with the extraction, storage, transportation and export to the United States and Europe.
27	Arroz con Leche	Private company Social enterprise	Mexico	Mexican children's fashion brand that promotes cultural heritage by creating designs involving artisans from indigenous communities. The social enterprise helps the communities where it works by training women artisans, increasing their productivity, and helping them achieve a better quality of life.

28	Gigante	Private company Social enterprise	Colombia	Gigante is a centralized wet mill and drying operation that buys coffee cherries from small and local farmers and transforms them into high quality coffee, which can be sold internationally at premium prices, so that the farmers can earn more for their products.
29	Scotian WindFields	Community-owned company	Canada	Scotian WindFields Inc (SWFI) is an innovative renewable energy corporation that provides integrated solutions scaled to suit all energy needs. Formed by the collaboration of regional community and WindFields, Scotian WindFields is uniquely positioned to work directly with communities to help them enjoy the benefits of renewable resources.
30	COOPBAM	Cooperative social enterprise	Peru	Provides finance to local coffee farmers in the Alto Mayo Forest area so that they can grow sustainable, world-class coffee beans while conserving forests in the region. COOPBAM is a certified fair trade and organic coffee cooperative with more than 500 members who commit to sustainably using natural resources in the Alto Mayo Protected Forest with zero net deforestation.
31	CorpoCampo	Private family-owned company	Colombia	CorpoCampo is a family-owned natural food company that sources açai berries and hearts of palm from over 500 hectares (about 1,236 acres) of critical rainforest in the Colombian Amazon. The company employs vulnerable Afro-Colombian and Indigenous communities in areas affected by the violence and poverty caused by the country's internal conflicts.
32	JALA	Private company	Indonesia	JALA, a woman-led, Indonesian-owned technology start-up, has developed cost-effective water-quality monitoring tools to enable smallholder aquaculture producers to manage pond environmental conditions in real-time.
33	Komaza	Private company	Kenya	Komaza is a forestry business that uses an innovative "microforestry" model to employ and empower tens of thousands of marginalized farmers to earn a substantial income from sustainable tree farming. The company provides the farmers with support across the forestry value chain, from seedlings to sawmills, and then harvests the wood produced during a 10-15-year harvest cycle to sell as sustainable wood products, primarily for construction.
34	SafetyNet Technologies	Private company	United Kingdom	SafetyNet Technologies (SNTech) designs and builds light-emitting devices that fishers can retrofit to commercial fishing gear to attract the fish they mean to catch and repel the fish they don't, significantly reducing bycatch.
35	Thrive Natural Care	Private company	U.S. based with sourcing from Costa Rica	Thrive Natural Care, a U.S. company, sources natural ingredients for its line of skincare products from native plants grown by communities on the Caribbean coast of Costa

				Rica. The company partners with women-led co-ops and smallholder farmers to cultivate native plants that improve soil and biodiversity on degraded lands, boost farmers' incomes and provide a high-quality supply of plant oils.
36	Sicafé	Private family-owned company	El Salvador	Sicafé is a family-owned company that focuses on coffee production, milling, exporting and roasting in the Apaneca Ilamatepec region of El Salvador. The company is deeply committed to benefiting the surrounding communities where coffee is grown, as well as growing the coffee through sustainable practices.
37	Local Fish Fund	Non-profit organization	United States	The Local Fish Fund is a program of Alaska Sustainable Fisheries Trust, a non-profit corporation based in Sitka, Alaska. The mission of the Trust is to protect and support local fishing businesses, promote sustainable fishing practices, and revitalize fishing communities in Alaska. The Local Fish Fund program aims to incentivize ocean conservation practices and strengthen fishery leadership in Alaskan communities by structuring loan products that will support Alaska residents in purchasing quota and retaining fishery access opportunities.
38	Path to Prosperity	Non-profit organization	United States	Path to Prosperity is a Spruce Root program. Spruce Root is a non-profit Community Development Financial Institution whose mission is to assist Southeast Alaska's people and businesses to reach their full potential through coaching, training and lending for startup enterprises, working capital, business expansion, leasehold improvements and other business capital needs to promote economic, social, cultural, and environmental resiliency.
39	COMACO	Social enterprise	Zambia	COMACO is mitigating key drivers of environmental degradation compounded by poverty among the households across a rural landscape in Zambia, through the promotion of climate-smart agriculture and sustainable forest management. COMACO engages farmers in a food production value chain that provides market incentives for promoting climate-smart practices and improved community land-use planning. The products that COMACO manufactures are sold under the brand "It's Wild," and their proceeds support annual conservation dividend payments to communities that meet conservation standards.
40	Livestock to Markets Program	For-profit social program	Kenya	For-profit program with the intention to mitigate the negative effects of overgrazing in northern Kenya.
41	King Kampachi	Private company	Mexico	Breeding of Kampachi (sashimi-quality marine fish) many miles offshore in the deep, clear waters of the Gulf of California. Fish are raised consciously using innovative technologies and

				applying the latest scientific research so as to maximize their welfare.
42	Sol Azul	Private company	Mexico	Mexican aquaculture company specializing in the production of pure oysters from the cold, pristine waters of Laguna San Ignacio along the Baja California peninsula.
43	Omega Azul	Private company	Mexico	Omega Azul aquaculture company produces Baja Kanpachi sushi grade fish in a sustainable manner in the most pristine waters of Baja California South. Baja Kanpachi is 100% non-GMO and is free of any detectable levels of mercury, and they do not use antibiotics, hormones, or steroids.
44	Sambazon	Private company	United States	The company makes and sells açai-based food and beverages. All Sambazon (community in the Amazon rainforest) products are USDA-certified Organic, Non-GMO Project verified, naturally gluten free and fair trade.
45	Blue Forest Conservation	Partnership	United States	Team of financial and engineering professionals with extensive sustainable infrastructure, public sector, and Wall Street experience, harnessing financial innovation and building partnerships with investors, non-profits, private companies and the public sector to design sustainable solutions to systemic climate resilience challenges faced by vulnerable communities. The Forest Resilience Bond is an environmental impact bond that deploys private capital to make national forests more resilient to a changing climate. They invest in restoration projects that protect forest health.
46	Cape Cod Commercial Fishermen's Alliance	Fishermen's alliance	United States	Cape Cod Commercial Fishermen's Alliance was formed in 1991 by a group of fishermen. Its purpose is to work with local, independent and small-scale fishers to create solutions for a balanced ecosystem and profitable fishing communities. This is done by assessing the needs of today's fishermen with the responsibility of providing healthy oceans and strong fisheries for the next generation, a delicate and important balance.
47	Novo Campo	Program	Brazil	Novo Campo is a sustainable cattle ranching program that aims to deliver a scalable model for beef production that reduces pressure on intact Amazon rainforest in the state of Mato Grosso, Brazil. Mato Grosso has the highest historical deforestation rate among the Amazonian States in Brazil and has lost approximately 40% of its forest cover in the past couple of decades.
48	PhytoTrade Africa	Regional trade association	Southern Africa (Botswana, Malawi, Mozambique, Namibia, South Africa,	PhytoTrade is a regional trade association, involving members from six countries in Southern Africa. PhytoTrade operates as a conventional trade association with a substantial set of additional functions as a development institution. It is a regional not-for-

			Swaziland, Zambia, and Zimbabwe)	profit service provider, acting as a mechanism for community-based natural product producers and traders to generate business for themselves. It also provides an operational focus for development interventions on behalf of the sub-sector. PhytoTrade does not itself engage in trade or in financing the business of members, but facilitates the trade of members and other community-based operators in the natural products sector.
49	GainForest	Non-profit organization	Brazil	GainForest is a decentralized green fund bridging artificial intelligence with real-world climate action to fight deforestation. Community members, such as local farmers, can become stakeholders/investors in plots of land at risk of deforestation within the Amazon. They simply select a patch of land at risk of deforestation and the amount they wish to invest. Then, if the land is still maintained and in good condition after an agreed amount of time, stakeholders receive a financial return on their investment – the higher the risk, the higher the return. This incentive program has the potential for huge positive impact on the rainforest, as more than 80% of deforestation is due to local farmers making room for crops and cattle.
50	Couro Vegetal da Amazônia	Private company	Brazil	Couro Vegetal brought together over 200 rubber tapping families in the Brazilian Amazon and trained them to produce purses, shoes, and other products using vulcanized rubber. Despite the initial success of its final products, the high transportation costs and variable quality of the goods produced made the business financially unsustainable. Couro Vegetal da Amazônia closed in 2008.
51	Last Forest Enterprises	Social enterprise	India	Last Forest is a marketing platform for indigenous communities, self-help groups, social enterprises, and Fair-Trade entities. They cater to the entire supply chain of procurement, quality assurance, branding, promoting and selling organic, fair trade, and indigenous products. They work with more than 150 villages impacting thousands of people.
52	Alam Sehat Lestari (ASRI) via Health in Harmony	Non-profit organization	Indonesia	Alam Sehat Lestari (ASRI) operate a hospital that provides high quality, affordable healthcare to the communities surrounding Gunung Palung National Park. The hospital is an integrated, community-focused resource. The communities' key innovation is a "green credit" system, whereby villages who don't participate in illegal logging (verified by logging monitoring staff) receive discounts of up to 70% on healthcare services.
53	Ejido Verde	Partnership	Mexico	Ejido Verde is a sustainable pine resin company positioned to become a lead supplier in the USD\$10B global pine chemicals industry. Ejido Verde increases the constrained Mexican pine resin supply with an adaptive reforestation

				model to restore degraded lands and sell their products to strategically guaranteed buyers. Ejido Verde is equally committed to financial returns, climate-smart solutions and creating transformative wealth for rural and indigenous communities.
54	Blue Finance	Social enterprise	Dominican Republic	Blue finance is a social enterprise with expertise and a track record in management and sustainable financing of Marine Protected Areas (MPAs). Blue Finance works with governments, local stakeholders, donors and investors to design, finance and implement joint partnerships and blended finance solutions for the collaborative management of MPAs.
55	Livelihoods Carbon Funds	Fund supported by private companies	Depending on the project (Africa, Asia and Latin America)	Livelihoods Carbon Funds leverage the carbon economy to finance ecosystem restoration, agroforestry and rural energy projects to improve food security for rural communities and increase farmers' revenues. LCF provides upfront financing to project developers for large-scale project implementation and maintenance over periods of 10 to 20 years. The funds receive result-based payments for the risks they bear in the form of carbon credits.
56	Net-Works (Zoological Society of London)	Charity	London/worldwide	International conservation charity devoted to the worldwide conservation of animals and their habitats.
57	Blue Ventures	Charity	Headquartered in UK	Projects in: Madagascar, Western Indian Ocean, Southeast Asia, Coral Triangle and Central America. Blue Ventures develops transformative approaches for catalyzing and sustaining locally led marine conservation, working in places where the ocean is vital to local cultures and economies. They are committed to protecting marine biodiversity in ways that benefit coastal people.
58	One Acre Fund	Non-profit social enterprise	Africa (Kenya, Rwanda, Burundi, Tanzania, Uganda, Malawi and Zambia)	One Acre Fund supplies smallholder farmers with the financing and training they need in order to grow their way out of hunger and poverty. One Acre invests in farmers to generate a gain in farm income.
59	NESsT	Impact investing fund, Incubator, Consulting firm	Portfolio of high-impact enterprises across Central & Eastern Europe and Latin America.	NESsT invests in social enterprises that generate dignified jobs for people most in need by using an engaged approach providing tailored financing and one-on-one development support to social entrepreneurs in emerging markets.
60	Encauchados	Social enterprise	Brazil	Encauchados is a social enterprise that processes and commercializes rubber bought from an Indigenous cooperative in the Amazon Rainforest. The rubber is produced into home and fashion products, such as trivets and footwear, made of rubber compost mixed with

				açaí fiber. Both the rubber and the açaí are biodiverse products that thrive only when the plants around them are also sustained.
61	Retalhar	Social enterprise	Brazil	Retalhar is a social enterprise that specializes in recycling used textiles to make corporate gifts and blankets. The firm offers corporations with an easy way to dispose of their used uniforms and other textiles, helping them to meet environmental regulations. At the same time, Retalhar trains and contracts women from low-income communities to produce the upcycled corporate gifts and blankets, increasing their household income and improving their livelihoods.
62	Amaz Foods	Social enterprise	Peru	Amaz Foods produces chocolate and cocoa-based products made from cacao grown in the Peruvian jungle. They source directly from farmers, offering them more value for their products while also protecting the environment by educating farming communities about how to harvest without overexploiting the land.
63	Café Compadre	Social enterprise	Peru	Café Compadre is a social enterprise that empowers coffee farmers in the central Peruvian jungle by providing them with solar-powered technology to roast and sell their beans. Café Compadre purchases the roasted coffee and packages, markets, sells and distributes the coffee – offering the small coffee producers a dignified and greater source of income, while also shrinking their ecological footprints.
64	Inka Moss	Private company	Peru	Inka Moss collects and processes, in a sustainable way, sphagnum moss – a natural product that is highly demanded by international orchid growers.
65	Sustainable Fishery Trade	Social enterprise	Peru and Chile	Sustainable Fishery Trade sources directly from communities harvesting small fish, and sells them to restaurants and retail shops, ensuring improved livelihoods for fishing households that would otherwise be living in poverty. Likewise, Sustainable Fishery Trade promotes conservation practices and minimizes overfishing of marine species by training fishing communities in sustainable harvesting.
66	The Eastern Arc Mountains Conservation Endowment Fund (EAMCEF)	Non-profit organization	Tanzania	The Eastern Arc Mountains Conservation Endowment Fund (EAMCEF) is a Trust Fund that was established and functions as a long-term and reliable funding mechanism to support community development, biodiversity conservation and applied research projects, which promote the biological diversity, ecological functions and sustainable use of natural resources in the Eastern Arc Mountains of Tanzania.

67	Quantified Ventures	Capital firm	United States	Quantified Ventures and Iowa Soybean Association have developed the Soil and Water Outcomes Fund, which is investing directly into agricultural communities to promote the implementation of in-field and edge-of-field agriculture best management practices. By monetizing the multiple social, economic, and ecological benefits of these practices—for example, quantifying the nutrient reductions that are credited against Clean Water Act permits and carbon credits from enhanced sequestration—the Fund will deliver extremely cost competitive outcomes to partners.
68	AgFunder	Fund	United States	The GROW Impact Fund will be investing at the intersection of the \$5 Trillion global food and agriculture system and the \$700B global impact investing market, in technologies and innovative business models that will drive environmental sustainability and positive social impact.
69	Northern Rangelands Trust Trading (NRTT)	Social enterprise	Kenya	NRTT's vision is to build sustainable businesses and resilient commercial activities across Northern Kenya, improving the economic status of households and communities and providing commercial revenue to conservancies. More specifically, NRTT – Northern Rangeland Trust's for-profit arm - was established to promote enterprise development through facilitating business-training sessions, access to micro-credit loans, technical assistance in product development, and access to local and international markets.
70	Mpingo Conservation and Development Initiative	Non-profit organization	Tanzania	The Mpingo Conservation & Development Initiative (MCDI) promotes forest conservation and rural development in Tanzania by creating opportunities for rural villages to benefit from sustainably managing their forests. This is achieved by providing communities with the capacity and skills to turn local timber production into a commercial activity that fuels rural development and livelihood improvement. MCDI helps communities to initiate conservation of village land forest reserves (VLFRs). Their model involves not only establishing forest reserves and training communities in sustainable forest management, but also helping them to market and sell sustainably harvested timber.
71	Yalelo Limited	Private company	Zambia	Yalelo is the largest aquaculture company in Africa, producing 12,000 tons of tilapia annually.

72	Forest First Colombia	Simplified joint-stock company	Colombia	Forest First Colombia was founded in 2010 as a large-scale forest plantation in Vichada Province, Colombia. The Company planted its land area with fast growing hardwood tree species for various end uses such as pulp, bioenergy and fireboard. The Company uses modern technology and sustainable forest management practices and has an experienced international forestry management team. All native forest areas are set aside for conservation purposes.
73	Makoni Organic Farmers Association	Farming cooperative	Zimbabwe	The Makoni Organic Farmers Association is a community-based organization focused on promoting sustainable livelihoods, community development, and sound environmental management. In its earliest stages, the association focused primarily on mobilizing farmers and sensitizing them to the benefits of organic farming as an alternative to growing tobacco.
74	Sierra Agra Inc.	Social enterprise	Sierra Leone	Sierra Agra is a for-profit social business in Sierra Leone that works to improve the livelihoods of smallholder farmers and strengthen the mango value chain by purchasing from smallholder farmers and processing mangos into a commercial product that can be sold locally and internationally.
75	Vital Tomosi's Dairy	Joint venture	Uganda	Vital Tomosi's Dairy (VTD) is a Ugandan dairy production, processing and marketing company. VTD's mission focuses on creating mutually beneficial relationships at every level, including training and supporting the local dairy farmers who supply raw milk to the factory, mentoring and employing young Ugandans and facilitating their growth into industry professionals, empowering the economy by introducing superior technology, and improving the quality of life in Uganda and neighboring regions by providing first-class yet affordable products.
76	Neptra	Private company	India	Neptra was founded in 2011. Neptra is a dry waste management company that collects, segregates and processes more than 70 different products that are then sold to a variety of industries. It currently has three Material Recovery Facilities with a combined capacity to process 400 tons per day of dry waste. By focusing on ensuring maximum recyclability of dry recyclable waste, Neptra aims to ensure that zero waste goes to the landfills. Neptra has been a zero Waste to Landfill organization for more than three years.

77	Peixes da Amazônia S.A.	Private company	Brazil	Peixes da Amazônia S.A. was created in 2011 to develop and produce Amazon regional fish species for local and international consumption. The three operating units include a 15 million smolts per year production facility, a 40,000 ton per year fish feed industry, and a 20,000 ton per year fish processing plant. The company's potential suppliers include 3,000 small, medium and large fish farmers, for whom the company provides best in class smolts and fish feed, technical and production assistance, and assurance of purchase of all fish produced.
78	Awake Travel	Private company	Colombia	Awake Travel is a Colombian travel booking platform for eco-friendly trips that was founded in 2013. The company works with hosts from local communities and offers several experiences including whale watching, bird watching, cultural immersion experiences with Indigenous and local communities, mountaineering, and beaches, thereby enabling travelers to travel to new places while also helping conserve their biodiversity.
79	Ngāi Tahu Holdings Corporation Ltd	Private company	New Zealand	The Ngāi Tahu Holdings investment portfolio is made up of a diverse range of investments, with farming, property, seafood, and tourism at the heart of their operations. The corporation also directly invest in businesses outside of these industries, which spreads the risk by creating a more diverse set of investments, keeping them in touch with new business opportunities and providing a source of money that is readily accessible. Every year Ngāi Tahu distributes a return to support the ongoing work of helping Ngāi Tahu people realize their aspirations now and in the future.

# Appendix 2

## Selection criteria

Criterion	Methodology
<b>Development project or enterprise</b>	-Select 1 if the case is an economic development project or revenue generating scheme such as a business or enterprise. -Otherwise, select 0 -If it is not clear, please use "?"
<b>IPLC focus</b>	-Select 1 if the case involves (members of) or is led by a local or Indigenous community. -Otherwise, select 0 -If it is not clear, please use "?"
<b>External financing</b>	-Select 1 if the case had received some sort of external financing or investment -Otherwise, select 0 -If it is not clear, please use "?"
<b>Revenues</b>	-Select 1 if the case generates revenues, either to self-sustain or to pay back investors. -Otherwise, select 0 -If it is not clear, please use "?"
<b>Conservation SDG</b>	-Select 1 if the case includes conservation and sustainability goals. -Otherwise, select 0 -If it is not clear, please use "?"
<b>Region</b>	The case location is in: -Latin America and the Caribbean. Use LAC -North America. Use NA -Europe. Use EU -Africa. Use AF -Asia. Use AS -The Pacific. Use PO -Worldwide. use W
<b>Evaluator's opinion</b>	Give your personal opinion about the relevance of this case for this project: -Select 1 if you think the contribution of this case would be low. -Select 2 if you think the contribution of this case would be medium. -Select 3 if you think the contribution of this case would be high.
<b>Evaluator notes</b>	Use this space for any relevant notes or arguments about whether or not including this case in the further stages of this project.

