Developing bankable business plans for sustainable forest-based enterprises

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Presentation Outline

- RATIONALE
- TARGET GROUP
- COURSE CONTENTS
- EXAMPLES
- TAKE HOME MESSAGES
Restoration and value chain development

- **Benefits** (Social, Environmental, Environmental)
- Livelihoods => sustainability
- Mobilization of private finance

**Barriers to access finance**
- Limited knowledge on the business planning process
- Unclear earning logic and potential to scale up
- Weak understanding of investor’s or creditor’s criteria

- Investors interest
- Greater awareness (NBS)
- ESG as good for business
Target group for the course

- Forest **producers** and their organizations, *(with business ideas with potential for scaling up).*
- Small and medium-sized forest business **advisors**.
- Development **agencies** with field activities.

=> Enhance their capacity to access private investments and other forms of finance
Course - Principles

Accessible
No advanced technical knowledge necessary to access the course / use the guide

Practical
It’s a hands-on guide that puts knowledge into practice

Sustainable
It promotes businesses and solutions that deliver triple wins: economically, environmentally and socially sustainable
Outline of the course

Course structure
Developing bankable business plans for restoration and sustainable forest-based activities

This course is composed of four lessons: click on each box to learn what each lesson is about

Lesson 1
Introduction to bankable business planning

Lesson 2
Develop your bankable business plan - Steps 1 to 5

Lesson 3
Develop your bankable business plan - Steps 6 to 10

Lesson 4
Using your bankable business plan to access funding
Let's start by considering what 'bankability' is.

When making decisions, **financial investors compare** projects, and weigh up and make trade-offs between the financial and non-financial **returns** they expect to get on their investment against the **level of risk** they can accept. For an investor to consider a plan **bankable**, it should:

- Be **commercially viable**
- Be **good for the environment**
- Be attentive to inclusion, equity and social considerations
- Contribute to inclusive and sustainable landscapes
- Define what **amount** and **type** of financing is needed
- Show that you understand the potential and limitations of what is possible
- Help you become a more active, conscious and responsible value chain participant
- Professionalize your work and that of your community
What is a bankable business plan?

Introduction to bankable business planning

Restoration entrepreneurs need to make their business attractive to funding sources by increasing the returns they can offer while decreasing the risks. This can be done by developing a bankable business plan.

A bankable business plan is:

- A rational presentation of a business idea
- Written using language and performance metrics familiar to potential investors
- An essential communication tool for presenting your project to potential investors
- A demonstration of the feasibility, profitability and sustainability of the planned business
- A brief but comprehensive document, to be adapted as circumstances change
- Detailed, showing the systematic steps to start or grow a sustainable business
- Concrete, formalizing all the dimensions of the planned project
- Based on a clear and credible earning logic.
There are **ten steps**, which act as building blocks to form the bankable business plan. These steps are **connected**, and together help to ensure that the business will be **commercially viable**, **environmentally sustainable** and **attentive to inclusion**, equity and social considerations.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Evidence-based business idea</td>
</tr>
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<td>2</td>
<td>Committed and competent management and organization</td>
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<td>3</td>
<td>Market outlook</td>
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<td>4</td>
<td>Scalable production assets</td>
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<td>5</td>
<td>Assessment of market participants and marketing strategy</td>
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<td>6</td>
<td>Technologies and logistics</td>
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<td>7</td>
<td>Assessment of the business and legal environment</td>
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<td>8</td>
<td>Financial analysis</td>
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<td>9</td>
<td>Compliance with environment, social and governance (ESG) criteria</td>
</tr>
<tr>
<td>10</td>
<td>Risk assessment</td>
</tr>
</tbody>
</table>

**What are the risks and how can you mitigate them?**

- Don't worry if some of these terms are unfamiliar to you - they will be explained in detail later in the course.
The bankable business plan is introduced by presenting the business idea.

The goal of this section is to simply and effectively define a compelling business idea that demonstrate clarity of:

- the business objective,
- the product or service provided;
- the customers;
- the potential challenges the business will address;
- the resources involved; and
- the earning logic.

Is there sufficient clarity in terms of...

...the problem(s) it solves?
...the market it serves?
...the value it creates?
...the earning logic?
...the anticipated economic, social and environmental impacts?

