



Food and Agriculture Organization
of the United Nations

Developing bankable business plans for sustainable forest- based enterprises



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<https://elearning.fao.org/course/view.php?id=931>



Food and Agriculture
Organization of the
United Nations

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



This course is based on the publication Forestry Working Paper 24, *Developing bankable business plans*.

Click on the cover image to download



[FAO's work on forest finance](#)



[FAO's Forest and Landscape Mechanism \(FLRM\)](#)

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 lessons 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



1 What is bankability?

Introduction to bankable business planning



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:



1 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 **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 bankable business plan is:



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**.

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



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.



6. Technologies and logistics

7. Assessment of the business and legal environment

8. Financial analysis

9. Compliance with environment, social and governance (ESG) criteria

10. Risk assessment

2 Module 1: Evidenced business idea

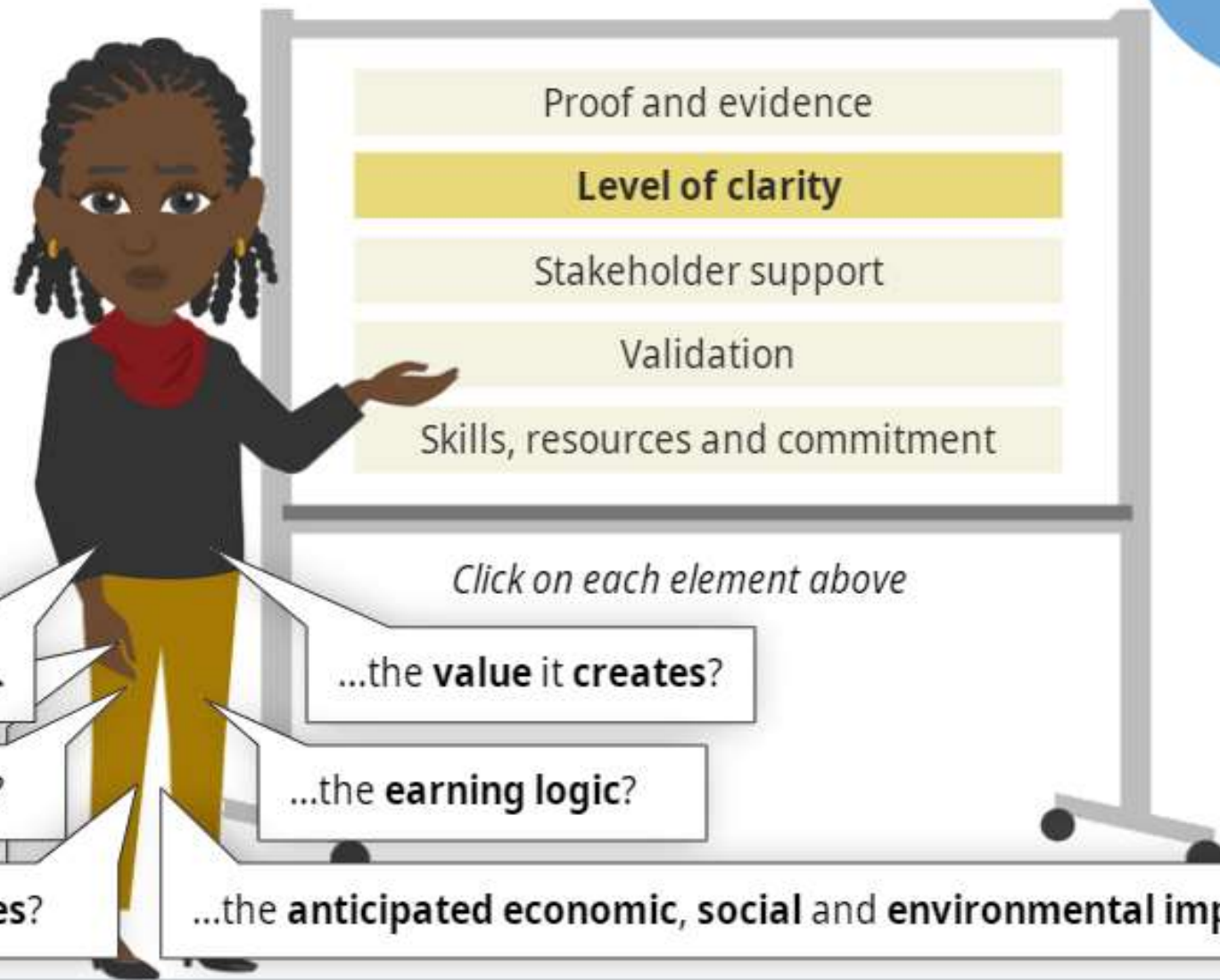
How to develop a Bankable Business Plan



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 **value it creates**?

...the **problem(s) it solves**?

...the **earning logic**?

...the **market it serves**?

...the **anticipated economic, social and environmental impacts**?

PROBLEM

List your top 1-3 problems.

- Increasing demand of honey in Tanzania;
- Lack of strong market connections for smallholder farmers in rural areas;
- Lack of knowledge on conservation and beekeeping by honey producers.

EXISTING ALTERNATIVES

List how these problems are solved today.

- Expensive and (often) imported honey in the market.

SOLUTION

Outline a possible solution for each problem.

- 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 & customer care.

KEY METRICS

List the key numbers that tell you how your business is doing.