# Appendix 3

## Case study interview guide

### About the nature of this interview

The questions you will answer during this interview will help us understand the enabling conditions, community ownership model, community involvement, and impact investment model that had best suited the social enterprise you represent, and its efforts to develop sustainable livelihood opportunities that provide income, protect the natural resources in place and allow the community involved to thrive.

### Disclaimer

The results of this research study will support TNC (the contractor) and its impact investment unit, in replicating and/or scaling impact investment models that generate positive economic, human wellbeing and environmental outcomes with IPLCs globally.

This session will be recorded with the only purpose of ensuring we take the best from the interview. This recording will not be shared outside our research team.

The information you share with us during and after this interview will nourish our study. Nevertheless, any information you consider confidential will be treated as anonymous or excluded from this study if that is your decision. You can inform us about this during the interview or afterwards when we share the interview notes for your verification and feedback.

Thank you very much for your time and interest.

## Questionnaire

### Generalities

1. When was the enterprise founded? And who founded it? Please refer to any prior efforts, and to groups or communities involved.
2. Which would be the key factors leading to the company's success? What do you think have been the milestones for the company?

3. During the lifetime of the enterprise, have you had any important challenges? Which do you think would be the key factors leading to those?
4. What is your opinion about the replicability of your model and its potential for scaling?
5. Which external factors have hampered or enhanced the company's creation/performance (for instance legal requirements, enabling conditions)?
6. Please tell us more about the ownership, governance and management model of the company. Has it changed during the lifetime of the company?
7. How has been in general the government involvement and support, including enabling policy framework?

### **Company's business model**

8. Was there a business planning process done? How useful has it been? Has it suffered adaptations?
9. Please mention any market access barriers that you have encountered
10. Have you come up with or identified possible solutions for those barriers?
11. Does the company have supply chain partnerships?
12. What are the company's requirements for, and access to, financial capital? Please kindly name your source(s) of funds and your investment model in case you have one in place.
13. What would be the company's risks or barriers to investment, including social and cultural barriers?
14. How would you describe the company in terms of financial feasibility, including revenue sources and costs?
15. What are the company's administrative and operational requirements and capacities? And its needs in terms of capacity?

### **Social and environmental impact**

16. Please describe the company's activities that promote sustainable livelihoods
17. What would be the social impacts and community benefits of the company? including revenue distribution
18. Are there any challenges or unintended consequences for the community or the environment? including equity considerations
19. What would be the links to conservation outcomes and ecosystem management?

# Appendix 4

## Investor survey

The investor survey was conducted via [www.surveymonkey.com](http://www.surveymonkey.com).

### Impact investing in IPLC companies

---

#### Welcome

Thank you for participating in this research study on impact investing in social enterprises owned or managed by Indigenous Peoples and local communities (IPLCs).

Our aim through this survey is to understand how investors manage risks and overcome investment challenges, and what investment criteria and evaluation metrics they follow when looking at IPLC companies.

We estimate that filling in this survey should take around 15-20 minutes to complete. If you have any questions or technical issues, please contact Natalia Sanin at [natalia@conservation-strategy.org](mailto:natalia@conservation-strategy.org). Thank you for your time.

#### Contact Information

---

*1. Name of your Investment Company / Fund*

*2. Headquarters*

*Where are the headquarters of the company/organization? (Country and City)*

*3. Contact person*

*Name of the contact person answering the survey*

*4. Position title*

*5. Contact information*

Email Address

6. In our final report, we plan to list the companies / funds that have participated in the survey, but no specific information will be shared, and only aggregate data will be presented. Please indicate your preference below:

Yes, it is fine to list my company / fund as one of the survey participants

No, do not list my company / fund as one of the survey participants

## General Information

---

### 7. AUM

What is the current total Assets Under Management (AUM) in millions of US Dollars?

### 8. Stage of investment

What stage of investments does the company / Fund target? (Please check all that apply)

Business Plan

Pre-Seed

Seed

Series A

Series B

Growth

Other (please specify):

### 9. Source of funds

What are your main sources of funds? (Please check all that apply)

DFIs

Foundations

HNWIs

Government

Family offices

Philanthropy

Other (please specify):

### 10. IPLC focus

Does the company have a specific program for businesses owned and/or managed by Indigenous Peoples or local communities (IPLCs)?

Yes / No

Comments (optional)

## Investment Criteria

---

To the extent possible, please consider the following questions in relation to investments with IPLCs.

*11. Geographical focus*

*What countries/regions do you target for investment?*

*12. Ticket size*

*What are your minimum and maximum investment sizes in US Dollars?*

Minimum:

Maximum:

*13. Focus area*

*What are the focus areas of your investments in IPLCs? (Please check all that apply)*

Financial inclusion

Environment

Health

Food security

Gender inclusion

Other (please specify):

*14. Type of financing*

*What types of financing do you provide to IPLC companies? (Please check all that apply)*

Revolving credit lines

Long-term loans

Equity

Quasi-equity

Grants

Other (please specify)

*15. Please briefly describe your investment model or approach when working with IPLCs, and elaborate on any approaches such as quasi-equity or share buyback financing:*

*16. Holding period*

*What is the typical target holding period for your investments in IPLC companies?*

Less than 3 years

3-5 years

5-7 years

More than 7 years

Other (please specify)

*17. Currency*

*What types of currencies do you invest in? (Please check all that apply)*

US Dollars

Euros

Local

*18. FX hedging*

*If you lend in local currency, is the availability of foreign currency hedging options a requirement for investment? Please elaborate.*

*19. Business plan*

*Do you require a formal business plan to be prepared before investing?*

Yes

No

Please explain:

*20. Other investment criteria*

*Please list any other type of investment criteria usually sought:*

## **Investment challenges**

---

To the extent possible, please consider the following questions in relation to investments with IPLCs. This information will help us better understand some of the challenges IPLCs face in getting to investment readiness.

*21. In your experience, how has identifying pipeline for IPLC-focused work compared to identifying pipeline for other types of investments?*

Much more difficult

Somewhat more difficult

Same

Somewhat less difficult

Much less difficult

Comments:

*22. Community location*

*IPLCs are frequently geographically isolated or face transportation difficulties. Has this been a barrier to investment for you?*

Always

Often

Sometimes

Rarely

Never

Please explain your answer and describe how have you overcome this situation in the past:

*23. Education*

*Have you experienced that the education level of investee management teams is a barrier to investment?*

Always

Often

Sometimes

Rarely

Never

Please explain your answer and describe how have you overcome this situation in the past:

*24. Financial acumen*

*Have you experienced that the general knowledge of finance by IPLC investee management teams is a barrier to investment?*

Always

Often

Sometimes

Rarely

Never

Please explain your answer and describe how have you overcome this situation in the past:

*25. Access to markets*

*Has access to markets been a challenge for your IPLC investees?*

Always

Often

Sometimes

Rarely

Never

Please explain your answer and describe how have you overcome this situation in the past:

*26. Reliability of supply*

*Is securing a dependable and predictable supply chain a challenge for your IPLC investees?*

Always

Often

Sometimes

Rarely

Never

Please explain your answer and describe how have you overcome this situation in the past:

*27. Enterprise governance*

*Is establishing proper governance a challenge for your IPLC investees?*

Always

Often

Sometimes

Rarely

Never

Please explain your answer and describe how have you overcome this situation in the past:

*28. Political risk*

*Have you experienced that a country's political risk is a barrier to investment?*

Always

Often

Sometimes

Rarely

Never

Please explain your answer and describe how have you overcome this situation in the past:

*29. Funding requests*

*How often do you end up rejecting investment requests for IPLC enterprises?*

Always

Often

Sometimes

Rarely

Never

Please share the most common reasons you choose not to invest in an IPLC enterprise:

**30. Other investment challenges**

**Please describe any other types of investment challenges or barriers typically encountered with IPLC enterprises:**

---

**Other types of support**

Please consider the following questions in relation to investments with IPLCs.

*31. Capacity building*

*Do you provide any sort of capacity building grants as part of your investments?*

Yes / No

Please briefly describe:

*32. Business planning*

*Do you provide any type of technical assistance and/or grants specifically to support business planning processes?*

Yes / No

Please briefly describe:

*33. Technical assistance*

*Do you provide any other type of technical assistance as part of your investments (For instance in the pre-feasibility study, accounting, marketing, supply chain management, commercialization, etc.)?*

Yes / No

Please briefly describe:

**34. Other types of support**

*Please mention any other types of support/investment you have incorporated into your portfolio with IPLCs:*

**35. Please indicate the sources of funds for these other types of support (Please check all that apply):**

- DFIs
- Foundations
- HWNIs
- Government
- Family offices
- Philanthropy
- Other (please specify):

**Metrics**

---

Please consider the following questions in relation to investments with IPLCs

**36. Key metrics**

**What types of financial and/or impact metrics do you track post-investment with IPLC enterprises?**

**37. Frequency**

*What is the frequency of metric tracking?*

- Monthly
- Twice annually
- Quarterly
- Annually
- Other (please specify):

**38. Targets**

*Do you request investees to establish specific metrics pre-investment?*

Yes / No

Please explain your answer:

**39. Mission drift**

*Do you require mission drift avoidance language in your legal documents?*

Yes / No

Please explain your answer:

**Additional information**

---

**40. Please include any other information you would like to share regarding investing in IPLCs.**

# Appendix 5

## Case study profiles

AADHIMALAI .....	89
BIOGUAVIARE.....	92
CHAKAY LOBSTERS .....	96
CHICZA.....	100
COOPEROSTRA .....	104
GRUPO PAISANO .....	108
IBIS RICE .....	111
KAYONZA GROWERS TEA FACTORY .....	115
POSADA AMAZONAS .....	118
SURITEX .....	122
VICTORY FARMS .....	125
YAYASAN PLANET INDONESIA (YPI).....	129

# AADHIMALAI

India

## OVERVIEW

Aadhimalai is a farmer producer company registered in 2013 with over 1,600 shareholders of native communities in the Nilgiri Biosphere Reserve in India. Aadhimalai produces both raw and value-added non-timber forest and agricultural products offering over 50 different varieties of products in four self-owned stores and more than 20 partner stores across India. Aadhimalai has received support from an incubator, as well as concessionary loans from the National Bank for Agriculture and Rural Development in India.

## KEY FACTS

**ENTERPRISE MODEL:** Farmer producer company

**SECTOR:** Agribusiness and non-timber forest products

**LOCATION:** Nilgiri Biosphere Reserve, India

**FOUNDED:** 2013

**COMMUNITIES INVOLVED:** mostly Kurumbas and Irulas Indigenous communities in the Nilgiris

**ENVIR/SOCIAL FOCUS:** Environmentally sustainable harvest of non-timber forest resources and agriculture. Support native farmers in the Nilgiri Biosphere to have a better livelihood system and additional skills and education.

## ENTERPRISE HISTORY AND CONTEXT

More than 50% of the income of Indigenous communities in India comes from forest resources, and the other 50% from their traditional work on the land. Keystone<sup>1</sup>, Aadhimalai's incubator, wanted to support Indigenous farmers in the Nilgiri Biosphere to have a better livelihood system by improving their incomes and providing additional skills, knowledge and education. Aadhimalai began as a micro social enterprise and has since grown into a tribal producer company registered in 2013 with 1,609 shareholders.

The enterprise is completely owned by the Indigenous communities, who farm for their own consumption and then sell the surplus. Aadhimalai purchases harvests directly from the communities at a rate 20-30% higher than the market price, processes the products, and then distributes them under a certified fair trade label. It has incorporated value-added operations to increase the market value, and has also implemented some storage mechanisms so that they can sell when the price is higher. However, storing surplus production is still a challenge.

The enterprise has brought fair trade mechanisms to these communities and has generated employment within the villages for both women and men. Sustainable harvesting practices have been implemented as a conservation effort. Aadhimalai guarantees buying all of the farmers' production and paying for it at the time of procurement.

Small production centers in the villages have been developing technology, machinery and training for the community. These centers provide:

- Information and knowledge on forests, land, wildlife and water
- Place to acquire more skills and appropriate technologies
- Place for environmental education and programs for children
- Center for health education for women and children
- Knowledge base on current laws and rights related to Indigenous People and forests

<sup>1</sup> The Keystone Foundation runs programs, activities and research related to sustainable livelihoods and biodiversity conservation in the Nilgiris Biosphere Reserve. Along with Aadhimalai, Keystone has created two other organizations that work together to increase cohesion both within indigenous communities and with the natural systems they inhabit.

## KEY PRECURSORS

### DRIVING FORCES

Aadhimalai's incubator, Keystone, wanted to support native farmers in the Nilgiri Biosphere to have a better livelihood system by improving their income and developing additional education and training programs for the community.

### ENABLING CONDITIONS

The national government promotes farmer producer companies across the country through tax incentives and other benefits. The government also allows farmer producer company profits to be distributed among shareholders.

## FINANCING

### TYPES AND SOURCES

- Private grants at start-up
- Public loans during growth

Aadhimalai received incubator funds from Keystone before its formal registration as a company. These funds were used for training, product procurement, product development, capacity building and staff salaries. After the company was registered, Aadhimalai started taking one-year loans from the National Bank for Agriculture and Rural Development in India, which has lower rates than commercial banks.

## CHALLENGES

### CHALLENGES

- The company is not always able to procure 100% of the farmers' production since they need to cover a vast area with a small team. Pandemic lock-down has worsened this situation.
- Market price fluctuations are risky for the company since it commits to buying all of the farmers production and therefore ends up absorbing any losses.
- Seasonal harvest and production necessitates storage for surplus production and also means that some small-scale production products are seasonally unavailable.
- Better and more storage mechanisms are needed to increase their capacity to sell when the price is better.
- Aadhimalai frequently struggles to sell enough product to cover the cost of business operations.
- Ongoing business needs include accounting knowledge, stock maintenance and development of new products.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Farmer producer company

**SECTOR:** Agribusiness and non-timber forest products

**PRODUCT/SERVICE:** Forest honey, forest amla, spices, organic millets, organic coffee, natural beeswax-based body care products, shikakai-based hair care products, silk cotton.

**OVERVIEW:** Communities collect, process and distribute their products both to intermediaries and final consumers. The company has received fair trade certification and has a recognized brand, both of which enable them to sell their products for a premium, and pay higher prices to their shareholder producers.

### SCALE:

- 1,609 shareholders
- Production of over 30 tons of NTFP and agricultural produce, and over 50 different varieties of products
- New products are launched each year
- Four processing centers spread across the Nilgiri Biosphere Reserve
- Four retail outlets called Honey Huts located in Bannari, Hasanur, Sathyamangalam and Masinagudi
- Over 20 stores sell Aadhimalai's products across India

- Uncertainty about whether the younger generations will want to be part of Aadhimalai.
- Many producer companies are now being created with national government support, but they do not abide by fair trade practices and prices, and threaten to out-compete Aadhimalai.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Strong community leadership and cooperation among members
- Transparency from the company towards the community and trust from the community towards the company
- Board communicates all operations and management decisions to the communities, including yearly accounting reports
- Harvesting these products has been part of communities' traditional knowledge. Therefore, they did not have to learn any new skills other than sustainable practices
- Participation from the community members at all levels of production and in all aspects of the company
- Fair trade certification via the Participatory Guarantee System (PGS)<sup>2</sup> to access premium prices
- New products are launched every year
- Use of natural and sustainable farming methods
- Large enough scale of 1600 members from 209 villages
- Additional skills training and community education programs

### LESSONS LEARNED

This community-owned enterprise illustrates that, in order to improve community income, it is important not only to purchase the harvests directly from communities but also to integrate the rest of the supply chain by storing, adding value to production, distributing and selling directly to customers. Furthermore, Aadhimalai demonstrates the importance of involving the community in the entire process, from product collection to operational requirements and management of the company.

## REPLICABILITY

Replicating a producer company model that is environmentally sustainable and generates community livelihood benefits would require:

- Certification to access premium procurement prices
- Community capacity building in sustainable harvesting practices and other technical and business management skills
- Self-owned processing centers and stores to add value to production and increase community income

<sup>2</sup> PGS, also known as participatory certification, represents an alternative to third party certification especially adapted to local markets and short supply chains. Certification is built on a foundation of trust, social networks and knowledge exchange between producers and consumers.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** The company is owned by more than 1,600 members from 209 villages

**DECISION MAKING:** Board of seven directors, women and men, from the traditional Indigenous communities of the Nilgiris where the company operates. This board decides the new policies for the company and the price setting for their procurement, sales and commissions. The board then explains and discusses these decisions directly with the communities.

### BENEFITS

**ENVIRONMENTAL:** Aadhimalai promotes sustainable traditional harvesting and organic farming practices to secure sustainable livelihoods and a healthy environment for the tribal communities of the Nilgiri Biosphere Reserve.

**SOCIAL:** Aadhimalai guarantees to the community that they will buy all of their wholesale agricultural products at a rate 20-30% higher than the market price. Communities receive profits when the company buys their products, and do not need to wait for the company's sales. The company therefore absorbs the risks of market losses, and if the company makes profits the farmers receive a bonus.

---

# BIOGUAVIARE

Colombia

## OVERVIEW

Bioguaviare is a joint venture between i) Selva Nevada, a Colombian firm focused on processing and selling artisanal ice cream using locally-sourced, Amazon products; ii) Asoprocegua (*Asociación de Productores del Guaviare*) a local association of 230 small-holder farmers; and iii) Bioingen, a group of seven Amazonian-region technicians experienced in planting, harvesting and processing fruits. Bioguaviare sources 100% wild-grown fruits (particularly açai) from these local small farmers and indigenous communities in order to generate sustainable income and protect the rainforest in the region.

## KEY FACTS

**ENTERPRISE MODEL:** Joint venture

**SECTOR:** Agribusiness

**LOCATION:** San Jose del Guaviare, Colombian Amazon

**FOUNDED:** 2014

**COMMUNITIES INVOLVED:** Local farmers and Nukak indigenous community members

**ENVIR/SOCIAL FOCUS:** Environmentally sustainable harvest of wild Amazon fruits and generation of sustainable income for small farmers and indigenous communities in the region

## ENTERPRISE HISTORY AND CONTEXT

Selva Nevada, a Colombian company focused on processing and selling artisanal ice cream using locally-sourced Amazon products, was looking to achieve a more stable supply of raw materials, as well as more control over its supply chain. They identified the Guaviare region as a strategic location for the procurement of natural Amazon products since it is located in the center of the Amazon region and is well connected to the interior of Colombia by land for efficient national and international distribution. At about the same time, Asoprocegua, a local association of 230 small-holder farmers in Guaviare, was looking to capture more value from its local products, and identified açai as a potential product for wild harvest. Within this context, the two partnered with Bioingen over a two-year period to launch a joint venture called Bioguaviare that harvests, processes and commercializes frozen açai, araza, and buriti pulp, as well as natural palm oil.

Given the growing global demand for so-called “superfoods”, these types of wild-grown Amazon fruits represent an opportunity to generate sustainable income for small farmers while also helping protect the rainforest, and can also be an important source of income for indigenous communities that have significant experience harvesting these types of fruits. In this sense, Bioguaviare is the only source of income for the Nukak Indigenous community from whom the company purchases fruits at above-market prices, while providing technical assistance to fruit collectors.

Decades of armed conflict in Colombia have had a profound impact on the Guaviare region. The presence of guerrillas, paramilitaries and illegal groups (all of them heavily involved in drug trafficking) has hampered the growth of a formal economy, forcing many inhabitants to engage in coca cultivation and deepening the cycle of poverty. Approximately 75% of the region’s population lives in poor and vulnerable conditions, and the region has the fourth-lowest GDP per capita in Colombia.

