



ForBInc

Forest business incubation toolkit by and for
Forest and Farm Producer Organisations

Editors: Anna Bolin, Duncan Macqueen, Martin Greijmans, Sophie Grouwels,
Kanimang Camara and Linda Ndethiu



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Acronyms

AAIN	African Agribusiness Incubator Network
ANSAB	Asia Network for Sustainable Agriculture and Bioresources
FAO	Food and Agriculture Organization of the United Nations
FBI	Forest business incubator
FFF	Forest and Farm Facility
FFPO	Forest and Farm Producer Organisation
ICT	Information and Communication Technology
IIED	International Institute for Environment and Development
MA&D	Market Analysis and Development
MIS	Market Information System
MoU	Memorandum of Understanding
NGO	Non-governmental organisation
NTFP	Non-Timber Forest Product
NTFP-EP	Non-Timber Forest Product Exchange Programme
RECOFTC	The Center for People and Forests
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
SPGS	Sawlog Production Grant Scheme
TA	Technical Advisor

How this toolkit was developed

Business incubation in forest landscapes is scarce and poorly understood. **More guidance was identified as a need by members of the Forest Connect Alliance** at the 5th international Forest Connect meeting in Quito, Ecuador in 2016 and again at the 6th international Forest Connect meeting in Kribi, Cameroon in 2017. Forest Connect was set up in 2007 as a knowledge network between institutions who want to support locally controlled forest business. Its members support locally controlled forest enterprises by better connecting them: to each other – with a focus on strengthening forest-farm producer organisations at different levels; to service providers – with a focus on building business and financial capacity; to markets – with a focus on enhancing links to buyer and brokering fair deals with investors; to decision makers – with a focus on securing commercial forest rights and incentives in laws and policies. Forest Connect is an open alliance, co-managed by the International Institute for Environment and Development (IIED), the FAO-hosted Forest and Farm Facility (FFF) and RECOFTC - the Center for People and Forests.

To inform the initial thinking and design of this toolkit, the FFF¹ commissioned a set of 11 case studies in 2017, documenting different models of business incubation in the Forest and Farm sectors in Africa, Latin America and Asia. The aim of this research was to draw out lessons and recommendations to shape business incubation efforts within the FFF programme – and improve information sharing among support agency members of the Forest Connect Alliance. FFF is a gender-mainstreamed programme and is committed to gender equality and equity as key objectives. However, in most countries and Forest and Farm Producer Organisations (FFPOs) with which FFF works, women are still largely underrepresented compared to men, in particular in leadership roles – so within this toolkit we have tried tailor advice specifically to address these gender inequalities in the design of the incubator itself and when selecting and working with client businesses. While FFF has established a credible track record in sustainable business start-ups for women and men, it is now **looking to accelerate the successful development of these fledgling FFPO businesses** – which makes better guidance on forest business incubation essential.



Rattan basket production taking place at a women's enterprise in Myanmar. Credit: IUCN

1. FFF channels financial support directly to strengthen Forest and Farm Producer Organisations (FFPOs) for business and policy engagement. Starting from 2013, by the end of 2017 FFF had reached more than 830 FFPOs in 10 partner countries in Asia, Africa and Latin America (with regional and global programmes engaging 30 more).

Introduction

Why forest business incubation is important

Smallholder forest and farm producers make up an estimated 1.5 billion people globally (see Angelsen *et al.*, 2014; Graeub *et al.*, 2016 and Shanely *et al.*, 2015). The collective value of their production of food, timber, non-timber forest products (NTFPs), and biomass energy is valued at up to an estimated US\$ 1.3 trillion annually (Verdone, 2017). Additionally, their collective locally controlled forest and farm businesses are thought to create economic multiplier effects and non-market values that increase those overall values tenfold (LFP, 2009; GEF, 2009). These businesses are **key to growing rural economies and generating rural income**.

When managed sustainably, forest-related businesses also help people **mitigate** climate change. Against a backdrop of falling net global forest cover due mainly to deforestation in the tropics (FAO, 2015), several countries are bucking the trend. Where forest cover is increasing, such as in China or Sweden, it is cooperative locally controlled forest businesses, which are granted secure commercial rights, that are driving the change. They are making it profitable for their members to grow or manage trees for a wide range of products and services. Thus, **locally controlled forest businesses are key to incentivising forest restoration and sustainable management at scale**.