Click on each element above
<table>
<thead>
<tr>
<th>PROBLEM</th>
<th>SOLUTION</th>
<th>UNIQUE VALUE PROPOSITION</th>
<th>UNFAIR ADVANTAGE</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>List your top 1-3 problems.</td>
<td>Outline a possible solution for each problem.</td>
<td>Originality and traceability; Consistent honey quality; Ethics &amp; sustainability; Mutual rewarding business, relationship with our beekeepers; Maintain and ensure the health of honeybees &amp; environment.</td>
<td>The manufacturing process; The quality control;</td>
<td>Middle and upper-class consumers; Large honey packers; Hotels, restaurants, coffee shops and bakeries; Students;</td>
</tr>
<tr>
<td>• Increasing demand of honey in Tanzania;</td>
<td>• A world-class and ethically sourced honey;</td>
<td>• A world-class and ethically sourced honey; Providing a reliable market for smallholder farmers and beekeepers in rural areas; Training and support to new beekeepers in rural areas; Strong sales team &amp; customer care.</td>
<td></td>
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<tr>
<td>• Lack of strong market connections for smallholder farmers in rural areas;</td>
<td></td>
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<td>• Lack of knowledge on conservation and beekeeping by honey producers.</td>
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</tr>
<tr>
<td>EXISTING ALTERNATIVES</td>
<td>List how these problems are solved today.</td>
<td>HIGH-LEVEL CONCEPT</td>
<td>CHANNLES</td>
<td>EARLY ADOPTERS</td>
</tr>
<tr>
<td>Expensive and (often) imported honey in the market.</td>
<td>List the key metrics that tell you from your baseline in making:</td>
<td>List your ux for Userology e.g. YouTube = Flickr for videos.</td>
<td>List your path to customer (infound or outbound).</td>
<td>Hotels chains; Students (a 12g honey sachet produced specifically for them);</td>
</tr>
<tr>
<td>Cost Structure</td>
<td>List your fixed and variable costs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Operational cost;</td>
<td>• Physical i.e. factory and warehouse building;</td>
<td>• Direct selling through our honey shop and designed stands;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Investment cost;</td>
<td>• Human resources i.e. sales &amp; marketing, factory operations team, collection officers;</td>
<td>• Door-to-door distribution by agents/wholesalers;</td>
<td></td>
<td></td>
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<tr>
<td>• Transportation cost.</td>
<td>• Technological i.e. machines.</td>
<td>• Trade fairs and exhibitions;</td>
<td></td>
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</tr>
<tr>
<td>Revenue Streams</td>
<td>List your sources of revenue.</td>
<td>• Website.</td>
<td></td>
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<tr>
<td>• Sale of honey products and beeswax.</td>
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</table>
Market outlook contents

How to develop a Bankable Business Plan

There are various elements that should be included in a market outlook, including:

Identified consumers/end users

Current demand for the product or service, including minimum quality required

Drivers of future demand

Estimation of the quantity of the product or service that consumers would buy.

Estimation of the price that consumers are willing to pay for the product or service

Market channels/ points of sales needed (e.g. wholesale, retail, online)

Labelling and packaging requirements

Questions to check that you have asked at this stage are:

Is there evidence of a gap between demand and supply that warrants entering into this market?

Has the validity of demand projections for the products or services been assessed?

Are the anticipated prices for products or services realistic?

Are these prices competitive under current and anticipated conditions?

Have the market channels or point of sales been identified?

Click me to learn about how my team at Green Charcoal in Uganda approached our market outlook assessment.
FROM IDEA TO BANKABLE BUSINESS

There are ten steps, which act as building blocks to form the bankable business plan. These steps are connected, and together help to ensure that the business will be commercially viable, environmentally sustainable and attentive to inclusion, equity and social considerations.

1. Evidence-based business idea
2. Committed and competent management and organization
3. Market outlook
4. Scalable production assets
5. Assessment of market participants and marketing strategy
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7. Assessment of the business and legal environment
8. Financial analysis
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10. Risk assessment

What are the risks and how can you mitigate them?

Don't worry if some of these terms are unfamiliar to you - they will be explained in detail later in the course.
Module 8: Financial analysis

How to develop a Bankable Business Plan

Questions to check that you have asked at this stage are:

- Have the revenues been estimated based on a robust approach?
- Have all the costs been identified, classified and validated?
- Have future investment costs been defined?
- Have all the underlying assumptions on revenues and costs been assessed?
- Have cash flow tables been developed? Have the relevant financial indicators been computed?
- Have the financial model’s robustness and resilience been tested with sensitivity analysis?

It is important to take into consideration the economic life and salvage value of the investments assets!
Financial analysis – RuralInvest

RuralInvest – FAO eLearning courses

Courses

- Intro Course: RuralInvest – An introduction
- Course 1: Participatory data collection and investment planning in the field
- Course 2: Business concept – Feasibility snapshot
- Course 3: Business plan – Detailed description

Around 1,000 business plans built (2022) and USD 34 million mobilized as grants, matching grants, and credit (in the last 3 years).

Source: FAO (2022) RuralInvest Report 2022
Module 10: Risk assessment
How to develop a Bankable Business Plan

Questions to check that you have asked at this stage are:

Have the main internal and external sources of risk been identified and categorized?

Have the probability and severity of risks been assessed?

Does the business plan provide sound mitigation measures to address the risks?

At Central Park Bees we used a matrix to assess our risks. First we identified risks and then assessed their probability of occurring and severity if they do occur, rating them as low, medium or high risk. Finally we defined mitigation measures for the most severe risks identified.
There are **ten steps**, which act as building blocks to form the bankable business plan. These steps are **connected**, and together help to ensure that the business will be **commercially viable**, environmentally **sustainable** and attentive to **inclusion**, equity and social considerations.

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At the end of this lesson, you will be able to:

- describe the investors’ criteria;
- assess the stage of development of your enterprise;
- identify your financing needs; and
- describe the importance and process of due diligence.
Key lessons/Take home messages

- Make restoration more economically rewarding than degradation
- Look at restoration practices as a potential business
- Capacity building, incubation support and finance; Engage financial institutions in trainings
Developing bankable business plans for sustainable forest-based enterprises

This course has been developed to improve the capacity of small-scale producers, their
Thank you

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