Moreover, 96% of Guaviare’s current population emigrated from the interior of Colombia with the boom in coca cultivation in the 1980s and 1990s. Coca continues to represent an important part of the local economy, with approximately 5,423 hectares under continuous cultivation, representing a risky and dangerous occupation, since producers constantly fear aerial fumigation by the government, as well as extortion from guerrillas and paramilitaries. The remaining 4% of the population is composed of local Indigenous communities that live in conditions of high exclusion and vulnerability, and with many unmet basic needs. Additionally, deforestation represents a growing threat in the Guaviare region that is one of the most biologically diverse areas in the world, with an estimated 360,000 hectares of forest having been threatened since 1990.

## KEY PRECURSORS

### DRIVING FORCES

- Local community was already organized through a small farmer association, and was looking to capture more value from its local products.
- Existing company wanted more stable supply of Amazon raw materials, as well as more control over its supply chain
- Growing global demand for these types of fruits
- Decades of armed conflict in Colombia having a profound impact on the Guaviare region, leaving many communities poor and in poverty

### ENABLING CONDITIONS

- Significant interest in supporting Colombia through its “post-conflict” period after more than 50 years of armed guerilla conflict enabled the company to secure funding from Acumen, USAID and Vision Amazonia to launch and scale operations
- Region well connected to interior of Colombia by land for national and international distribution
- Indigenous communities with significant experience harvesting these types of fruits
- Asoprocegua already acted as an informal supplier to Selva Nevada, leading it to seek technical and commercial partners to capture a higher share of the end value of its products
- A detailed subsidized study performed by an NGO, Instituto Amazónico de Investigaciones Científicas, was instrumental, since harvesting Amazonian products requires a federal permit and an independent study would have been cost prohibitive.

## FINANCING

### TYPES AND SOURCES

- Private loans from Acumen
- Public grants from USAID and Visión Amazonía (Colombian government)

Acumen provided a US\$150,000 seed-stage loan to start operations, purchase initial raw materials and build a production facility. This initial loan is part of a larger potential financing package that could include a future equity investment of up to 25% of the total shares in the company. USAID and Vision Amazonia also provided early grants to purchase machinery and equipment.

The company is looking for US\$500,000 in additional financing to lower its overall cost of energy by constructing an on-site hybrid solar/hydraulic power plant.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Joint venture comprised of a for-profit company, a technical consulting firm, and a farmer association.

**SECTOR:** Agribusiness

**PRODUCT/SERVICE:** Frozen wild Amazon fruits (açai, araza, buriti pulp) and natural palm oil sold primarily to Selva Nevada and increasingly to other local buyers.

**OVERVIEW:** Farmers and communities harvest and process wild Amazon fruits with the support of a technical partner, and sell to their commercial partner and other local buyers who further process and distribute the products.

### SCALE:

- 230 small-holder farmers organized through Asoprocegua.
- Undefined Nukak Indigenous community members selling naturally harvested fruit products at above-market prices.
- One processing and packaging facility located in San Jose del Guaviare.
- Installed capacity to process 80 tons of açai per year.
- Estimated 2020 revenues of US\$300,000 generating a marginal net profit.

## CHALLENGES

### CHALLENGES

- Region dominated by extractive industries (mining, rubber tapping, forestry, coca) that have displaced Indigenous communities and created suspicion of outsiders, making joint venture conversations lengthy and complicated.
- Limited knowledge by local government officials around rainforest harvesting permits, resulting in proposed prices per harvested kilo that would make the enterprise financially unviable.
- Generalized lack of local talent to fill management and factory positions, which have instead been hired in Bogota.
- Only one product (açai) has significant international demand, limiting other potential sources of income and diversification.
- Guaviare region's remoteness requires a 4-hour drive to reach the closest government office and has made it difficult for local organic certifiers to make site visits, and international certifications are cost prohibitive.
- Colombia continues to have a strong presence of illicit armed groups and guerillas in remote, rural areas that frequently exploit local communities and make overland transport of goods unduly complicated and unreliable.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Organized community partnering with an experienced commercial business and technical experts.
- Prior business relationship between Asoprocegua and Selva Nevada, although with a high level of informality and failed past efforts to institutionalize operations.
- Seed investment by a recognized international investor (Acumen). Selva Nevada acted as an upfront buyer, ensuring minimum volumes and knowledge of institutional client requirements.
- Local ownership and income generation for local and indigenous communities.
- Direct employment opportunities.
- Payment of above market prices to local communities.
- Half of the Board members are women, despite a male-dominated local community.
- Creation of initial business plan and financial model allowed for adequate planning of resources to scale operations and achieve community buy-in after a two-year planning process.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** Business owned in equal parts by local community association, commercial partner and technical expert group.

**DECISION MAKING:** Board of Directors composed of 7 members, two appointed by each shareholding group, and one representing Acumen. Asoprocegua's 230 small farmers represented by 10 elected individuals serving two-year terms.

### BENEFITS

**ENVIRONMENTAL:** Bioguaviare promotes sustainable harvesting practices to secure sustainable livelihoods and decrease deforestation trends.

**SOCIAL:** Improved community incomes since Bioguaviare guarantees the community that it will buy their products at above market prices. It also represents the only source of income for the Nukak Indigenous community to whom it also provides technical assistance on harvesting methods.

## LESSONS LEARNED

Bioguaviare is a strong example of the importance of spending time advising local farmers on the benefits of sustainable practices and business association. In this case, they took considerable time to show local farmers the benefits of harvesting wild rainforest products, since their forced displacement to this area 30 years ago made them reliant on traditional agricultural and cattle ranching practices imported from their places of origin, which are not well suited to the local ecosystem and have increased deforestation consequences.

Skepticism abounded within the local community about the project, resulting in only a handful of active members and a large group of "free-riding" individuals. For this reason, the company will seek to issue shares directly to the most involved members of the community.

## REPLICABILITY

A joint venture could be replicated with organized communities ready to formalize their production and partnerships. The Bioguaviare structure generated some conflicts of interest, since Selva Nevada acted as both shareholder and customer, with differing needs and expectations. If this model were replicated, the ideal commercial partner would be a local logistics/distribution player with deep industry contacts, bulk transport agreements, and working capital financing capabilities.

# CHAKAY LOBSTERS

Mexico

## OVERVIEW

Chakay is a collective brand of the Integradora de Pescadores de Quintana Roo, a social enterprise that aggregates six fishermen cooperatives. The brand sells Caribbean spiny lobster collected by freediving fishermen who have exclusive concession rights and permits to extract this resource from the biosphere reserves. The lobster population is co-managed by national and local governmental institutions and authorities, along with fishermen cooperatives, national research organizations and NGOs, often in alliance with international institutions.

## KEY FACTS

**ENTERPRISE MODEL:** Aggregator cooperative

**SECTOR:** Sustainable fisheries

**LOCATION:** Sian Ka'an and Banco Chinchorro Biosphere Reserves in Quintana Roo, Mexico

**FOUNDED:** 2010

**COMMUNITIES INVOLVED:** Local fishing communities

**ENVIR/SOCIAL FOCUS:** Reducing overfishing of the Caribbean spiny lobster and improving the livelihoods of fishermen.

## ENTERPRISE HISTORY AND CONTEXT

Integradora de Pescadores de Quintana Roo is legally registered as an aggregator cooperative owning the collective eco-labeled brand Chakay. There are six fishermen cooperatives<sup>3</sup> integrated into this model. Each one of them has 30 fishermen registered, which represents a total of 180 families benefiting from the brand. Each cooperative also has "applicants" who are allowed to fish in the reserves. Formal legal registration of the brand included setting the terms and conditions for the eco-labeled lobster product, including its exclusive origins from the biosphere reserves and required sustainable fishing practices, and the rules and roles for the co-management of the resource.

Co-management of the resource involves several governmental and non-governmental institutions such as CONABIO (biodiversity authority), CONANP (protected areas management), CONAPESCA (fisheries authority) INAPESCA (research and management of fisheries), the biosphere reserves Sian Ka'an y Banco Chinchorro management teams, and national research institutions, such as Colectividad Razonatura, University of Mexico (UNAM), Ecosur, University of Quintana Roo, among others.

Chakay sustainable fishing practices of the Caribbean spiny lobster include collecting the lobsters by freediving fishermen who have exclusive concession rights and permits to extract this resource from the biosphere reserves. Permits and concessions were granted by national environmental and fishing authorities. Freediving allows fishermen to catch the lobsters alive and release back egg-bearing females and juveniles. It also restricts the fishermen's access to deeper waters, avoiding the capture of reproductive lobsters. The cooperatives have divided the ocean ground into plots, assigning each one of those to a fisherman. Artificial shelters known as *casitas* have been placed in each plot. These shelters are used by the lobsters and is where the freediving fishermen catch them live.

By selling the lobsters live, the collective brand sells 2/3 more weight (previously they only sold the tails). This increases fishermen revenues, adding even more value by selling a fresh product and avoiding refrigeration costs. The lobsters are sold alive to middlemen, as well as to restaurants, who pay a better price for a fresh product that is part of a traceable system that ensures fair trade and sustainable fishing practices.

<sup>3</sup> Member cooperatives: Vigía Chico, Cozumel, José María Azcorra, Langosteros del Caribe, Andrés Quintana Roo, and Pescadores de Banco Chinchorro.

## KEY PRECURSORS

### DRIVING FORCES

The consolidation of the two biosphere reserves and the presence of a national authority managing them and establishing regulations for the use of their various resources.

### ENABLING CONDITIONS

- Availability of the fishing resource in the area and demand for the lobsters.
- The consolidation of the institutions working together to co-manage the resource.
- National context promoting cooperative aggregators and collective brands.
- Chakay fishermen have exclusive concession rights and permits to extract lobsters from the biosphere reserves.
- Colectividad Razonatura, an NGO, supported the creation of the Integradora and Chakay from the outset. In addition to providing quality information about the in-situ resource, it acts as an advisor and liaison in the co-management of the resource. It has also conducted fundraising and channeling of resources from national and international initiatives.

## FINANCING

### TYPES AND SOURCES

Each cooperative manages its own finance, fundraising activities, strategic partnerships and investment models.

Some funds destined to the aggregator and the co-management of the resource have been channeled through the NGO Colectividad Razonatura and other organizations. Financing has included public and private incubation support, donations and grants, such as:

- Summit Foundation
- Fondo de Áreas Naturales Protegidas FANP-FMCN
- UNDP
- Conservation International's Verde Ventures
- Mar Fund
- Fundación Roberto Hernández
- The Nature Conservancy
- Packard Foundation

These funds were used for business planning, lobsters research studies, consolidation of the brand, building partnerships, and the creation of Kanan Kay Alliance, a multisectoral institution which promotes artisanal fisheries in the southwest Mexico region.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Aggregator cooperative

**SECTOR:** Sustainable fisheries

**PRODUCT/SERVICE:** Caribbean spiny lobster (*Panulirus argus*) sold to middlemen and to restaurants in Quintana Roo.

**OVERVIEW:** The aggregator is equally owned by the six fishermen cooperatives. The aggregator owns the brand, and fishermen cooperatives sell the lobsters under the eco-labeled scheme.

Cooperatives have two main commercialization scenarios: selling to middlemen at the dock at market prices or selling directly to restaurants and hotels at prices 30% above market prices.

Direct selling increases fishermen revenues due to the better prices that restaurants are willing to pay for fresh traceable whole lobsters, which are 60% greater in weight than just selling lobster tail. Chakay is part of an EU Slow Food program that marks the lobsters at the harvest point with a QR code that the final consumer can trace when the lobster gets to their table. The code indicates the lobsters are fair traded and sustainably fished.

**SCALE:** The 180 fishermen in the six cooperatives extract around 160 tons of Caribbean spiny lobster per year.

## CHALLENGES

### CHALLENGES

- The internal governance of cooperatives changes every three years. Each new body decides the level of effort and resources they dedicate to their participation in the aggregator. This can disrupt the continuity of processes and weaken the shared vision and use of the brand.
- Some cooperatives have marketing and commercialization partners and therefore greater participation in the aggregator and use of the brand.
- The conditions of the casitas differ from Sian Ka'an and Banco Chinchorro, with some having more lobsters than others at certain times. This can create clashes between fishermen in these different areas.
- Middlemen are not interested in traceability of the sustainable fisheries, and therefore are not willing to pay premium prices for Chakay lobsters.
- Illegal fishermen sometimes enter the reserves and fish using hooks and nets. Some have even used the brand without permission to market their lobsters.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- The collective brand prevents fishing cooperatives from competing with one another and gives them access to higher market prices for their lobsters.
- Legal registration of the brand with requirements related to the exclusive origin site and sustainable fishing practices adds value to the final product and empowers the institutions involved in its management.
- The co-management of lobsters in Sian Ka'an and Banco Chinchorro brings together government agencies and environmental authorities, national and international NGO institutions, research and social organizations, and the aggregator cooperative. This co-management enables them to make better informed decisions and have a shared vision of the use and protection of the resource.
- Selling the lobsters live presents better incomes opportunities for the local fishermen communities.
- National public and private institutions involved, such as Colectividad Razonatura, have channeled international research and funding support.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** The aggregator is equally owned by the cooperatives and their more than 180 fishermen members.

**DECISION MAKING:** Decision making regarding the internal management of the aggregator is made by its board of directors, with representatives from the six cooperatives.

Decision making regarding the co-management of the resource is made by all of the institutions involved, such as reserve authorities and other government agencies, as well as NGOs and research institutions such as Colectividad Razonatura.

### BENEFITS

**ENVIRONMENTAL:** The sustainable fishing practices have helped the lobster population thrive in the two reserves.

The alliance for the co-management of the resource has laid the groundwork for other conservation and social initiatives in the area.

**SOCIAL:** Fishermen benefit from a formally consolidated alliance and collective brand and all the support that comes with it, such as capacity building and fundraising opportunities.

## LESSONS LEARNED

This sustainable fisheries example illustrates the importance of combining sustainable fishing practices, scientific knowledge, and enforcement of fishing regulations in order to improve both the fishery resource and community livelihoods. Furthermore, the successful co-management of this natural resource demonstrates how the involvement of national and international actors from different sectors can contribute to the creation of not only sustainable fishing practices that benefit the environment, but also the formation of a collective brand for commercialization of products, resulting in better incomes and opportunities for IPLCs.

### REPLICABILITY

Replicating IPLC-led fisheries that are environmentally sustainable and generate community livelihood benefits would require:

- Co-management of the fishery resource. Co-management involves sharing responsibilities and actions for resource management, as well as collaborating in its sustainable use.
- Promote cooperation instead of competition among local fishermen communities. Aggregator cooperatives and collective brands are a recommended model for achieving this.

# CHICZA

Mexico

## OVERVIEW

Chicza is a social enterprise that produces natural chewing gum using latex extracted from the chicozapote tree. Chicza is the official brand of Consorcio Chiclero, an aggregator cooperative of 32 cooperatives and 2,000 *chicleros* (chewing gum tappers). Its products are distributed in Mexico and exported to countries around the world. The consortium oversees the production, logistics, commercialization and financing of the Chicza brand. Chicza received public and private incubation support, donations and loans during its initial phases, which helped it develop standardized production processes and distribution systems. Currently, 75% of Chicza's capital comes from its own financial resources.

## KEY FACTS

**ENTERPRISE MODEL:** Aggregator cooperative

**SECTOR:** Non-timber forest products - NTFP

**LOCATION:** States of Campeche and Quintana Roo

**FOUNDED:** Consorcio Chiclero was established in 2003 and registered as Chicza aggregator cooperative in 2009

**COMMUNITIES INVOLVED:** Two thousand *chicleros* from local communities in the Mayan forest

**FOCUS AREA:** Chicza promotes the sustainable extraction of latex avoiding the death of the trees and implements reforestation programs.

## ENTERPRISE HISTORY AND CONTEXT

Latex extraction has taken place in the Maya Forest of southeastern Mexico since the late 20th century. The activity started with private concessions benefiting foreign companies, then transformed to control by Mexican elites, and finally shifted to extraction by scattered local cooperatives. The need to promote a new model of productive and commercial organization was revealed by government-led studies showing that the economic activity was neither generating benefits to the local communities nor to the environment. As a result, the Consorcio Chiclero was formed in 2003 as an inclusive social company merging 32 *chiclero* cooperatives and professionals specialized in business management, all as equal partners in the company. The consortium oversees the production, logistics, commercialization and financing of their subsidiary enterprise and eco-labeled brand Chicza.

Chicza incorporates both cooperative and corporation approaches. The Consorcio Chiclero functions in a horizontal structure, with shared and standardized latex sap collection methods, quality control processes, logistical operations and production policies. The corporate arm of the Chicza brand operates in a vertical manner, facilitating implementation of a variety of investment models, manufacturing the final product, and commercializing it in national and international markets. In the early stages, the company ran an aggressive business plan focused on generating employment for the *chicleros* as well as a robust and long process of quality control standardization and distribution systems. During that time, the company established operations manuals and was awarded with the ISO 9001 and other certifications, generating production efficiency and trust from the market.

The enterprise is continuing to grow and expand to international markets, furthering their ability to improve *chiclero* livelihoods and provide other positive social and environmental interventions.

## KEY PRECURSORS

### DRIVING FORCES

Studies led by the national government showed the need for promoting a new model of productive and commercial organization for local communities focused on latex extraction. The leaders of the study started the ideation of Consorcio Chiclero.

### ENABLING CONDITIONS

- The *Chicozapote* tree is one of the most common trees in these forests with a distribution of up to 30 units per hectare.
- Latex extraction is a traditional vocational activity for local Mayan forest communities.
- National context promoting aggregators of cooperatives and collective brands.
- The structuring of the aggregator consortium model to create a competitive autonomous enterprise free of political influence, and a social focus on positive relationships between all its members.

## FINANCING

### TYPES AND SOURCES

- Incubation funds, donations and loans
- Public and private sources

Incubation funds and public loans were used for business planning and the expansion of both production and markets. Loans have mainly supported operations, while donations have been used for capacity building. Public sources of funds during the early stages were especially important to help establish the foundations of the consortium and its economic activity.

Currently, 75% of Chicza's capital comes from their own financial resources. The consortium established the trust *Fondo Chiclero* using public funding. Once capitalized, the trust started funding planning and operational activities. Furthermore, the cooperatives involved in the consortium equally contribute to the company by reinvesting their revenues in the trust. All of this gives economic stability to the enterprise.

Chicza lends USD 120,000 to cooperatives for their yearly operations. These credits are paid back when the cooked gum blocks are delivered.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Aggregator cooperative

**SECTOR:** Non-timber forest products - NTFP. Latex from chicozapote tree (gum tree) *Manilkara zapota*.

**PRODUCT/SERVICE:** Natural chewing gum sold to national and international consumers.

**OVERVIEW:** 2,000 shareholders from 32 cooperatives are part of Consorcio Chiclero and its brand Chicza. *Chicleros* collect the latex from Chicozapote trees and process it into natural gum blocks that they sell directly to Chicza at fair prices. Chicza transforms the blocks into the final product and commercializes it.

**SCALE:** The consortium operates in 1.3 million hectares of tropical Mayan rainforest within a permanent forest reserve. It produces over 500 tons of gum and then sells the product in national and international markets.

## CHALLENGES

### CHALLENGES

- Inability to access credit from national banks by nature of being a cooperative social enterprise. Banks in Mexico do not consider these enterprises as reliable enough for formal contracting of institutional bank accounts.
- High cost of latex sap extraction permits that are double the cost of logging permits, despite the fact that the latex extraction techniques used by Chicza are less harmful for the environment than logging and are likely more beneficial for the livelihoods of local communities.
- National regulations impose profit-seeking goals for all enterprises. However, the goals and mission of social enterprises correspond to broader goals of increasing community well-being and generating sustainable livelihoods while becoming self-sustainable via commercializing their products and services.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Products have reached international markets including England, France, Italy, Spain, Russia, and Australia.
- The enterprise combines both cooperative and private corporation approaches. This mixed model allows them to offer a regionally competitive product that is also environmentally responsible and socially beneficial to the community, and frees the member cooperatives to focus on producing the blocks without needing to manage the distribution and sales of final products.
- Equitable distribution of benefits and strong participation of the *chicleros* in the decision-making process.
- Chicza provides income and employment as well as social benefits such as scholarships, social services, medical consultations, retirement funds and carbon bonds to the local community.
- The company, along with international aid, has incubated nearly forty enterprises led by women and youth from the Movimiento Sin Tierra to implement alternative livelihoods programs.

