

Finance Tools for Coral Reef Conservation: A Training Guide

Conservation Enterprise Incubators

Developed by the Conservation Finance Alliance and Wildlife
Conservation Society for the International Coral Reef Initiative

Content drawn from Finance Tools for Coral Reef Conservation: A Guide (2018)

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Conservation Enterprise Incubators - Overview

- Definition: Conservation Enterprises Incubators are commercial or non-profit ventures that support social enterprises that seek to produce both financial benefits as well as conservation or ecological benefits.
- Economic Model: targeted finance and support to young and small enterprises promotes their success.
- Value: Enables conservation enterprises to become successful and competitive at an early (fragile) stage of development.
- Other names: business incubator.



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Conservation Enterprise Incubators – How does it work?

- Conservation Enterprise Incubators help overcome the “pioneer gap” that hinders small businesses in some developing countries as they face multiple challenges.
- Conservation enterprises themselves can be sustainable operations when they are profitable – achieving both conservation and economic objectives.

TRADITIONAL INVESTMENTS IN BUSINESSES BASED ON ENTERPRISE STAGE



CONCEPT

- The Entrepreneur
- Friends, Family and Fools (FFF)



START-UP

- Venture Capital
- Angels



GROWTH

- Venture Capital
- Earnings Plowback
- Traditional Lenders (Banks)



MATURE

- IPO
- Earnings Plowback
- Traditional Lenders

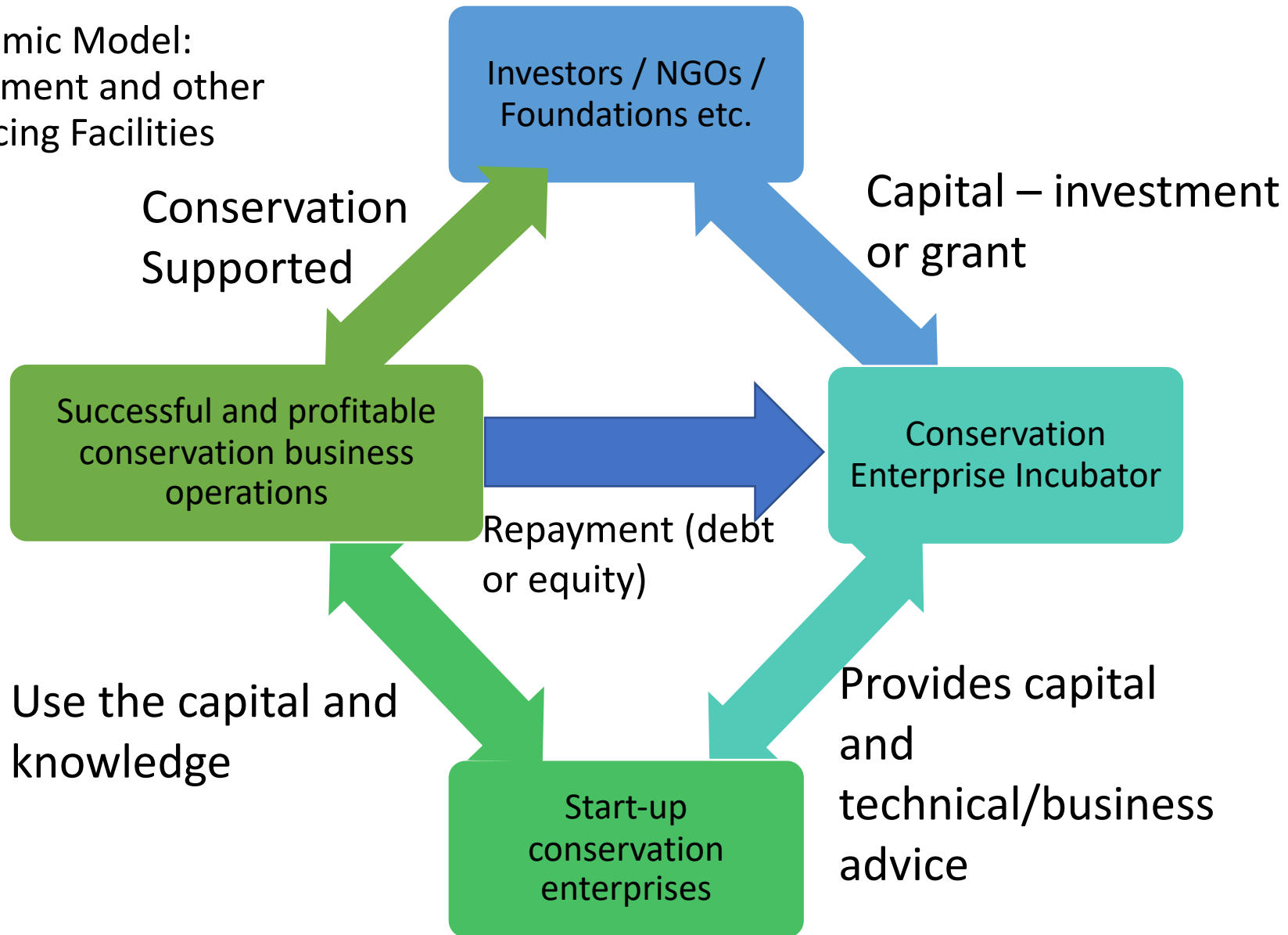
“Pioneer Gap”