- Physical *i.e.* factory and warehouse building;
- Human resources *i.e.* sales & marketing, factory operations team, collection officers;
- Technological *i.e.* machines.

UNIQUE VALUE PROPOSITION

Single, clear, compelling message that states why you are different

- Originality and traceability;
- Consistent honey quality;
- Ethics & sustainability;
- Mutual rewarding business, relationship with our beekeepers;
- Maintain and ensure the health of honeybees & environment.

HIGH-LEVEL CONCEPT

List your X for Y analogy e.g. YouTube = Flickr for videos.

UNFAIR ADVANTAGE

Something that cannot easily be bought or copied.

- The manufacturing process;
- The quality control;

CHANNELS

List your path to customers (inbound or outbound).

- Direct selling through our honey shop and designed stands;
- Door-to-door distribution by agents/wholesalers;
- Trade fairs and exhibitions;
- Website.

CUSTOMER SEGMENTS

List your target customers and users.

- Middle and upper-class consumers;
- Large honey packers;
- Hotels, restaurants, coffee shops and bakeries;
- Students;

EARLY ADOPTERS

List the characteristics of your ideal customers.

- Hotels chains;
- Students (a 12g honey sachet produced specifically for them);

COST STRUCTURE

List your fixed and variable costs.

- Operational cost;
- Investment cost;
- Transportation cost.

REVENUE STREAMS

List your sources of revenue.

- Sale of honey products and beeswax.

2 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.



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3 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!

Year	1	2	3	4	5	6
Revenue (€M)						
Sales	100,000.00	210,000.00	260,000.00	310,000.00	400,000.00	460,000.00
Other Income						
Total Revenue	100,000.00	210,000.00	260,000.00	310,000.00	400,000.00	460,000.00
Operating Costs						
Raw Materials	10,000.00	20,000.00	25,000.00	30,000.00	40,000.00	45,000.00
Electricity	5,000.00	10,000.00	12,000.00	15,000.00	20,000.00	22,000.00
Wages and Salaries	8,000.00	16,000.00	20,000.00	25,000.00	32,000.00	36,000.00
Marketing & Selling Costs	10,000.00	20,000.00	25,000.00	30,000.00	40,000.00	45,000.00
Repairs and Maintenance	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Transporting	1,000.00	2,000.00	2,500.00	3,000.00	4,000.00	4,500.00
General Expenses	10,000.00	20,000.00	25,000.00	30,000.00	40,000.00	45,000.00
Total Operating Expenses	54,000.00	108,000.00	137,500.00	165,000.00	216,000.00	247,000.00
Operating Profit	46,000.00	102,000.00	122,500.00	145,000.00	184,000.00	213,000.00
Depreciation	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Financial Income	1,000.00	2,000.00	2,500.00	3,000.00	4,000.00	4,500.00
Financial Expenses	10,000.00	20,000.00	25,000.00	30,000.00	40,000.00	45,000.00
Net Profit	27,000.00	64,000.00	75,000.00	98,000.00	128,000.00	152,500.00

Financial analysis – RuralInvest

<https://www.fao.org/in-action/ruralinvest/en/>

RiV20 v.2.1

RuralInvest is a “toolkit” to help prepare and evaluate small- and medium-size agricultural and rural investment projects



Business Plans & Concepts

List



New



Import



Configurations



Backup



In Progress

Name

Currency

Last update ↓

Country

Configuration

Total Investment

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

3 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?

Source of Risk	Probability	Severity	Mitigation measures
Technical and operational risks			
Infrastructure not supporting the operation	Low	High	Engage current staff network, build a government operations committee
Lack of pesticide user training plans	Medium	Medium	Regular checks on agriculture and forestry activities neighbouring flowering areas of trees
Poor bee health	Medium	High	Ensure that beekeepers participating in bee health checks use PPE and management best
HR and management risks			
Low commitment of management	Low	High	Identified a stake in beekeeping for key management staff
Change of key staff members	Medium	Medium	Engage beekeepers, gradual increase in local staff
Lack of technical capacity	Medium	High	Monitoring of the training programme, plan further training
Insufficient quality of skilled labour	Low	Medium	Contract an agricultural skills training centre with beekeeping
Continuing dependence on external experts	High	Medium	Engage training programme to support local staff to take on more responsibility for pollinator health
Business and market risks			
Deposited prices are not obtained	Medium	High	Identifying a brand portfolio with different qualities and searching for new market channels - the concept premium bee and nectar - sustain routes and quality. The beekeeping products will face new competition - be price seller other than bees
Customer feedback, customer satisfaction	Low	High	Engage for a regular certification of product to ensure integrity, quality and consistency
Where is product sold?	Medium	Medium	Identified routes and compliance with industry standards
Customer and quality to the market	Medium	Medium	Identified routes and compliance with industry standards
Environmental and climate risks			
Climate change	Medium	High	Engage local beekeepers and staff working local areas to collect honey, bees
Loss of pollinators	Medium	High	Engage local beekeepers and staff working local areas to collect honey, bees
Loss of pollinators	Low	High	Engage local beekeepers and staff working local areas to collect honey, bees
Loss of pollinators	Low	Medium	Engage local beekeepers and staff working local areas to collect honey, bees

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.

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4 Learning objectives

Using your bankable business plan to access funding

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

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Developing bankable business plans for sustainable forest-based enterprises



CERTIFIED COURSE

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



Thank you



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