### LESSONS LEARNED

This aggregator cooperative demonstrates that promoting regional coordination among producers can benefit community livelihoods by reducing market competitiveness and increasing commercialization opportunities. It also illustrates the struggles social enterprises can have in finding an equilibrium between their social goals and their

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** The internal governance of Consorcio Chiclero involves equitable representation from the member cooperatives. The corporate arm of Chicza is governed by a board of directors.

**DECISION MAKING:** The consortium works in a horizontal manner to make decisions related to latex collection, and production and payment for the blocks. Business decisions related to branding, marketing and sales of the Chicza brand are made in a vertical manner by the board and the executive director.

### BENEFITS

**ENVIRONMENTAL:** *Chicleros* have become rigorous guardians of the chicozapote tree and its ecosystem. With international aid, the enterprise has built a nursery for the production of up to two million seedlings a year, and has reforested more than 4,000 hectares of forest. Furthermore, they have carbon sequestration programs in place, and their gum is 100% biodegradable.

**SOCIAL BENEFITS:** Chicza pays fair rates to *chicleros* for the processed latex, and also provides employment opportunities. The enterprise has an equitable distribution of benefits and strong participation of the *chicleros* in the decision-making process.

The company has also implemented capacity building programs, incubation of other IPLC-led enterprises, and health services and education opportunities for the local community.

ability to be competitive in the market, and in balancing their horizontal relationships and governance with their vertical capital investment and management structure.

Social enterprises processes are slower compared to private corporations, and require supporters and investors who appreciate this reality. In Chicza's case, it took 6-8 years to consolidate the consortium and an additional five years to generate financial sustainability.

In Chicza's experience, the government can be most helpful by acting as an early-stage supporter rather than a partner, particularly by providing incubation funds and advising and technical support. The private sector can help by partnering in specific roles such as commercialization, intermediaries, consultants, soft-investment and loans, but Chicza recommends that the private sector should not become partners in land ownership.

## **REPLICABILITY**

Replicating an aggregator cooperative model that is environmentally sustainable and generates regional competitiveness and community livelihood benefits would require:

- Creating a collective brand with a vertical structure to commercialize the product/service in an effective yet fair way.
- Accessing public and private investment. Public funding is recommended for early stages and the consolidation of the enterprise. Private loans and impact investment are important for scaling-up and expansion of the company.
- Implementing gradual and continuous capacity building programs for IPLC shareholders. These programs should range from training in basic production skills and best practices to training in management and leadership skills in order to broaden the opportunities of communities.

# COOPEROSTRA

Brazil

## OVERVIEW

Cooperostra is a community-based aquaculture cooperative located in the Mandira Extractive Reserve in the state of São Paulo, Brazil. It was created in 1997 by oyster collectors in the municipality, with support from the São Paulo Forestry Foundation, the Fishery Institute, other government institutions and NGOs. Cooperostra pays members a premium price for their oysters, and sells them directly to individual consumers and restaurants. The creation of the Mandira Extractive Reserve and designation of exclusive property rights were both critical factors in the successful creation of the cooperative.

## KEY FACTS

**ENTERPRISE MODEL:** Cooperative

**SECTOR:** Oysters aquaculture

**LOCATION:** Cananéia Estuary, São Paulo, Brazil

**FOUNDED:** 1997

**COMMUNITIES INVOLVED:** Mandira quilombolas community and communities surrounding the Mandira Extractive Reserve.

**ENVIR/Social FOCUS:** Sustainable management of small-scale oyster harvesting.

## ENTERPRISE HISTORY AND CONTEXT

The history of the cooperative starts with the Mandira community. The community is a remainder of quilombolas (descendants of slaves) and has occupied the territory since the nineteenth century. Among the economic activities developed in the community, oyster production was the main activity, making up around 90% of households' income during the 1980s and 1990s. However, despite occupying the territory for centuries, the community did not have land rights, and outsiders would enter the territory to extract natural resources such as oysters. Competition over natural resources, the pressure to provide income streams, and the general lack of knowledge about efficient management of the area and its resources all led to over-exploitation. The need for sustainable management of small-scale oyster harvesting in Cananéia drew the attention of government institutions. In 1989, work done by São Paulo's Secretariat of the Environment showed both a critical need for conservation efforts in the region, and the economic potential of sustainable natural resource management strategies controlled and run by the local population.

At the time Cooperostra was being created, the area surrounding the Mandira territory was protected by the Jacupiranga State Park and the Federal Zone for Wildlife Protection. These protected areas contributed to mangrove conservation. In 1994, the creation of the Mandira Extractive Reserve was proposed. The process took eight years, and in 2002 the reserve was formally established by the national government. Currently, the Mandira RESEX is part of the Jacupiranga Conservation Units Mosaic, composed of 14 Conservation Units of different categories, among them Itapanhapima Sustainable Development Reserve; Extractive Reserve (RESEX) Taquari and RESEX Ilha do Tumba, contiguous to Mandira, in the Cananéia estuary complex, Iguape, Paranaguá.

Several pilot programs related to oyster production were developed in the region, and in 1997 the Cooperostra cooperative was created. Although the decision to create the cooperative was made by the oyster collectors, its implementation had the technical and financial support of government and non-government institutions. From the beginning, the involvement of the community in the business model was high. Once established, Cooperostra was fully owned by its members. The cooperative pays a premium price for the oysters produced by its members, and then sells the oysters directly to consumers and restaurants in São Paulo. Depending on the situation, the premium can be two or even three times higher than the market price paid by middlemen. The cooperative is financially feasible, but it does not have the financial capacity to make additional investments in expansion such as increasing its participation in the national and international oyster market. Challenges include financial debt from mismanagement and ensuing legal fees.

## KEY PRECURSORS

### DRIVING FORCES

- Need to generate environmentally friendly and financially sustainable income stream for the Mandira community
- Unrecognized territory leading to resource over-exploitation by outsiders
- The existence of middlemen who claimed large portions of the profit, and the low economic return forced the community to overexploit the oysters to attain a minimal standard of living
- Desire to learn more efficient production and management

### ENABLING CONDITIONS

- Well-established harvesting and sanitary regulations
- Health certifications for oysters (SIF Certification -- SIF stands for Federal Inspection Service)
- The creation of the Mandira Extractives Reserve and the designation of exclusive property rights
- Technical and finance support from governmental and non-governmental institutions, including training and equipment
- Government supported pilot programs for production of oysters and the long time-frame needed to establish a community company
- Social cohesion from the community and nearby communities leading to strong social capital

## FINANCING

### TYPES AND SOURCES

- Donations and grants from the public sector

Public institutions supporting the cooperative have included the following:

- NUPAUB (University of São Paulo)
- Ministry of the Environment (PED, PDA, and PDAII Funds)
- Brazilian Fund for Biodiversity
- São Paulo Forestry Foundation
- Fishery Institute of São Paulo
- Shell Brazil through the Margaret Mee Botanical Foundation

Cooperostra has been able to increase the rate of return on oyster harvesting for all members and to guarantee a better quality of life. The cooperative is financially feasible, but it does not have the financial capacity to invest in increasing its participation in the national and international oyster market.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Cooperative

**SECTOR:** Aquaculture

**PRODUCT/SERVICE:** Oysters

**OVERVIEW:** Cooperostra pays a premium price for the oysters produced by its members. The premium can be twice or even three times more than the market price. The involvement of the community in the business is high. Members of the cooperative do not deal with intermediaries and instead sell oysters directly to individual consumers and restaurants.

**SCALE:** Local scale production and distribution within São Paulo state.

## CHALLENGES

### CHALLENGES

- Slow and difficult recovery from debt caused by years of bad management and judicial processes.
- High cost of sanitary regulations imposed by the government.
- Minor grudge between Mandira and non-Mandira members.
- In communities with a strong presence of neo-Pentecostal churches, cooperatives were believed to be evil. This affected Cooperostra when it was just starting.
- Transport costs are high.
- Unfair competition. Oysters are sold in the informal market at a lower price than the legal oysters harvested and commercialized by Cooperostra.
- Lack of management and commercialization capacity by the local people. It was necessary to hire outsiders to be responsible for administrative and commercialization operations. However, this solution was very expensive for the cooperative, and over time some of those employees became unreliable.
- Lack of skills and experience in how to expand their sales beyond São Paulo. This is one of the greatest remaining challenges for Cooperostra.

Additionally, some social challenges faced by Cooperostra are:

- Marginalized members who are earning less may not value oyster stocks and continue pursuing unsustainable practices (i.e. over-harvesting to sell to middlemen).
- Neighboring inhabitants of the Mandira Extractive Reserve are unsatisfied with the fact that they cannot enter the reserve to use the resources, yet the reserve inhabitants regularly extract resources outside the reserve.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- The internal organization among the Mandira members – the strong community and family ties provided a high degree of social capital.
- Strong local leadership.
- Traditional knowledge about oyster extraction by local communities.
- A healthy exchange of knowledge between governmental institutions (such as universities, the São Paulo Forest Foundation, and the Fisheries Institute) and the local community.
- The creation of artificial habitat for oysters and a purification station increased yields and expanded the harvesting season, with minimal environmental impact.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** Community-based governance model

**DECISION MAKING:** All decisions are made by its members

### BENEFITS

**ENVIRONMENTAL:** The system adopted in Cooperostra has contributed to reducing wild harvest since Cooperostra members no longer have to collect as many oysters as possible to meet their basic needs. Additionally, the use of oyster rearing beds allows oysters to reproduce as they attain larger, more profitable sizes, thereby increasing the total oyster reproductive yield and helping replenish oyster stocks in the mangrove.

**SOCIAL:** Cooperative members have been able to double, and in some cases, triple the monetary value obtained for their oysters without compromising the sustainability of the harvest.

Most cooperative members have great pride in belonging to Cooperostra.

## LESSONS LEARNED

Cooperostra is an interesting case of community-based organization. The establishment of this cooperative in Cananéia, São Paulo, contributed to increasing the income and the quality of life of the local people. However, the cooperative has faced a sequence of problems related to the lack of administrative and management capacity that prevented it to grow and scale-up. Additional capacity building in administrative and business management skills is needed, as well as support for distribution and marketing beyond a local scale.

### REPLICABILITY

Replicating a community-owned aquaculture model that is environmentally sustainable and generates community livelihood benefits would require:

- Financial support before its inception.
- Technical and administrative support and capacity building.
- The species to be harvested must be native or adaptable to the region (e.g., temperature), and efficient and environmentally sustainable techniques need to be developed.
- Promote community engagement at all levels, and trust local knowledge and experience for specific information such as harvesting cycles and seasons.

# GRUPO PAISANO

Mexico

## OVERVIEW

GrupoPaisano is a joint venture formed of three private enterprises and a non-profit organization focused on generating economic, social, environmental and human development in the regions where it maintains operations. They partner with highly marginalized local communities to create areas of economic and environmental sustainability that can counteract youth migration by establishing permanent employment opportunities and promoting sustainable livelihoods. To date, the company has developed three community-centered projects in which they help monetize their local harvests through the processing and commercialization of value-added products.

## KEY FACTS

**ENTERPRISE MODEL:** Joint venture partnering with local farming communities

**SECTOR:** Agribusiness

**LOCATION:** Oaxaca, Michoacan, Veracruz and Mexico States in Mexico

**FOUNDED:** 2013

**COMMUNITIES INVOLVED:** Local farmers

**ENVIR/SOCIAL FOCUS:** Institutionalization and economies of scale for a variety of agricultural products harvested and processed in depressed rural areas.

## ENTERPRISE HISTORY AND CONTEXT

GrupoPaisano was established by a Mexican entrepreneur with prior agribusiness experience through the financial backing of a retired businessman looking to invest in social enterprises. To date, the company has developed three projects:

1. Apatzingan Valley, Michoacan – This project was begun through the initiative of 500 small farmers from this rural region who were seeking to develop local processing and distribution capabilities aimed at selling bulk-packaged fruit juices, pulps, jelly, marmalades, and dehydrated powdered fruits and vegetables, by fostering the productive capacities of micro and small farmers, utilizing unsold harvest products, and generating local employment opportunities. The project encompasses the harvesting of 400 hectares of land and purchased industrial equipment to process more than 19,000 tons of mango, lemon, grapefruit, papaya, tomato and other endemic products per year, as well as the commercialization of 33,000 tons of fresh products per year on the international market. This project seeks to create 400 direct jobs, 60 specialized employment opportunities, and benefited 4,500 local families.
2. Tuxtepec Region, Oaxaca – Due to the vast quantity of idle lands in the State of Oaxaca, this project aims to reactivate local agricultural activities in small communities by producing coconut, edoe, yuca, and white malangas on 705 hectares of land for commercialization and eventual export. Corn and sugarcane are also cultivated for self-consumption and/or animal feed, helping generate a sustainable source of income and avoid further migration to large cities. This project seeks to generate 150 direct jobs, 20 specialized employment opportunities, and benefit more than 2,150 local families.
3. Monarch Butterfly Biosphere Reserve, Michoacan and Mexico States – This project aims to help preserve the Biosphere’s protected area by promoting reforestation and discouraging illegal logging activities. Over the last 20 years, 40% of the forest area within the Biosphere has been lost, directly affecting the local flora and fauna, as well as the overall way of life of small local farmers (who own land within the Reserve). GrupoPaisano approached these farmers through a local foundation that had more than two decades of experience providing environmentally-sustainable harvesting methods to the communities. This project seeks to create 20 direct jobs, 10 specialized employment opportunities, and benefit more than 420 families through the production of organic blackberries and blueberries on 30 hectares of land.

## KEY PRECURSORS

### DRIVING FORCES

Continuously deteriorating conditions within the Mexican agricultural sector since the signing of NAFTA in 1994 have had the most severe effects on small farmers who have not been able to compete with large US and Canadian industrialized players. This has resulted in an increased abandonment of land across rural communities as local populations (mostly young individuals) migrate to large cities looking for jobs, translating into approximately one million hectares of idle land in Mexico today. This situation has also resulted in increased deforestation rates as local farmers lack sustainable sources of income.

### ENABLING CONDITIONS

The dire situation of the Mexican countryside prompted the creation of GrupoPaisano to re-energize rural communities by helping monetize their local harvests through the processing and commercialization of value-added products.

## FINANCING

### TYPES AND SOURCES

- Private equity investments and loans

A Mexican businessman invested US\$12.5 million in equity to establish GrupoPaisano and launch the first three projects. In 2019, US-based Renewable Resources Group committed to invest an additional US\$20 million to continue growing the Company and develop further projects.

## CHALLENGES

### CHALLENGES

- The signing of NAFTA triggered the abandonment of productive fields and a flooding of cheap commodities making it hard for local farmers to be competitive without economies of scale.
- Agricultural intermediaries are informal in nature and aggressively leverage their position to drive down prices.
- Overland transportation limited to daylight hours due to insecurity, complicating logistical processes and shipping times.
- Harvest loss due to weather fluctuations and climate change.
- Rural areas tend to be insecure due to the presence of organized criminal groups and drug traffickers, although local community ownership has translated into some protection.
- Institutional investor appetite for the Mexican agricultural sector is limited, delaying fundraising and overall growth.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Joint venture partnering with community-owned companies and associations.

**SECTOR:** Agribusiness

**PRODUCT/SERVICE:** Variety of processed fruit and vegetable products made from mango, lemon, grapefruit, papaya, tomato, malangas and berries.

**OVERVIEW:** The venture includes an impact investment fund that invests in each project's legal entities; an incubator for each new project; an entity to commercialize all products produced; and a non-profit to ensure the overall development of local producer communities. They are expecting to be EBITDA positive in 2021.

### SCALE:

- Processing and packaging plants in Michoacan and Oaxaca
- 570 direct jobs, 90 specialized employment opportunities and 7,000+ families supported
- GrupoPaisano seeks to become a sustainable source of income for more than five million impoverished farmers

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Generating and investing in economically sustainable social projects by guiding Mexican farming communities to achieve a change in personal and community-based paradigms.
- Offering economic support to micro- and small-scale producers, as well as training services that include professional assistance at each stage of development to transform agricultural harvests into value added products for commercialization in differentiated local and international markets.
- Allowing producers to purchase shares in each project through future dividend distributions in order to promote community-based ownership.
- Sourcing all jobs locally and paying fair wages
- Generating an initial detailed business plan and financial model in order to convince the initial investor that each project could be profitable, but with flexibility built into the model.

### LESSONS LEARNED

Agricultural products need significant volumes to reach economies of scale and be price competitive, requiring significant up-front investments to purchase harvests and set up plants. For example, up-front investments were required to fill entire truckloads to avoid high transportations costs and achieve economies of scale, thus sidestepping unreliable intermediaries that traditionally extract most product value.

Some projects sought to leverage existing harvests and add new packaging and distribution capabilities, while others such as the Monarch berry project sought to slow deforestation rates by experimenting with an entirely new type of harvest.

While no project has begun transferring additional shares to its community members, and since the full share repurchase is expected over an 8 to 10-year period, GrupoPaisano established business courses for all local community members to learn how to manage the business and future monetary resources to be received.

### REPLICABILITY

This model provides a comprehensive package of support for community enterprises, from financing and incubation to technical and commercialization support. Efforts to replicate this model should focus on the specific characteristics of each type of harvest and the local environment, with significant planning dedicated to the time of year dedicated to sowing in order to reach markets at the optimum price level.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** Each project is composed of two entities: i) an agricultural aggregator that purchases harvests and ii) an industrial aggregator that owns any processing equipment and produces end products. Initially, local producers are given 10% of the shares in each entity and can purchase up to 100% of the total shares through future distributions once each project becomes profitable.

**DECISION MAKING:** Each entity has a Board of Directors where the local communities hold 2 out of 6 seats. GrupoPaisano establishes clear governance guidelines and trains local community members with governance best practices to prepare them to become eventual business owners.

### BENEFITS

**ENVIRONMENTAL:** The Monarch Biosphere project promotes reforestation and discourages logging since the growing of organic berries can be made under the standing forest.

**SOCIAL:** Creation of productive, profitable community-centered enterprises that can maximize the value of small-scale farmer harvests by providing access to investment, technical training and aggregated commercialization services.

## IBIS RICE

### Cambodia

#### OVERVIEW

IBIS Rice is a private company in Cambodia launched in 2009 by the Wildlife Conservation Society (WCS). WCS worked with government agencies to secure land user rights to farmers around the forests of the Northern Plains, and farmers who agree to a set of conservation regulations limiting agricultural expansion and prohibiting hunting are offered a premium price for their rice. IBIS Rice sells directly to consumers in Cambodia and globally, as well as to national and international supermarket chains. IBIS Rice is growing and diversifying its products, and is seeking new investments from commercial banks at this stage of the business.

#### KEY FACTS

**ENTERPRISE MODEL:** Private company

**SECTOR:** Agribusiness

**LOCATION:** Multiple locations in Cambodia

**FOUNDED:** 2009

**COMMUNITIES INVOLVED:** Multiple communities and 1,000 rice farming families in the Northern Plains forests.

**ENVIR/SOCIAL FOCUS:** Environmentally friendly farming methods that limit deforestation and protect critical wildlife. Securing land rights for farmers and helping them pursue sustainable livelihoods.

#### ENTERPRISE HISTORY AND CONTEXT

In the early 2000's, the Wildlife Conservation Society began working around the forests of the Northern Plains in Cambodia, and found that farmers were in direct competition for forest and land with species like the Giant Ibis (Cambodia's national bird). With the aim of helping the communities and protecting the environment, WCS approached government agencies in order to secure land use rights for the farmers. Once the land was legally secured, farmers were encouraged to use environmentally friendly farming methods that limited deforestation and protected critical wildlife.