Impact Investors

Conservation Enterprise Incubators

Economic Model:

Investment and other
Financing Facilities



Conservation Enterprise Incubators - Conservation Activity Relevance

- Conservation Enterprise Incubators allow the growth and development of firms that intend to provide environmental/ecological benefits
- Have the ability to use “patient” capital and other forms of impact investing to support sustainable business success.
- Sustainable businesses employ people otherwise involved in destructive practices
- Several industry opportunities:
 - The hobby fisheries industry
 - Establishing artificial reefs
 - Ecotourism
 - Sustainable fisheries technology
 - Sustainable aquaculture

Conservation Enterprise Incubators - Stakeholders

- **Conservation enterprise firm:** carrying out a business plan that seeks to deliver economic and environmental gains
- **Incubator:** delivers funds and technical support after an extensive assessment and review (due diligence) process
- **Government/Regulatory entity:** limited role for government except supporting businesses in general. Some incubators are government financed.
- **Beneficiaries:** buyers of goods and services produced sustainably and employees of supported firms

Conservation Enterprise Incubators - Feasibility Assessment

- A high level of business expertise required
- Availability of funds or investors
- High oversight and due diligence capacity
- Ability to understand the economic and environmental benefits
- Business expertise and technical knowledge
- Ability to pursue long term success

Conservation Enterprise Incubators – Revenue Potential

- Revenue is highly dependent on the number and quality of start ups
- Goal should be to give the start up the tools to generate revenue while also benefiting the environment
- Revenues may not as high as a traditional incubator
- Due diligence is critical to minimize risk and maximize revenues

Conservation Enterprise Incubators - Case Study: Incubator for Nature Conservation (INC)

- **Incubator for Nature Conservation**, Managed by the IUCN (2017)
 - Aims to find and nurture ideas for making and channeling revenue to finance protected areas.
 - Significant capacity and technical support required to launch innovative conservation finance mechanisms such as: conservation bonds, market-based fees, biodiversity enterprise funds.
 - Provides technical expertise, guidance, advice and resources to help get protected area finance mechanisms launched
 - Goal of supporting IUCN Green List of Protected and Conserved Areas status
 - 10 sites comprise the pilot phase



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Conservation Enterprise Incubators - Case Study: Incubator for Nature Conservation (INC)

- Operations in ***Cordillera Azul National Park (Peru)***
 - Park avoids the emission of an average of 2.5 million tons of CO₂/annum
 - Park has unexplored tourism potential, as well as significant scientific value
 - INC - Working with partners (such as CIMA and SERNANP) to develop an overall financing strategy and create business plans for potential financing opportunities (donations and investments).
 - INC experts are working with a locally based finance specialist to prepare business plans for selected products and services



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