IBIS Rice was initially launched in 2009 by the Wildlife Conservation Society as a conservation project. WCS engaged a local non-profit organization named Sansom Mlup Prey (founded in 2010) to work with farmers and build out the IBIS Rice project. Sansom Mlup Prey was responsible for training the farmers, working on project development, and buying and selling rice at a small-scale. After a few years of experience and success, WCS and other stakeholders decided to scale-up the company and ensure its profitability. In 2015, WCS invested in international certifications to enable them to export the rice, and in 2017, IBIS Rice Conservation Company was officially created. WCS is the sole shareholder in this company.

Participating farmers must commit to a conservation agreement with IBIS Rice that includes the following:

- IBIS Rice only buys rice from farmers who commit to zero deforestation and zero hunting.
- Farmers must grow their rice through traditional techniques without using pesticides or herbicides.
- Farmers who comply with the protocols determined by IBIS Rice are selected as suppliers, and are paid a premium price up to 50% above market price.

IBIS Rice sells its high-quality rice directly to consumers in Cambodia and in other parts of the world, as well as to national and international supermarket chains. To obtain the high-quality rice, IBIS Rice encourages farmers to plant only one crop per year, allowing it to mature slowly into the finest quality, fragrant, long-grain jasmine rice — a Cambodian variety known locally as Phkar Romduol. They also produce a range of jasmine whole foods and snacks. IBIS Rice is responsible for the entire supply chain, including processing, packing, and selling the rice and other products.

## KEY PRECURSORS

### DRIVING FORCES

- Deforestation and threats to wildlife that prompted pursuit of environmentally friendly farming methods.
- The need to secure land rights for farmers to help them pursue more sustainable livelihoods.
- Constrained agricultural-based livelihood development due to low prices and limited access to markets.
- Farmers having little incentive to improve agricultural productivity and implement best practices.

### ENABLING CONDITIONS

- Committed NGO working in the region.
- Close partnership between government agencies and the Wildlife Conservation Society (WCS).
- WCS working with government to secure land user rights to farmers.
- International certifications that allow IBIS Rice to export the rice produced in Cambodia and scale-up the business.
- Government agencies helping with land tenure, mapping, and technical guidance with marketing and agricultural extension.
- Government agencies and member villages playing an important role in collecting and analyzing data in order to monitor participating farmers.

## FINANCING

### TYPES AND SOURCES

- Loans from commercial and local banks
- Donations from venture philanthropy

IBIS Rice is profitable but needs additional capital to grow. Their revenues stem from selling rice and related products, and their costs are due to processing, packing, and exporting the rice. The company purchases all rice once a year and sells it throughout the year, and therefore needs financing for working capital to support day-to-day operations. IBIS Rice also has additional costs as compared to traditional agricultural businesses: they pay a premium price (up to 50% above the market price), they do not buy from farmers unless they comply with the conservation agreements, and they commit to purchasing all of the harvest from participating farmers. IBIS Rice is currently growing and diversifying its products and needs new investments, and commercial banks are becoming more attractive at this stage of the business.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Private company

**SECTOR:** Agribusiness

**PRODUCT/SERVICE:** Organic & Wildlife-Friendly Jasmine Rice

**OVERVIEW:** IBIS Rice purchases high quality rice from farmers who have received certification and comply with conservation agreements, and then processes and sells the rice products to national and international markets.

**SCALE:** National and international. About 1,500 rice-farming families living in and around the forests of the Northern Plains have benefited from the initiative.

## CHALLENGES

### CHALLENGES

- IBIS Rice does not buy rice from farmers who break conservation agreements, and this has created some conflicts between farmers who are benefiting from the company and those who are not.
- They need to continually review their incentive model and make adjustments if needed.
- Difficulty convincing farmers not to accept short-term earnings and sell their rice before its time.
- Conflicts between communities and government agencies responsible for environmental protection. National laws, particularly those that protect the forest estate, were being ignored.
- IBIS Rice has encountered financial barriers in trying to scale-up the business.
- Land speculation.

## KEY SUCCESS FACTORS

### KEY SUCCESS FACTORS

- In general, IBIS Rice is an efficient private company with stable governance and Board of Directors.
- IBIS Rice has established multiple partnerships with government agencies, non-government organizations and an active and engaged local conservation partner.
- Farmers receive a price premium up to 50% above the market price.
- High quality rice is produced by the participating farmers.
- Provision of appropriate infrastructure and equipment for communities.
- IBIS Rice commits to buying all the production from participating farmers at premium prices.
- The system is transparent. Producers are paid the same price per bushel of rice.
- The rice is branded and marketed under the Wildlife Friendly™ logo as well as international certifications, standards and awards.
- They have conducted capacity building with local farmers on improved production processes and business practices.
- Well-established monitoring system based on local data for participating farmers. Government agencies and member villages have played an important role in collecting and analyzing the data. Participating villagers allow their fields to be mapped, and satellite imagery is used to ensure that they honor the sanctuary boundary.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** WCS is the sole shareholder in the company, which has a Board of Directors comprised of three directors and the chairman.

**DECISION MAKING:** All decisions are made by the Board of Directors.

### BENEFITS

**ENVIRONMENTAL:** Preservation of 500,000 hectares of intact forest and protection of more than 50 vulnerable species.

**SOCIAL:** The social impacts are the improved incomes of participating communities, and the increased knowledge of improved rice production practices and environmental management techniques.

- IBIS Rice has conducted financial models, including forecasts and strategic business plans (five-year plans) focused on scaling up the company and exporting rice.
- IBIS Rice, in partnership with a local NGO, is responsible for training, dealing with the paperwork, and financially supporting the farmers so they can obtain the international certifications. Usually, the money for this process is obtained through grants.
- The company adapts to new circumstances, and tries to account for behavior changes among participating farmers and in the policy framework. In order to create the right incentive models, they first conduct qualitative socioeconomic research in each village in order to understand farmers' needs and assess their capacity to comply with conservation agreements.

## LESSONS LEARNED

IBIS Rice demonstrates that once you have (1) consistency, (2) quality and (3) a trustworthy certification, it should be easier to establish export partnerships. Furthermore, export partnerships should be long-term. Usually, the market for organic products is undersupplied and those three key elements can present a market advantage. Maintaining long-term relationships may lower the costs in producing and buying organic products as both parties work together to avoid any unnecessary costs that can arise from re-tendering, re-negotiating or being forced to exit an existing contract early.

IBIS Rice has several financial models, including forecasts and strategic business plans (five-years plan) focused on scaling-up the company and export the rice. Having these plans and establishing medium- and long-term goals have been important to IBIS Rice to define their investment strategy, both at the company level (e.g., constructing a warehouse) and at the farmer level (e.g., helping farmers to acquire international certifications). The IBIS Rice experience demonstrates that plans are of paramount importance for long-term feasibility of projects and investments. Without plans and goals, investments in international certifications, for example, would seem too costly in the short run.

## REPLICABILITY

The IBIS Rice model can be replicated in other villages and communities where there is conflict between farmers and wildlife conservation. The model has already been replicated in other villages in the Siem Pang area. The conditions that IBIS Rice looks for when deciding which villages to invest in are:

- The villages must be within or on the boundary of protected areas.
- The area must be ecologically important.
- There must be active conservation activities, protected area management, and agriculture assessment.

To deal with scale, IBIS Rice has three tiers of sale, which could be replicated:

- A bottom tier of trade based on certification and quality.
- An intermediary tier based on long-term and high commitment relationships.
- A top tier of commercialization related to their own brand.

To operate in all these tiers, it would be necessary to have greater product diversification.

# KAYONZA GROWERS TEA FACTORY

Uganda

## OVERVIEW

Kayonza Tea factory is a farmer-owned company located north of Bwindi Impenetrable National Park in Uganda. The government initially established and managed the factory in the 1960s. It was privatized in 1995, and farmers were allowed to own shares. Currently, there are over 7,000 smallholder farmers who own Kayonza Growers Tea Factory. Kayonza is governed by a board and has a strong and reliable administrative and management capacity. The government play a supportive role by improving essential infrastructure such as road networks and electricity.

## KEY FACTS

**ENTERPRISE MODEL:** Farmer producer company

**SECTOR:** Agribusiness

**LOCATION:** Kanungu District, Uganda

**FOUNDED:** 1964

**COMMUNITIES INVOLVED:** Local farmers and communities. Currently, there are 7,246 smallholder farmers benefiting directly from the factory.

**ENVIR/SOCIAL FOCUS AREA:** Reforestation, better agricultural practices to reduce soil erosion. Promote tea as an alternative livelihood for smallholder farmers in the region and help them deal with climate change impacts.

## ENTERPRISE HISTORY AND CONTEXT

Kayonza Growers Tea Factory was established in 1964 in the Kanungu District of Uganda, 15 kilometers north of Bwindi Impenetrable National Park. The factory was initially established under the auspices of Agricultural Enterprises Limited, a national government entity which was founded to promote tea as an alternative to other crops cultivated by smallholder farmers in the region. Prior to its establishment, in 1959, the Uganda Development Corporation encouraged the production of tea in Kayonza. First, nurseries were established and then, in 1961, they began planting tea in the fields.

In 1966, Uganda Tea Growers Corporation (UTGC), a parastatal body, became responsible for the management of the Tea Factory. From 1974 to 1985, tea growing was abandoned due to the political turmoil that the country was experiencing. Between 1986 and 1990, there was an emergence of the Tea Rehabilitation Program that subsequently received support from the European Union for five years (1990 - 1995) to revamp the tea sub-sector.

In 1995, the government launched a privatization program, which allowed farmers to subscribe and own shares. The shares were not bought via cash. Farmers that brought 500 kg of leaf to the factory would be awarded a share of 5,000 Ugandan Shillings. Around 4,500 farmers acquired the shares at that time. The privatization process was completed in 2000, and currently there are 7,246 smallholder farmers who own Kayonza Growers Tea Factory Ltd.

Kayonza is currently expanding, and after being unable to access capital in Uganda due to high interest rates, has received international financing to help construct a new factory.

## KEY PRECURSORS

### DRIVING FORCES

- Government created an entity, Agricultural Enterprises Limited, to promote tea as an alternative to other crops cultivated by smallholder farmers in the region.

### ENABLING CONDITIONS

- Three decades of factory management and technical support by the government for tea cultivation, processing and distribution before ownership was transferred to farmers.
- Financial support from international and national institutions.

## FINANCING

### TYPES AND SOURCES

- Private loans and equity reinvestment

Access to financial capital is difficult because of the high interest rates and short payback period of commercial banks in the country. Because of this, Kayonza Growers Tea Factory sought international credit markets to finance investments. In 2019, Kayonza was able to secure a 3.15-million-dollar loan from the social impact investor Oikocredit to help them construct a new factory. About 40% of the money needed to construct the factory will come from reinvestments.

## CHALLENGES

### CHALLENGES

- No tea policy in Uganda. Kayonza Factory is working with government authorities to develop some guidelines related to tea production, commercialization, etc. in Uganda.
- High risks associated with climate change impacts.
- From time to time there is competition for water authorization
- Do not meet all the European requirements to sell tea directly, and lack a business strategy for how to access the European market directly
- No partnership with stores in Uganda so they face lots of competition
- Fluctuations in tea prices
- Limited access to capital
- Transportation challenges
- Certifications (e.g. Fair Trade) are expensive

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Farmer producer company

**SECTOR:** Agribusiness

**PRODUCT/SERVICE:** Black tea leaves processed into tea and distributed to national and international markets

**OVERVIEW:** Kayonza has environmental certification, and members are paid a premium price to produce the leaves that are processed in the factory and transformed into tea. Kayonza is also responsible for the distribution of its products, and sells the tea throughout Uganda, as well as in European markets under a different brand. Kayonza is expanding, and after being unable to access capital in Uganda due to high interest rates, has received international financing to help construct a new factory.

**SCALE:** Local scale production and national and international distribution. Over 7,000 farmers are involved in tea production.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Fully owned by the farmer shareholders.
- The involvement of all stakeholders (community, shareholders, etc.) in the sustainability of Kayonza Growers Tea Factory.
- Strong and reliable administrative capacity
- Management structure that is well organized and respected with board members from the local farmers' community who are elected through a democratic process
- The organization buys all of the leaf produced by shareholders and pays its farmers a premium price.
- Certification (e.g., Fair Trade) has allowed them to access broader markets.
- Developed business plan which was important in providing information to the private sector (e.g., when seeking credit)
- Capacity building provided by the factory (e.g., teaching farmers better practices/technologies to deal with climate change).
- Continued government support by improving infrastructure such as electricity and road networks.

### LESSONS LEARNED

Kayonza is an example of how government support can be important for IPLC-led enterprises. Initially, the company was fully owned by the government, after its foundations were settled, they passed it to the local community. Although the government is currently not involved directly in the Kayonza business, it continues to play an important role by improving the infrastructure (electricity and road network) and for being responsible for establishing a national tea policy. Kayonza also has a strong governance structure and integrated management approach, which is flexible enough to account for the effects of climate change on local farmers.

### REPLICABILITY

Important factors for replicating the Kayonza Tea Factory model include the following:

- Long-term support to develop the technical and administrative capacity of the local communities and farmers
- Ownership of the company by the farmers
- Involvement of all stakeholders in the business
- Improving the model by establishing distribution partners and formal transportation and supply chain agreements

Additionally, the approach is based on identifying challenges related to climate changes and on providing solutions to these challenges. Climate changes issues are not specific to Uganda. They are found in many places around the world and that is one of the reasons why this approach could be replicated in other places.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** Business is owned by the smallholder farmers and governed by a Board of Directors.

**DECISION MAKING:** The members of the Board are responsible for making or guiding policies on behalf of the shareholders. There are seven directors and one elected by affirmative action. During the annual general assembly, the board declares profits, stock losses, etc. When money is available, the members can decide whether to (a) reinvest or (b) distribute the money to the shareholders in the form of dividends.

### BENEFITS

**ENVIRONMENTAL:** Kayonza has developed several conservation programs such as reforestation, reducing soil erosion, and training on environmental best practices.

### SOCIAL:

- Kayonza pays a fair (higher) leaf price to farmers, and has improved incomes in the communities.
- The measures adopted by the factory have enhanced the community's resilience and its ability to respond to extreme weather and pests.
- Farmers are better supported with information services, e.g. through radio broadcasts on climate change.
- Women are encouraged to participate in all activities, including participating as shareholders
- Social programs and projects in the community such as clean water provision and energy-savings stoves.

# POSADA AMAZONAS

Peru

## OVERVIEW

Posada Amazonas lodge is a joint venture between Rainforest Expeditions, a Peruvian Ecotourism private company, and the Ese Eja Indigenous community. The lodge is located in the Infierno communal protected land in the Tambopata rainforest, two hours from Puerto Maldonado. The joint venture has implemented an extensive training program for the Indigenous communities to fulfill all the roles needed in the lodge, from operations to management and international representation. The joint venture has existed for over 20-years, improving community livelihoods and generating opportunities beyond the lodge.

## KEY FACTS

**ENTERPRISE MODEL:** Joint venture

**SECTOR:** Ecotourism

**LOCATION:** Ese Eja Indigenous community land in El Infierno, Tambopata rainforest, Peru

**FOUNDED:** 1996

**COMMUNITIES INVOLVED:** Ese Eja indigenous community

**ENVIR/SOCIAL FOCUS:** Promote research and conservation of the Tambopata rainforest and support sustainable community livelihoods

## ENTERPRISE HISTORY AND CONTEXT

In 1989, Rainforest Expeditions started visiting the Tambopata rainforest as part of the Guacamayo research project. Their first lodge was the Tambopata Research Center located deep in the Tambopata rainforest, created to host primarily ecological researchers. During that time, the Ese Eja community provided field support for researchers and Rainforest Expeditions staff. A close relationship between the company founders and the community started to grow, and after years building mutual trust, they started envisioning a second lodge to be managed in a joint venture.

The community provided the pristine forest land (on their highly protected communal reserve), along with knowledge about local ecology and culture. Rainforest Expeditions brought the tourism management experience, financial capital, and marketing skills. In 1996, the strategic alliance was formalized by signing a 20-year agreement between Rainforest Expeditions and the Ese Eja Community of Infierno. In that first agreement, 60% of the dividends were for the local community and 40% for Rainforest Expeditions. When the agreement was coming to its end, the community requested to extend the partnership. A new agreement was signed in 2016 for eleven more years. This new agreement grants 75% of dividends to the community; 10% of those are to be re-invested in supporting and improving infrastructure and services from the lodge. The mid-term goal is to reach a 100% community-owned company. Along with the dividends, the lodge employs 30 people from the community.

One of the first activities implemented by the joint venture was a training program for all the roles needed in the lodge. Over the years, the program has incorporated higher management roles. However, the community has decided that supervision roles should be covered by people from outside to avoid problems within the community. In 2018, the community decided to incorporate capacity building in new sectors other than tourism. Rainforest Expeditions has supported this decision in order to increase livelihood opportunities for the community.

The community independently created Centro Ñape lodge in 2014, 100% owned and run by the community. Almost parallel to that decision, the community requested the previously mentioned expansion to the agreement with Rainforest Expeditions to continue co-managing Posada Amazonas.

## KEY PRECURSORS

### DRIVING FORCES

Rainforest Expedition's eagerness to promote research and conservation of the Tambopata rainforest and to support sustainable livelihoods in the Ese Eja community.

### ENABLING CONDITIONS

- At the time Posada Amazonas was created, Peru was becoming a well-known tourist destination and investment in that sector was being encouraged by the government.
- Rainforest Expeditions is a renowned ecotourism company. Its prestige may offer extra confidence to visitors, especially foreigners, when they decide to travel to the Amazon.
- A strong and trust-based relationship between Rainforest Expeditions and Ese Eja community.
- El Infierno communal protected land is a pristine and accessible forest located two hours from Puerto Maldonado airport. Yet, it is a highly biodiverse spot with many possibilities to observe wildlife.
- Posada Amazonas is located on the way to the Tambopata Research Center lodge, which allows visitors to split the boat trip and experience the activities run by the Ese Eja Indigenous community.
- Policy framework provided by SERNANP, which is the Peru national authority in charge of protected areas, as in the case of the Tambopata National Reserve (TNR). The community and therefore the lodge are located in the TNR buffer zone. The lodge complies with SERNANP's regulations for tourism in protected areas. At the same time, they both co-manage the PA natural resources.
- Independently of Posada Amazonas, Rainforest Expeditions has concessions from SERNANP to run ecotourism activities in other locations of the TNR.

## FINANCING

### TYPES AND SOURCES

- Private loans, awards, donations, grants
- Public loans from national banks. These have been small loans (USD 100,000-200,000) to cover specific needs.

Loans and awards have mainly been used for construction and to renovate lodges. Donations and grants have supported capacity building. Posada Amazonas was able to initiate activities with funds from the Canada-Peru Fund and McArthur Foundation. The US\$530,000 Canadian fund was divided in two: half as a grant for

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Joint venture between Rainforest Expeditions, a private company, and an Indigenous community

**SECTOR:** Ecotourism

**PRODUCT/SERVICE:** Forest tourism within an Indigenous protected land with the opportunity to interact with the community, local guides for walks in the forest to observe native wildlife as well as navigation on the river. Tourists and researchers from around the world visit the lodge every year.

**OVERVIEW:** Rainforest Expeditions manages online bookings through their website. These bookings have been increasing in the last few years in comparison with sales through travel agencies. The private company also manages marketing and supports the community in different activities and decisions when requested.

The community runs the activities in the lodge. Lodge employees pick up visitors from Puerto Maldonado and take them to the lodge by car and boat. The lodge provides full meal service and forest activities. They also represent Posada Amazonas internationally.

**SCALE:** Local tourism drawing national and international visitors

- Two thousand hectares of communal protected land
- The lodge has capacity to host 75 visitors in its 30 rooms
- Thirty full-time employees from the community (pre-pandemic)
- Around 7,500 visitors and more than USD 250,000 of revenue per year (data from 2012)

capacity building, and the other half as a loan for construction. McArthur Foundation provided US\$75,000 for capacity building. IDB has provided funds for construction improvements. EcoEnterprises invested 1 million dollars payable in five years for the complete renovation of Tambopata Research Center lodge.

## CHALLENGES

### CHALLENGES

- Posada Amazonas Lodge is currently closed due to the Covid-19 pandemic lockdown. The global tourism situation is uncertain; however, they are confident that the economic activity will go back to normal by 2022.
- Illegal mining is heavily affecting the region. It brings social unrest and insecurity along with environmental problems such as deforestation, water pollution, and biodiversity loss.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Long term relationship between Rainforest Expeditions and the Ese Eja Indigenous People. They started working together in 1985, and the joint venture was created in 1996. The first agreement was meant to last 20 years, until 2016. Ese Eja community requested to expand the joint venture for eleven more years, until 2027.
- The community's willingness to learn a new set of skills in order to run ecotourism activities in their protected land.
- The joint venture goal is that Posada Amazonas becomes a 100% IPLC-owned company in the mid-term. This has generated both trust and commitment from the Indigenous community who are getting ready to keep successfully managing the lodge.
- The current distribution of operations, with Rainforest Expeditions mainly in charge of online bookings, fits the community's needs since they will need to build more capacity in digital and technological skills before the joint venture comes to its end.
- Strong and consistent leadership in the community helped them make important macro-decisions such as opening their land to outsiders, joining the joint venture with Rainforest Expeditions, expanding the agreement, expanding capacity building programs beyond ecotourism, deciding the level of participation of both external agents and locals, determining that supervisory roles should be run by people from outside the community, and deciding to initiate economic activities in new sectors such as handcrafting.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** The new 2016 agreement grants 75% of dividends to the community, 10% of those to be invested in supporting and improving infrastructure and services from the lodge and 25% to Rainforest Expeditions.

**DECISION MAKING:** The Ese Eja community created a Management Committee to meet monthly with Rainforest Expeditions. The committee has 5 to 6 representatives elected by all community members. Both parties have equal weight in terms of decisions.

### BENEFITS

#### ENVIRONMENTAL:

- Protect and conserve the forest in the Tambopata National Reserve through various sustainable initiatives.
- Contribute to and partner with SERNANP (national protected areas system).
- Research programs with partner institutions and individuals (e.g., San Diego Zoo, University of Suffolk, Moore Foundation).
- Use of local materials for lodge constructions.
- Water and energy efficiency systems in the lodges.

## LESSONS LEARNED

Posada Amazonas is evidence that sometimes communities can decide to get involved in sectors of the economy that are entirely new for them. In this case, Ese Eja Indigenous Peoples had to learn new skills – from tidying bedrooms to new languages to operations management in order to run the lodge in partnership with Rainforest Expeditions. However, as this case demonstrates, IPLCs need to be truly committed with the new venture and be willing to pass on the new set of skills, knowledge and responsibilities to upcoming generations. The current managers were children playing around the lodge 20 years ago: they saw their parents establishing the eco-lodge from its initial construction and thus understand their ownership and management roles today.

It is important to mention that the Indigenous community has established most of the terms of the agreements with Rainforest Expeditions, and both partners deeply respect each other's roles.

This entire process, along with the set of new skills and being in contact with people from around the world, has brought additional opportunities to the community such as establishing conversations with local and national governments in order to improve their livelihoods.

## REPLICABILITY

Successfully replicating joint ventures between private companies and IPLCs would require the following:

- Dedicating time to build and strengthen a trust-based relationship with the community.
- Conducting capacity building programs in topics that go beyond the joint venture focus.
- Ensuring there is a deep understanding between both parties and each other's social, environmental and economic goals.
- Signing formal MOUs and agreements with agreed deadlines.
- Ensuring financial transparency and constant presence in the local area.
- A transitioning approach would be ideal. For instance, Posada Amazonas initial share distribution was 60% for the community and 40% for Rainforest Expeditions, this evolved to a 75% community split, and a mid-term objective of reaching 100%.
- Partnering with local authorities when the project is inside or next to a protected area.
- Establishing co-management activities with all the stakeholders involved.

### SOCIAL BENEFITS:

- Before the pandemic, Posada Amazonas had 30 full-time employees from the community.
- The community promotes the rotation of employees to give opportunities to everyone.
- Almost entire community ownership of the lodge and its shares.
- Diverse training programs for the community.
- National and international exposure and recognition, which have come with unexpected opportunities such as being able to sit with the government to negotiate better conditions for their community.

# SURITEX

Peru

## OVERVIEW

Suritex is a Peruvian, family-owned social enterprise founded in 2001. Its headquarters are located in Lima and its factory is in Huancayo, a region where local communities have an ancestral alpaca wool vocation. The company hires workers from the local community, 80% of which are women, to process the yarned alpaca wool as well as manufacture accessories and clothes. The products are then transported to Lima and sold in boutiques within the country. Occasionally, Suritex sends orders abroad.

## KEY FACTS

**ENTERPRISE MODEL:** Family-owned private company

**SECTOR:** Textile

**LOCATION:** Lima and Huancayo, Peru

**FOUNDED:** 2001

**COMMUNITIES INVOLVED:** Huancayo local community

**ENVIR/SOCIAL FOCUS:** Livelihood improvements via flexible employment opportunities for women in the community. Use of solar-powered technology. Future goals to support pasture restoration.

## ENTERPRISE HISTORY AND CONTEXT

Suritex founder, Gregor Brenner, returned to Peru after years living in Germany and working in the textile industry in that country. Once in Lima, he quickly became involved in the alpaca wool industry, working for a Peruvian textile company. While there, Gregor learned that alpaca farms had become common in the Andes region, supporting the steady growth of a textile industry with national and international markets. Along with his family, he decided to start Suritex, a small family enterprise dedicated to manufacturing alpaca wool clothes and accessories.

Suritex started manufacturing alpaca wool sweaters and some accessories at the family's garage in Lima. Soon they realized that producing accessories was cheaper, less machinery-dependent and had a less competitive market than sweaters. The strategic decision to focus on alpaca wool accessories and expand the company was then made. Suritex started the construction of their factory in Huancayo and the company's headquarters in Lima, using loans from national banks.

Employees working in Suritex are paid based on their daily work; therefore, they can choose how many hours a day they work. Time spent working and salaries are public, generating trust within the employees and in the company. Over 80% of Suritex employees are women. At the production site, these women learn skills to work in wool processing, knitting and manufacturing. Handcrafters get paid a fair price for the products and benefit from flexible working conditions that allow them to care for their families and their community responsibilities.

Currently, Suritex buys yarned alpaca wool from intermediaries, processes it and manufactures accessories and clothes. In the near future, Suritex plans to invest in yarn machines which will allow them to purchase the raw alpaca wool directly from local alpaca farmers at fair trade rates, higher than market rates. The company plans to implement capacity building and pasture amelioration with the local alpaca farmers to reduce the environmental impact of the livestock and lower the company's environmental footprint. Suritex lowers the cost of processing wool through solar-powered technology, which also lowers their environmental footprint.

## KEY PRECURSORS

### DRIVING FORCES

Founder knowledge and long-time experience working in the textile industry as well as entrepreneurial skills supported by his nuclear family.

### ENABLING CONDITIONS

- Well established and globally recognized alpaca wool industry in Peru.
- National banks and private impact investors supported the company from its inception.

## FINANCING

### TYPES AND SOURCES

- Public loans from national banks
- Impact investment from private sources via NESST and Innovate Peru

The company is profitable and has experienced steady growth and expansion since its creation. Public and private funds have been used for the purchasing of machinery and construction of the company headquarters in Lima and the factory in Huancayo. These constructions capitalized the company, facilitating their access to bank loans at better rates. Furthermore, the company rents some of the floors of their building in Lima, which allows them to have a secure monthly income stream.

## CHALLENGES

### CHALLENGES

- Covid-19 pandemic has caused slower production due to lockdown and general restrictions, and the restriction on national transport of goods. Furthermore, before the pandemic and using funds from loans, the company had acquired new appliances they have not been able to start using because of low production during the pandemic.
- The company is looking for exportation opportunities. However, they would have to hire personnel completely dedicated to exportation and this represents a challenge as until now all operations and management have been run by the family at low cost.
- In order to start buying raw alpaca wool directly from the local communities, the company must purchase yarning machinery for processing.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Family-owned private company with social focus.

**SECTOR:** Alpaca wool textile industry

**PRODUCT/SERVICE:** Alpaca wool fiber accessories and clothes

**OVERVIEW:** Suritex buys the alpaca wool from intermediaries, processes it and manufactures accessories and clothes. A partner transportation company transports and distributes the goods in the country.

**SCALE:** Local scale production with national and occasionally international sales.

Before the pandemic, the company employed over 60 people from the local community, had USD 500,000 in capital and 20,000 garments in stock.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Suritex lowers manufacturing costs through solar-powered technology.
- Employees are paid a fair price for the products and benefit from flexible working conditions that also allow them to care for their families and community responsibilities.
- A reliable partner company transports and distributes the goods within the country.
- Trust between employees and management team.
- As it is a family enterprise, they do not have high salary costs.
- Strict quality control process.
- Their product is not seasonal or vulnerable to spoilage, like agricultural products, giving them more flexibility and less risk.

### LESSONS LEARNED

This family-owned enterprise demonstrates that adaptability is important for a small business to thrive. In their case, Suritex started producing alpaca wool sweaters and changed to accessories as soon as they realized the benefits associated with the change.

According to founder and CEO Gregor Brenner, human resources are the most important resource for success. Even though this is a private company, they are deeply committed to their employees' well-being, offering better wages and flexible working hours so local people, especially women, can fulfill their job along with their family and community roles.

Finally, this small social enterprise shows that this enterprise model has the opportunity to establish close trust-based relationship with clients. In their case, they are proud to argue that they have never lost a client and they have a permanent transparent communication with them and their employees.

### REPLICABILITY

Suritex's salary payment approach could serve as a model for replicating small, manufacture-based social enterprises generating community livelihood benefits. This model consists of i) having a well-established set of operations and handcraft tasks, ii) each operation and task has a specific rate per minute, iii) employees decide how much time they spend working and when they do it, based on the company's varying production needs depending on the season, iv) employees are paid based on their completed tasks. Moreover, social companies should pay better wages to employees and implement gender focused opportunities.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** The company is 85% owned by its founder and CEO, and 15% owned by his daughter, who is the CFO.

**DECISION MAKING:** Both owners have the same legal power. Decisions are made within a small board composed of the nuclear family.

### BENEFITS

**ENVIRONMENTAL:** The factory is partially solar-powered and has a water treatment system for cleansing chemicals, reducing pollution impacts. The company plans to implement pasture amelioration with the local alpaca farmers to reduce the environmental impact of the livestock and lower the company's environmental footprint.

### SOCIAL:

- 80% of Suritex employees are women. They have a flexible schedule which allows them to decide how many hours a day they work and the entry time.
- They have a dining hall where employees and their families can have lunch for free and with high nutritional standards.
- During the pandemic, they have hired daily private transportation for their employees. This has reduced their use of public transport and therefore their exposure to the virus as well as avoiding transportation costs.

# VICTORY FARMS

Kenya

## OVERVIEW

Victory Farms is a private aquaculture company that has built a commercial tilapia farm on Lake Victoria in order to meet the demand for affordable protein in Kenya and East Africa. In less than five years, they have already become the largest producer of freshwater fish in the region. The company has high standards of sustainability for their production, based on the UN Sustainable Development Goals and on their founder's expertise in aquaculture best management practices, taking measures to protect and restore the environment in which the farm operates. They also have a deep commitment to involving the local communities in the business.

## KEY FACTS

**ENTERPRISE MODEL:** Private company

**SECTOR:** Aquaculture

**LOCATION:** Roo, Homa Bay, Kenya

**FOUNDED:** 2015

**COMMUNITIES INVOLVED:** Indigenous fishing communities

**ENVIR/SOCIAL FOCUS:** Provide Africans with affordable, accessible and healthy protein whilst protecting wild fish stocks in Lake Victoria. Create a sustainable and carbon negative fish farming model that supports a healthy Lake Victoria ecosystem. Help the local community with employment and capacity building opportunities.

## ENTERPRISE HISTORY AND CONTEXT

Victory Farms founders Joseph Rehmann and Steve Moran have deep knowledge of aquaculture best practices as well as a long history of aquaculture in Africa. The mission of Victory Farms is to build a commercial tilapia farm that can feed 2 billion Africans with affordable, accessible and healthy protein over the next 2 decades. The company aims to achieve this while becoming the most sustainable fish farm on the planet and the world's first carbon negative fish farm.

Victory Farms is managed by its two founders and run by a team of professionals from Kenya and abroad. The company hires fishermen and others from Homabay communities to run the company's operations and technical departments. Victory Farms is in control of the entire production process and supply chain in a vertically integrated company: from the genetics program, collection, hatching, and nursery, to growing, harvesting and processing the fish, to distribution almost to the end consumers, selling directly to market women and restaurants. Victory Farms has strong relationships with local communities, and they have made significant investments of time and money to create local capacity. Most employees are from the local communities, and a large proportion of them are young talent whom the company is heavily training for future leadership opportunities.

As the first tilapia aquaculture company in Kenya, Victory Farms had to develop and integrate the entire process, from production and logistics to distribution and sales. This vertically integrated system is very capital intensive, but allows them to control the quality and sustainability of the entire process. From the outset, the founders engaged with the Kenyan State Department of Fisheries to promote the creation of aquaculture guidelines and regulations, and worked with fishermen communities to generate understanding and agreements and develop training programs for local talent.

## KEY PRECURSORS

### DRIVING FORCES

- Provide Africans with affordable, accessible and healthy protein.
- Protect wild fish stocks in Lake Victoria from overfishing.
- Create a sustainable and carbon negative fish farming model that supports a healthy Lake Victoria ecosystem.

### ENABLING CONDITIONS

- Lake Victoria has all of the right conditions for tilapia aquaculture: meets all the biological needs, has the right water quality, soil type, ponds and geographic characteristics.
- The company received political support and letters of authorization from the State Department of Fisheries, the fishermen community, the indigenous land owners and other local authorities before starting operations.
- Kenya does not have a regulatory framework for aquaculture in place. However, there are aquaculture guidelines in draft, with which Victory Farms complies along with the Environmental Impact Assessment and other requirements from the State Department of Fisheries and other local authorities.
- The company recruited local talent and set training programs to train in fish farming, supervision roles, logistics, distribution and marketing. Nowadays, they continue with capacity building for their employees, focusing in management and leadership roles.

## FINANCING

### TYPES AND SOURCES

- Public funding from European governmental programs
- Private investors such as shareholders, family offices and environmental organizations have provided equity, debt financing and grants.

With equity funds, Victory Farms has supported the scaling-up of production and the company's expansion, whilst loans have supported the construction of the aquaculture infrastructure and acquisition of equipment. Grants have mostly supported environmental research and social interventions such as scholarships for children (see benefits section).

Victory Farms is a profitable business and USD 100,000 debt positive. They received their first 1-million-dollar revenue month in January 2020, and they have continued growing even through the Covid-19 pandemic. They feel strong in terms of their financial position and expect to do even better next year.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Private company

**SECTOR:** Aquaculture

**PRODUCT/SERVICE:** Farmed fish (tilapia)

**OVERVIEW:** Victory Farms produces its own tilapia in hatcheries, rearing the fingerlings in their ponds, then transferring to cages which cover 56 acres of the Lake Victoria, at 1.5km offshore.

The aim of Victory Farms is to produce fish at affordable prices so it is no longer considered a luxury good. The company sells directly to its customers, avoiding middlemen costs. The company sells mainly to market women who buy fish in small batches every day to cook and sell to their own customers.

**SCALE:** By early 2021, Victory Farms is already the largest producer of freshwater fish in the region, and is on track to sell 30 metric tons of fish per day, the equivalent of more than 20 million high protein meals per year.

The company has over 500 people involved in daily operations, 350 of which are full-time employees in whom they heavily invest to develop technical and management skills.

## CHALLENGES

### CHALLENGES

- At the company's inception, there were no Kenyans with knowledge, skills and experience in fish farming, and the company has had to build these capacities.
- Inexpensive Chinese fish, sometimes even two years old fish, is now been imported to Kenya and outcompeting Victory Farms.
- The company's vertically integrated system is very capital and human resource intensive.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

Before establishing Victory Farms, its founders decided to focus on East Africa because their own native language, English, is widely spoken there. They then made then what they call their most important macro-decision: they chose Kenya. They argue that this is a politically and economically stable country and a great place to grow fish due to its geographic location and environmental conditions. The country also offered a new market of 65 million Kenyans.

Other key success factors have been:

- Robust pre-feasibility study and 6-year business plan.
- Kenya State Department of Fisheries and other stakeholders such as the fishermen community and the indigenous land owners were consulted during the ideation phase.
- Distributing and selling their own product allows the company deep knowledge of the market as well as the ability to capture all the profits from these activities. Furthermore, they do not risk exposure from relying on any external parties.
- Huge investment both in time and money to create local capacity, and the company worked to build relationships with local communities from the outset. They understood that the community was going to provide the workforce, so they recruited and established training programs to build capacity in all of the company's roles: fish farmers, supervision, logistics, management, distribution, and marketing.

### LESSONS LEARNED

Victory Farms is an example of a successful and environmentally sustainable private aquaculture model in Africa. This first aquaculture farm in Kenya illustrates the importance of partnering with national and local authorities even before starting business

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** Victory Farms is a Kenyan entity, owned by a Dutch holding company. The shareholders of the company are its two founders and several investors Kenya, Germany, USA and the UK. Victory Farms owns the land in partnership with the original land owners, and the community owns shares in the land-owning company.

**DECISION MAKING:** Board of directors makes all decisions.

### BENEFITS

#### ENVIRONMENTAL:

- A designated protected breeding zone on their shoreline has not been fished for 2-3 years, increasing the biodiversity and ecosystem health. Studies with CI, Boston University and Kenyan organizations have found species believed to be extinct now breeding successfully there and around the cages.
- High standards of sustainability for production, based on UN Sustainable Development Goals and on their founders' expertise in aquaculture best management practices, taking extensive measures to protect and restore the environment in which the farm operates.
- They are working to install solar power at their farm, and are planting hundreds of indigenous trees in the area (goal is to plant 1 million trees).

operations. They did so by working with the government to establish legal requirements for the sector, as well as establishing agreements with the Indigenous authorities owning the land where the factory was planned to be constructed.

By integrating in one company all the technical operations, logistics and management needed to produce and sell the fish directly to market restaurants, Victory Farms has shown that middlemen can be avoided in order to provide higher incomes to local communities.

Victory Farms is working to provide greater food security based on local production of protein whilst conserving the environment for local biodiversity to thrive, reducing the country's dependence on imported low-quality fish and generating local jobs and livelihood opportunities. Privately-owned companies working in a positive way with IPLCs tend to have social and environmental goals that are as important as their financial goals.

## REPLICABILITY

Replicating a private enterprise working with IPLCs in an emerging sector whilst generating community livelihood benefits and environmentally sustainable production would require:

- During ideation, work with government and local authorities to support the creation of a legal framework for the sector.
- Before inception, sign agreements with IPLCs who inhabit the area and use the resources the company is interested in.
- Develop capacity building programs for local community members not only to manage operations and logistics but also to reach leadership positions in the company.
- Implement environmental and social research to understand both the conditions of the natural resources and the social dynamics.
- As in other enterprise models involving IPLCs, better wages should be paid to employees and purchase of local products should be paid at fair rates.



### SOCIAL:

- Wages paid by Victory Farms are higher than what other companies in the area pay.
- Indigenous community receives annual lease payments for the use of the land where the factory is located.
- Victory Farms invest heavily to develop technical management and leadership skills in local community members working with the company.
- Scholarship program for children from the local community.
- The company is producing good quality, affordable protein for the Kenyan population.



# YAYASAN PLANET INDONESIA (YPI)

Indonesia

## OVERVIEW

YPI is a non-profit organization that supports community conservation cooperatives in Indonesia, with the goal of revitalizing traditional management practices and providing local communities with alternative livelihood opportunities using non-timber forest products. YPI fills a finance gap for local communities that face barriers to borrowing money from traditional financial institutions by creating village savings and loan programs. Member households have opportunities to improve their health, education and skills, creating conditions for them to support conservation work while improving their livelihoods and well-being.

## KEY FACTS

**ENTERPRISE MODEL:** Non-profit organization

**SECTOR:** Forest and agriproducts

**LOCATION:** Multiple locations in Indonesia

**FOUNDED:** 2014

**COMMUNITIES INVOLVED:** Multiple local and Indigenous communities such as the Dayak Indigenous People.

**ENVIR/SOCIAL FOCUS:** Development of communal businesses and saving and loan programs to help local and Indigenous People in Indonesia out of poverty.

## ENTERPRISE HISTORY AND CONTEXT

The YPI concept of creating profit-oriented cooperatives emerged in the early 2000s. Novia Sagita, one of the two founders of YPI, initiated a project to help Indigenous women from the Dayak community out of poverty through the establishment of a communal business that would revitalize traditional textiles while also reforesting degraded lands. Before the project started, the process of making textiles by Dayak women was almost lost. This initiative succeeded in creating livelihoods for the Dayak women, and helped preserve their local textile making tradition.

Novia's idea was that a profit-oriented cooperative – named Conservation Cooperatives (CCs) – could have the means to help the community of Dayak women artisans and their families meet their basic needs. It would also create the possibility to create savings that could then be used to make loans to cooperative members so that they could use it to meet basic needs. Since this fund to make loans by the cooperatives needed to have sustainable returns while not being burdensome on members taking loans, community members were able to pay the money back or they could pay with textiles, trees seedlings, etc. within a reasonable amount of time. The experience of implementing this approach was the basis for the 'Loans and Savings' program used by YPI.

Currently, the challenges faced by CCs include undeveloped markets for their products and commodities. YPI aims to create a for-profit organization in Indonesia that will act as a market for products of the partner communities' products. The objective of these for-profit organization will be to link biodiversity conservation with support for livelihoods through food production for the CCs members and support rural producers in their early days to support resilient livelihoods and sustainable natural resource management.

## KEY PRECURSORS

### DRIVING FORCES

- Deforestation and degradation of forest landscapes, and biodiversity loss
- Desire to revitalize traditional management practices that could enable local communities to seek alternative economic activities using non-timber forest products.
- No access to credit by community members to meet basic needs and start small businesses

### ENABLING CONDITIONS

- The experience and success of working with Dayak women in the 2000s (before creation of YPI).
- The governmental social forestry scheme that supports the revitalization of traditional management practices and enables local communities to seek alternative economic activities using non-timber forest products that had previously been removed by state-led conservation policies (for example, mangrove protected areas, village forests, etc.).

## FINANCING

### TYPES AND SOURCES

YPI sustains its activities through private and public donations and grants. Some past and present financial partners include:

- Conservation, Food and Health Foundation
- Darwin Initiative
- The Waterloo Foundation
- USAID-Wildlife Crime Tech Challenge
- US Department of State INL
- Wildlife Reserves Singapore

In the case of access to financial capital for YPI partner communities, the goal is to create self-sustaining funds, as it is difficult and burdensome for community members to borrow money from traditional financial institutions such as banks and credit unions. To counter this, YPI created the “Village Savings and Loan” program through which they provide small grants to CCs across the project sites. These grants are used by CC members based upon proposals put forward to the CC’s management unit. YPI teams support members to develop and evaluate these proposals to ensure that the proposals adhere to YPI conservation standards (e.g., funds cannot be used to buy equipment to cut down trees, etc.). Loan principal and interest payments paid back by members are accrued in their respective CCs and can then be used to finance future initiatives proposed by interested CC members.

## BUSINESS SNAPSHOT

**ENTERPRISE STRUCTURE:** Non-profit organization

**SECTOR:** Primarily forest and agriproducts

**PRODUCT/SERVICE:** Multiple products (agribusiness, fisheries, tourism, etc.)

**OVERVIEW:** YPI supports creation of community conservation cooperatives that provide business, education and health services, and also fill a finance gap for local communities to start enterprises by creating village savings and loan programs. YPI has been trying to help the cooperatives develop supply chains and guarantee premium prices for their agricultural commodities. Currently, YPI is in the process of scaling-up.

**SCALE:** Local scale projects throughout the country

## CHALLENGES

- YPI currently depends on external funding.
- Many YPI partner communities have had bad experiences with other conservation and social programs, and did not believe that a new program would make a difference. In a way, some communities are “exhausted” from trying many different approaches and attempts to develop a long-term financially sustainable model.
- Convincing the partner communities that sustainable economic activities (instead of traditional activities such as logging, hunting) can result in financial gain to the community and individuals, as well as create positive impacts for the surrounding environment that would improve everyone’s quality of life.
- Difficulty in applying for ownership of customary or community-owned forests. Research shows that while it takes around 30 days for an oil palm or mining company to obtain permits to develop government held lands, it takes Indigenous communities between three and four years to obtain ownership of customary or community-owned forests.
- At present the market for the products or commodities produced by the Conservation Cooperatives is not well developed to provide YPI partner communities with a fair share of their return. In some of their partner communities, they have been working with producers involved in the cooperatives and wholesale buyers to shorten value chains for agricultural products and enable rural producers to receive premium prices for their agricultural commodities. However, YPI has faced many challenges in facilitating this process, especially as buyers often assert difficult conditions for negotiations and provide inconsistent commitments that lead to frustrations at the community level. Often this leads farmers to lose interest in the YPI approach and vent resentment towards such ventures.

## LESSONS AND TAKEAWAYS

### KEY SUCCESS FACTORS

- Working with community members to identify economic activities that are environmentally friendly, honor local traditions, and secure a revenue stream for community members.
- Establishing Conservation Cooperatives (CC), which are community-led organizations that provide the platform for YPI to administer services to communities in three sectors: business, education, and health.
- Partnering with private and public sectors to ensure that the right services reach the right communities while addressing the root causes of biodiversity loss.

## BUSINESS SNAPSHOT

### GOVERNANCE

**MODEL:** Non-profit organization supporting for-profit community cooperatives

**DECISION MAKING:** YPI is governed by two principal sets of registered bylaws, one operating in Indonesia with a focus on ground operations, and the other based in the US that focused on fundraising and outreach. Each organization has a Board of Directors and they work together in the decision-making process through a grant agreement and a Memorandum of Understanding (MoU) between the two entities.

Once a conservation cooperative (CC) is established, its members are 100% responsible for managing its activities and for determining how the profits will be shared among the stakeholders.

### BENEFITS

**ENVIRONMENTAL:** Conservation outcomes in areas where YPI works have improved considerably because local and national government management authorities have adopted more efficient management practices and land-use zoning planning.

**SOCIAL:** The many social impacts and community benefits include the following:

- Increase in household income
- Recovery of community pride in developing a traditional way of life
- Better quality of life through education and health services enabled by YPI

- Working hand-in-hand with government institutions involved in natural resource management in Indonesia, advise and provide recommendations to local and national governments on environmental policies, action plans, correct land-use zoning, and management practices in protected areas.
- Following a result-based management system that allows them to understand better the impacts of programs on the daily life of the community members and the environment. Data on the environmental work is shared with local and national governments.
- Developing business and life skills of community members to help them become more resilient and eventually manage the conservation initiatives themselves.
- Since the fund to make loans by the cooperatives needed to have sustainable returns while not being burdensome on members taking loans, community members have the option of repaying the debt with money or with textiles, trees seedlings, etc. within a reasonable amount of time. The experience of implementing this approach was the basis for the “Village Savings and Loan” Program currently being implemented by YPI.

## LESSONS LEARNED

One of YPI’s main goals is to create community-led organizations that can create, expand, and transition their communal business approach to new sites. Since the aim is to meet the needs of the partner communities while alleviating the threats to biodiversity in that area, YPI developed a model that is flexible enough to address both goals simultaneously. As a result, the model allows YPI to work in any location where social inequalities have become a driving factor for biodiversity loss and poor management of protected areas. Rather than punishing illegal loggers or wildlife traffickers, they try to propose alternative ways of living for community members to help them transition into environmentally friendly ways of earning a livelihood. YPI is currently developing a suite of knowledge products that will act as the foundation for outreach and support to other organizations.

Once the benefits are perceived by the community, they start to “fight” for their rights. For example, YPI experience shows that when it comes to management of land, once a community sees the benefits of keeping their surrounding forests intact, they start to take better care of the environment that surrounds them through community-led compliance mechanisms (e.g. SMART Patrols, access to finance). As a result, once they start realizing the benefits from being involved with a CC, community members become increasingly more involved in the future of the project

## REPLICABILITY

The YPI model, in which an NGO primarily serves an incubation role in order to support the creation and development of community cooperatives, could be replicated in other places. The focus on developing business and life skills, and on creating access to finance via creation of a flexible community savings and loan program, are both notable features of this model. Replicating YPI’s environmentally sustainable model that generates community livelihood benefits requires:

- Identifying the causes of biodiversity loss.
- Identifying the economic potential within each community.
- Having a flexible approach.

Replication of this model would be more successful if the cooperatives could be linked with a cooperative aggregator or commercial distribution partner to assist with the processing, marketing and sales to help ensure that the community enterprises receive sufficient prices for their products to remain financially viable. As such, YPI aims to create a for-profit organization and collective brand in Indonesia that would act as a market for the partner communities’ products, which would be bought directly by this organization at a fair price and used to produce high-value food products that they would then distribute and sell.

# Appendix 6

## Investor survey results

The aim of the survey was to understand how investors manage risks and overcome investment challenges, and what investment criteria and evaluation metrics they follow when looking at IPLC-focused companies.

### General investor information

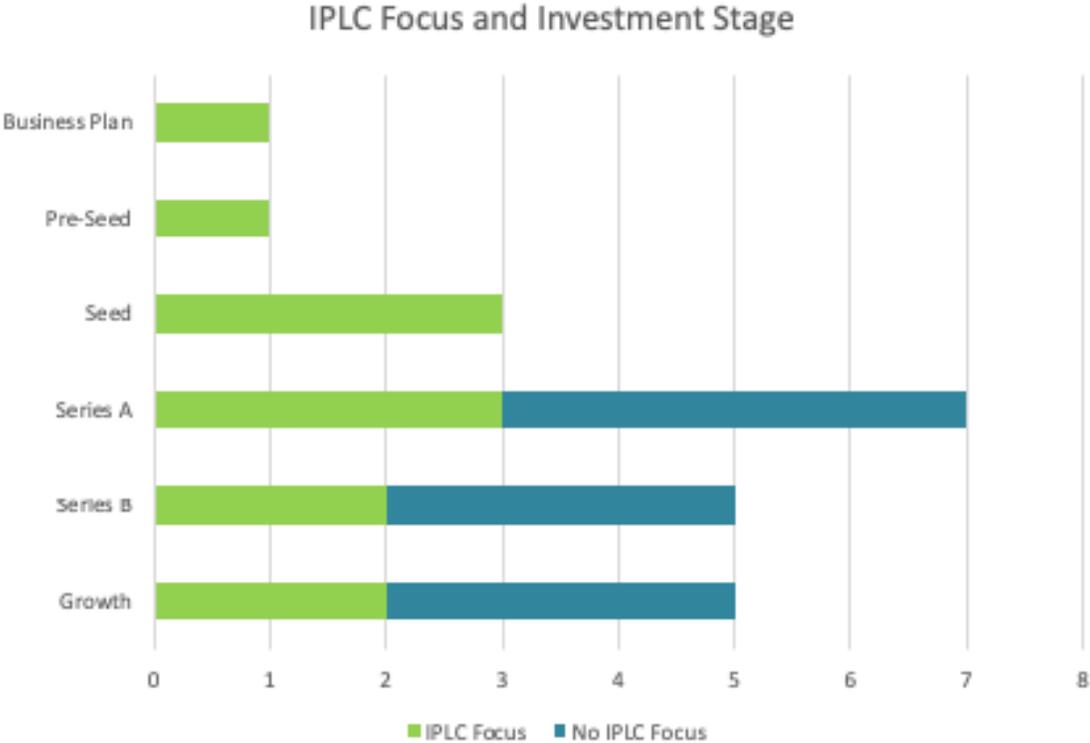
Investment Company or Fund	AUM* in millions of US Dollars	Stage of investment	Source of funds	IPLC focus	Business plan required
Acumen Fund Inc.	\$132	Seed Series A	Foundations HNWIs Government Philanthropy	Yes	No
CI Ventures / Conservation International	\$14	Seed Series A Series B Growth	Philanthropy	Yes	Yes
Encourage Capital	\$100	Series A Series B Growth	DFIs Foundations HNWIs Family offices Philanthropy	No	They may support the development of the formal business plan
Meloy Fund / Deliberate Capital	Not public	Series A Series B Growth	DFIs Foundations HNWIs Government Family offices Philanthropy	No	Depends on use of funds and stage of company
Adobe Capital	\$50.5	Series A Series B Growth	DFIs Foundations HNWIs Government Family offices	No	Yes

Mirova Natural Capital	\$500	Business Plan Pre-Seed Seed Series A Series B Growth	DFIs Foundations Government Family offices	Yes	Yes
Undisclosed A	\$400	Business Plan	DFIs	Yes	No
Undisclosed B	\$0.815	Series A	Foundations Family offices Philanthropy	No	Yes

\*AUM: Assets Under Management

### IPLC focus and investment stage

It is noteworthy that only the investors focusing on IPLC companies invest in early stages such as pre-seed and seed, which could indicate a lack of investment ready opportunities involving IPLCs, or the need to involve local communities in the early planning stages of a community-centered enterprise. Of the investors surveyed, both Mirova and Acumen mentioned that they support business planning processes.



## Investment criteria

Survey respondents were asked about various aspects of their company's investments, including geographic region, investment amount, focus areas and the type and length of financing provided. There is a wide distribution among all of the investors, although some investors are more focused on certain types of financing, such as long-term loans.

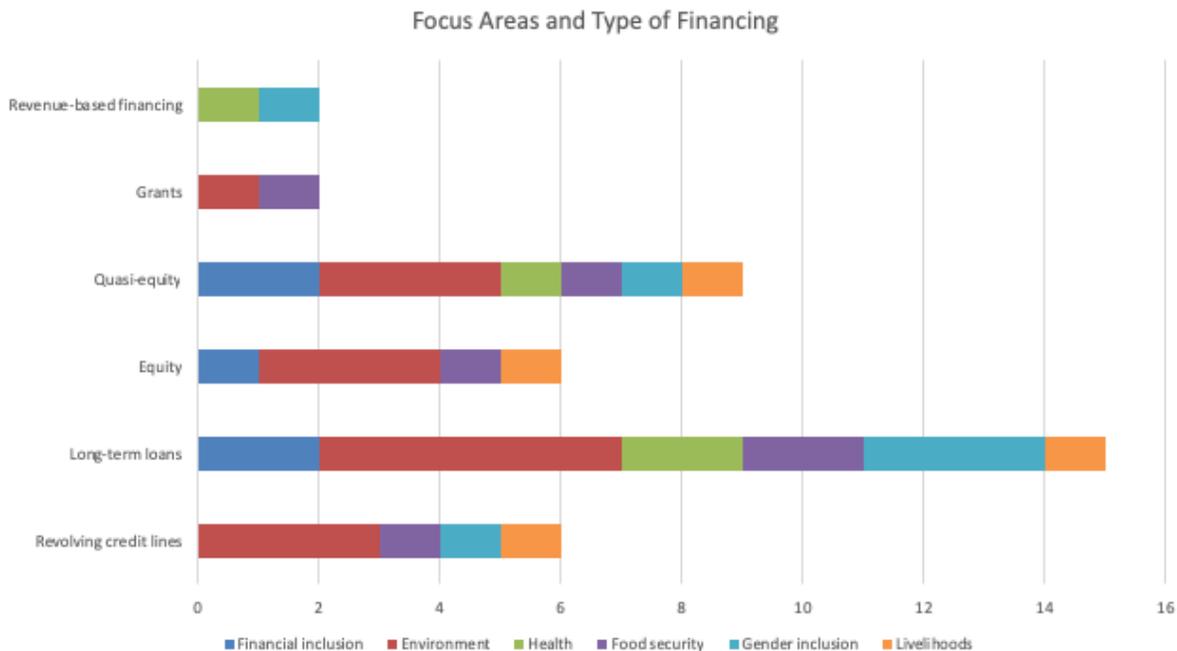
Investment Company or Fund	Geographical focus	Investment amount in US Dollars		Focus area	Type of financing	Holding Period in years
		Minimum	Maximum			
Mirova Natural Capital	Developing countries, mainly Latin America, Africa and Asia	\$100,000	\$15,000,000	Financial inclusion Environment Health Food security Gender inclusion	Long-term loans	5-7
Meloy Fund / Deliberate Capital	SE Asia: Indonesia and Philippines	\$500,000	\$3,000,000	Environment Food security	Revolving credit lines Long-term loans Equity Quasi-equity Grants	3-5
Acumen Fund Inc.	India, Pakistan West Africa (Nigeria, Ghana, Sierra Leone) East Africa (Kenya, Tanzania, Uganda, Rwanda, Ethiopia) Latin America (Colombia, Peru, Guatemala) and USA	\$100,000	\$1,000,000	Livelihoods	Equity Quasi-equity	More than 7
Encourage Capital	US, India, Global	\$500,000	\$10,000,000	Financial inclusion Environment	Equity Quasi-equity	-

CI Ventures / Conservation International	Peru, Colombia, Costa Rica, Kenya, South Africa	\$100,000	\$500,000	Environment	Revolving credit lines Long-term loans Quasi-equity	3-5
Adobe Capital	Latin America	\$1,000,000	\$6,000,000	Financial inclusion Health Gender inclusion Education housing recycling	Long-term loans Quasi-equity Revenue-based financing	5-7
Undisclosed A	worldwide	\$5,000,000	\$8,000,000	Environment	Long-term loans Equity	5-7
Undisclosed B	-	\$50,000	\$500,000	Environment Gender inclusion Dignified jobs for vulnerable communities	Revolving credit lines Long-term loans	1-5

Investors mentioned additional investment criteria, such as commercial additionality, clear theory of change, high impact and E&S performance, scalability, financial viability, quality of the leadership team, risk mitigation and financial profitability.

**Financial models and focus areas**

The general areas of focus and the types of financing were widely distributed among all investors surveyed, regardless of whether they had a specific IPLC focus. Investors varied in terms of their areas of focus and the types of financing provided, and one does not seem to correlate with the other.



## IPLC financial models

In terms of financial models used with IPLC-led enterprises, in the case of Mirova, it mainly distributes long-term, carbon-backed loans to companies or NGOs, who then distribute financing to IPLCs to develop agroforestry projects, for example, or to finance conservation efforts such as forest monitoring/patrolling.

Acumen partners with IPLCs to develop and grow businesses generated by the communities themselves. Usually they invest equity with share repurchase over time. They are also exploring quasi-equity structures. The impact thesis involves improved livelihoods, protection of the environment, rebuilding social fabrics, generating greater autonomy and agency for grassroots organizations, and developing formal economic models owned by communities that can compete with illegal activities.

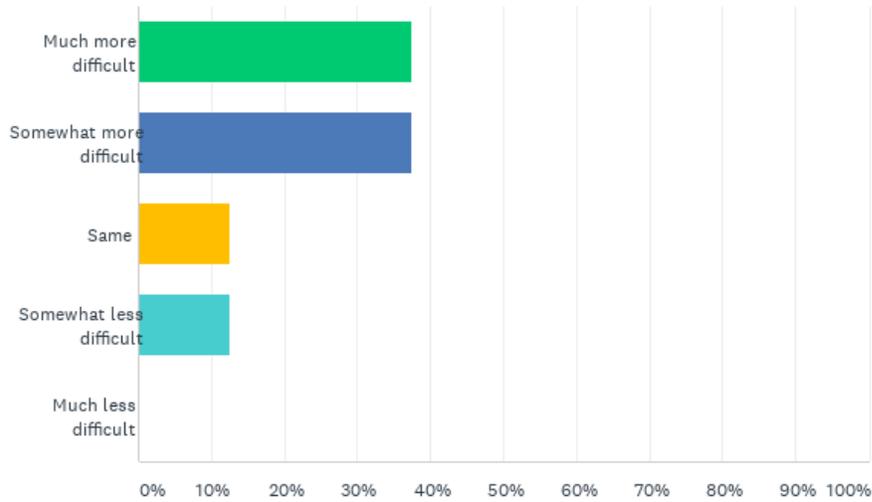
An anonymous investor provides 1-5-year term loans or working capital loans to social impact-driven enterprises that create dignified jobs in vulnerable communities. Their targets are companies whose sales are minimum \$100k annually. They provide tailor-made loans with friendly conditions regarding interest rate, tenor, amount, grace period and collateral requirements.

## Investment challenges

### Challenge 1: Pipeline identification

One of the most common challenges expressed by investors working with IPLC is the difficulty in finding projects that are investment ready. Most respondents indicated that identifying pipeline for IPLC-focused work is more difficult than for other types of investments, potentially due to their frequent location in rural areas far removed from large business centers, which necessitates a more local investor presence.

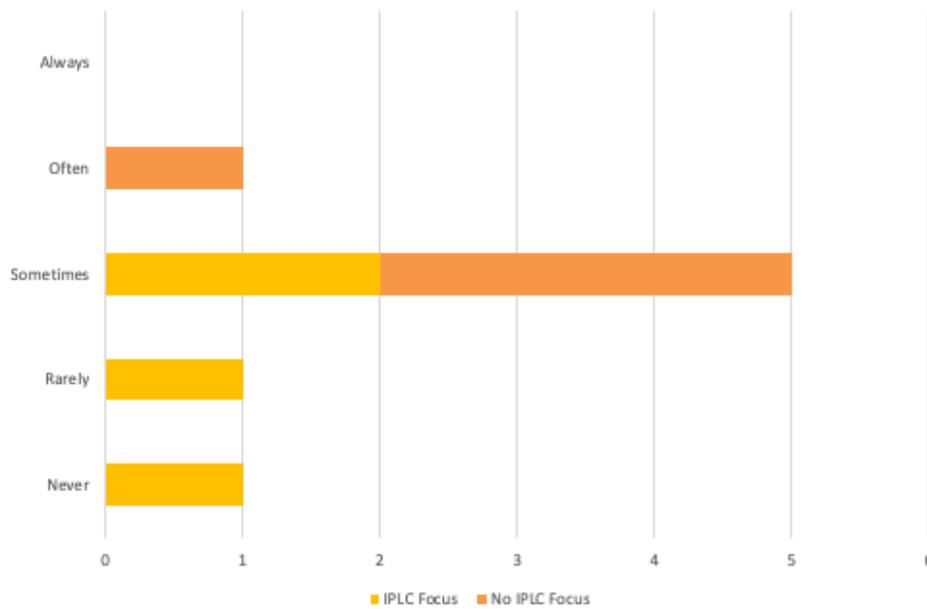
## Q21 Pipeline identification



### Challenge 2: Geographic location of the IPLC-led enterprise

IPLCs are frequently geographically isolated or face transportation difficulties. Investor respondents were asked whether this has been a barrier to investment for them.

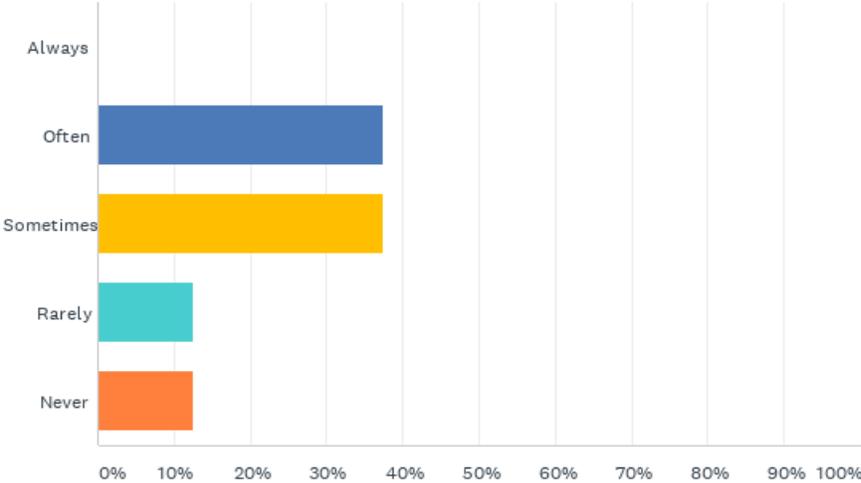
#### IPLC Focus and Transportation Challenges



### Challenge 3: Education level

A key factor for a successful enterprise is having sufficient human resource capacity to operate and manage the business. Investors were asked whether the education level of investee management teams has ever been a barrier to investment.

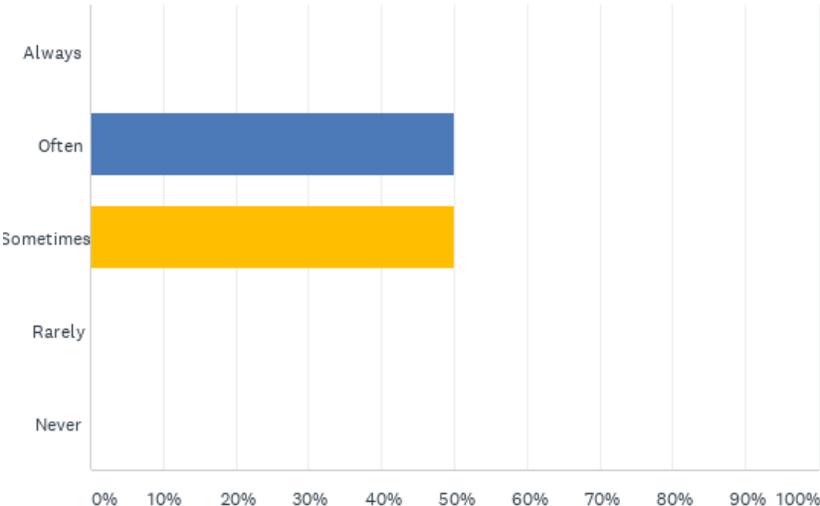
#### Q23 Education



### Challenge 4: Financial acumen

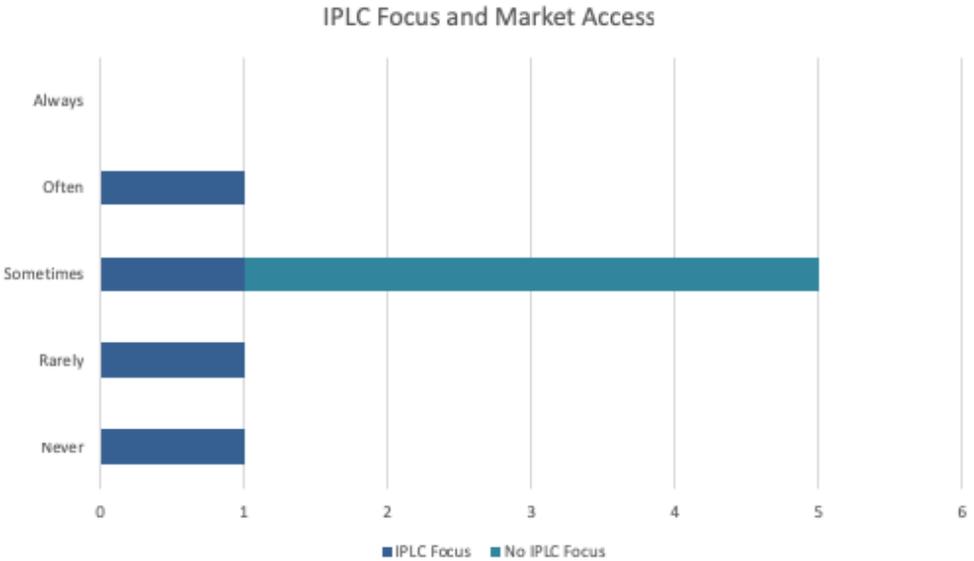
As a continuation to the previous question, respondents were asked whether they have experienced that a general lack of finance knowledge by IPLC management teams is a barrier to investment. All of the respondents answered either "Sometimes" or "Often", and this was distributed evenly among investors with and without an IPLC focus.

#### Q24 Financial acumen



### Challenge 5: Access to markets

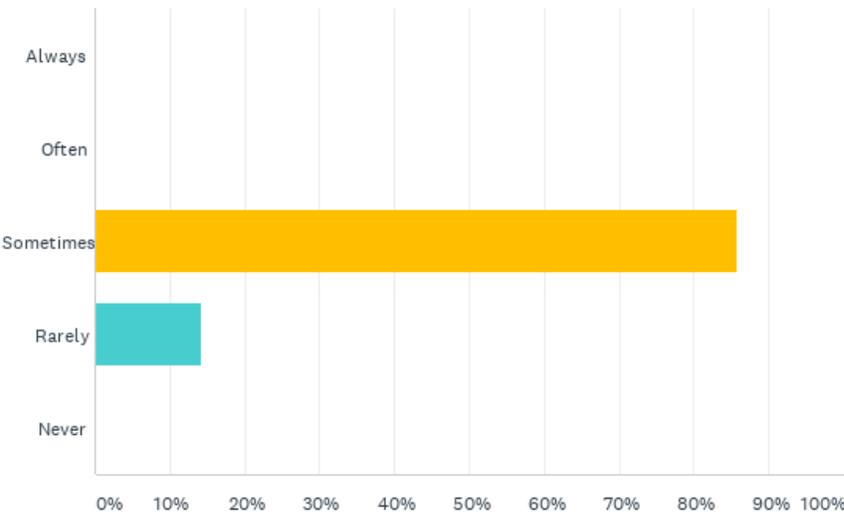
A common challenge for isolated communities is lack of access to markets, and investors were asked whether this has been a barrier to investment.



### Challenge 6: Reliability of supply

A lack of reliable supplies from IPLCs has often been a barrier to developing successful businesses. Investors were asked whether securing a dependable and predictable supply chain has been a challenge for their IPLC investees.

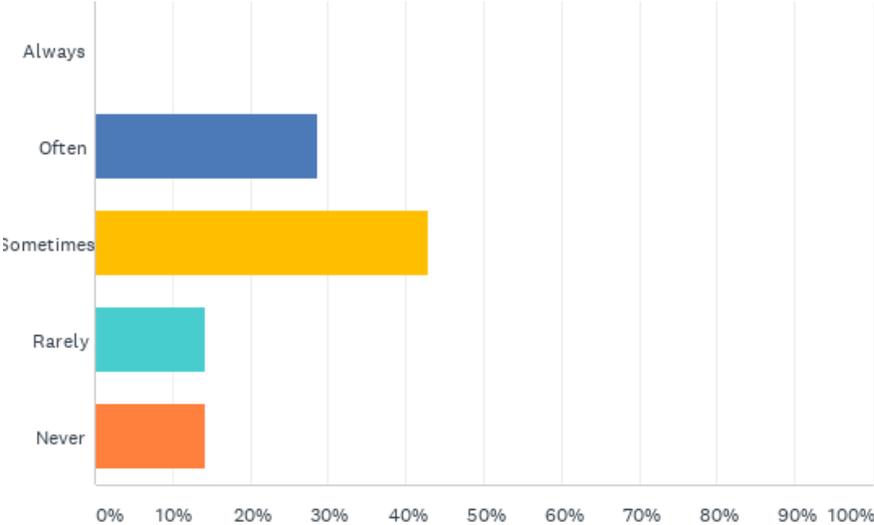
### Q26 Reliability of supply



**Challenge 7: Internal governance of the IPLC-led enterprise**

Organizational decision-making structures and capabilities are a key factor for the success of an enterprise, and investors were asked whether establishing proper governance mechanisms has been a challenge for their IPLC investees.

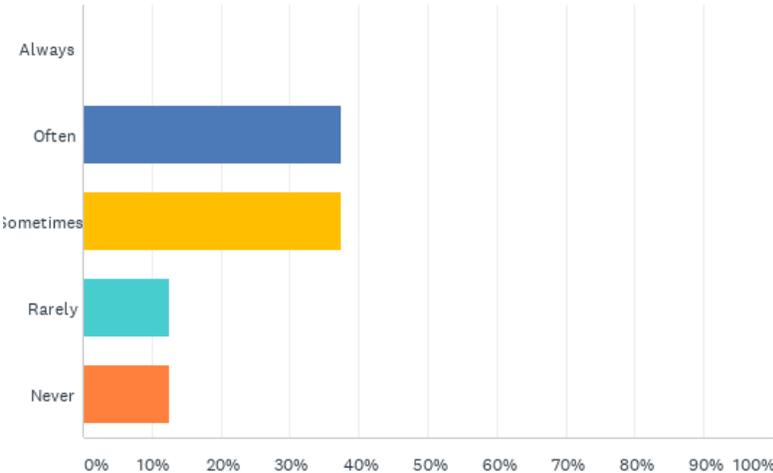
**Q27 Enterprise governance**



**Challenge 8: Political risk**

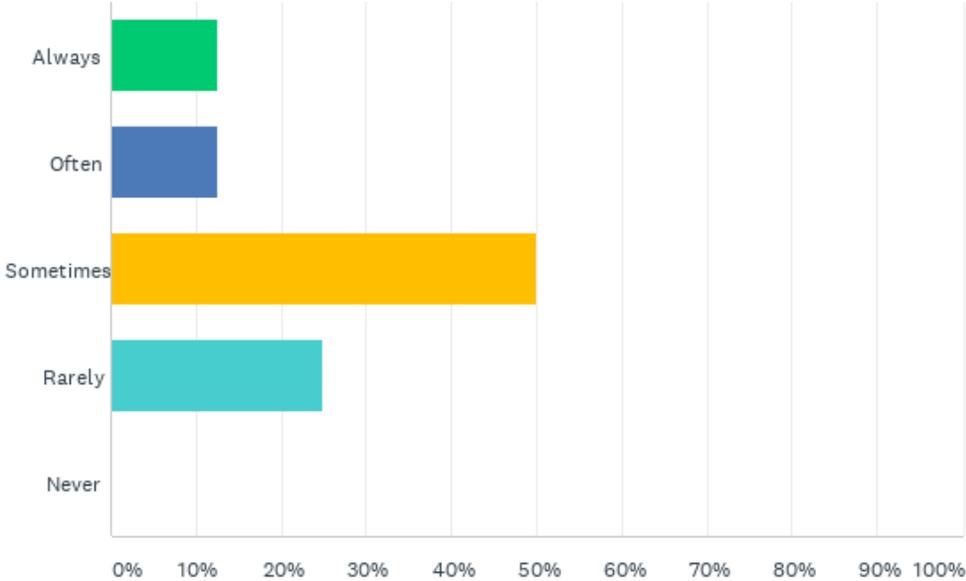
Investors were asked whether they have experienced a country's political risk as a barrier to investment.

**Q28 Political risk**



### Investment rejections

Given the challenges involved in investing in IPLCs, respondents were asked how often they end up rejecting these types of investment requests. Answers varied and were evenly distributed among investors with and without an IPLC focus.



### Other types of support

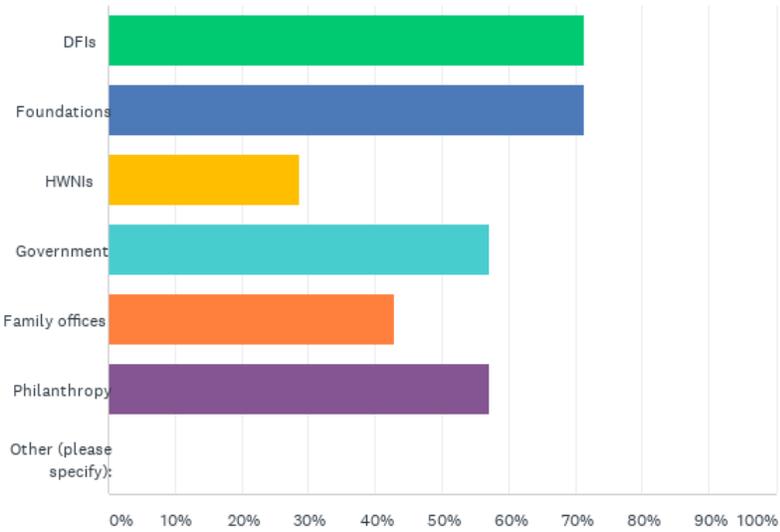
Almost all of the respondents reported that they provide some type of capacity building support or technical assistance as part of their investments. These come from a variety of sources of funds.

Investment Company or Fund	Capacity building	Business planning	Technical assistance
Mirova Natural Capital	Yes	Yes	Yes
Acumen Fund Inc.	Yes	No	Yes
CI Ventures / Conservation International	No	No	No
Meloy Fund / Deliberate Capital	Yes	No	Yes
Encourage Capital	No	No	No

Adobe Capital	No	Yes	Yes
Undisclosed A	No	No	Yes
Undisclosed B	No	Yes	Yes

**Sources of funds**

Regarding the source of funds managed by survey respondents, DFIs and foundations were the most common response, followed by philanthropy and government-related funds. It is interesting to note that HNWIs were the least mentioned, and this could be due to the longer-time horizon involved in these types of investments, and/or a lack of knowledge regarding the importance of investing in IPLCs.



**Metrics**

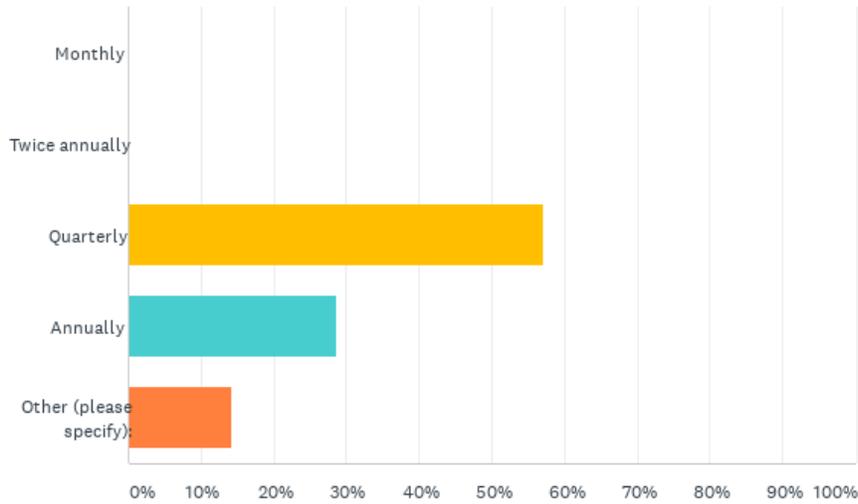
Eighty percent of respondents said they request investees to establish specific impact metrics pre-investment.

Some types of metrics mentioned by IPLC investors include:

- Impact and financial metrics specific to each individual project
- Breadth of impact (# of lives)
- Depth of impact (changes in net income or quality of life measures)
- Poverty focus (% of beneficiaries living in poverty)
- Select portfolio-level social, environmental and financial metrics
- Specific metrics depending on the nature of each investment

An undisclosed investor mentioned that they define a broad impact framework pre-investment, but specific impact metrics are developed throughout the life of the investment.

### Q37 Frequency of metric tracking



### Mission drift

All of the IPLC focused investors reported requiring mission drift avoidance language as part of their closing documents in order to ensure that the purpose of the enterprise, impact generation model and relevance to the fund investing is maintained. Investors who do not focus on IPLCs reported that they do not require this type of language.

### Q39 Mission drift