Globally there is a gap in support structures for locally controlled forest businesses that could drive forest restoration and conservation and also provide sustainable livelihood incomes for local people. Research carried out on the impact of business incubation on business outcomes finds that survival rates after four years of incubated firms (87 per cent) are double that of non-incubated firms (44 per cent) (Molnar *et al.*, 1997; SBA, n.d.).² Impacts on social and environmental outcomes are also likely to be higher, as many business incubators seek to install practices with their clients that go far beyond the single bottom line (see Macqueen and Bolin, 2018). **Improving access to business incubation services for locally controlled forest business represents a significant opportunity for forest restoration and rural income generation**.

Successful forest business incubators (FBIs) are shown to address two key challenges: **how to support the scaling-up** of sustainable business models, and **how to institutionalise that support** (beyond typical project cycles) (for examples see Macqueen and Bolin, 2018). Forest business incubators are better placed to address the challenge of scaling-up – both at the level of enabling individual businesses to grow, but also at a landscape level in the number of businesses they are likely to support. Secondly, they address the problem of how to institutionalise this kind of support (beyond the period of a project) by developing their own financing structures. Enabling sustainable and socially beneficial forest businesses to grow is their core mandate.

Why this toolkit is needed

Business incubation is a complex process with multiple actors involved – and it is often very context specific. **The forest business context is peculiarly challenging**. Detailed guidance on how to start up your own business incubator has been provided by the World Bank's InfoDev programme – even including a module on agribusiness (InfoDev, 2011). However, the unique nature of the forest sector and its business challenges suggest a need for a tailored incubator approach and institutional set-up.

2. Although this evaluation covers a range of sectors in both urban and rural landscapes, findings resonates with that of others examining failure rates of start-up businesses (see Elson, 2012; Mayers, 2006; Osei-Tutu *et al.*, 2010; Smit and Watkins, 2012).

Forest business incubation programmes must be adapted to the specific context and challenges faced in forest landscapes, which include:

- **Remoteness:** the remote location of forest businesses means that they often have high logistical costs with limited infrastructure in place to facilitate access to markets or stable energy supply, and limited access to technical and financial service providers,
- **Collective ownership and decision making:** in many countries where natural forests and village lands are communally owned, you are more likely to see the establishment of group businesses that are based on collective contribution and democratic decision making over resources and the business.
- **The need for aggregation and business organisation:** in many country contexts, aggregation of forestry products from natural and planted forests makes business sense because of the high transaction costs involved with collecting, harvesting and transporting products from the forest gate to the market.
- **Natural resource conflicts:** irrespective of any collective ownership and decision making, forest landscapes are often mired with overlapping land-use and tenure systems, making natural resource conflict a common challenge that might require the involvement of both traditional and government institutions to solve.
- **Long timeframes:** mainly due to the nature of the sector — in the case of tree planting, the time it takes between the initial investment and for profits to materialise is years, during which time the business will need to manage the plantation and eventually harvest, process and transport the timber. But forest businesses also need considerable time to build capacity to manage what can be quite technical business operations with challenging logistics.
- **Low education levels:** social and economic marginalisation is often the highest in forest landscapes, meaning that education and skills to run basic accounting and business management might be missing or be at very low levels.
- **Power and knowledge discrepancies:** in such remote contexts there are frequent imbalances in power and knowledge at multiple levels, within the local community context (individual, family, ethnicity or caste and gender), but also in relationship to other institutions and partners in the value chain. These increase feelings of distrust and can make it difficult to establish well-functioning partnerships.
- **Particularly marked gender differences:** roles for men and women in forest businesses might differ a lot, as women tend to deal with forest-based businesses with shorter turnover such as NWFPs, woodfuel, and markets closer to the homestead, which has influence on profitability.
- **High levels of informality:** informality — in all or part of the business operations — represents a major challenge both on the business side and for the incubator itself. In the forest sector it can manifest itself at different stages of the business cycle (eg production, processing and marketing phases) and can pose a barrier to accessing both formal credit lines and larger value chains. Although in many contexts the opportunity-cost for non-compliance with all regulations remains largely positive, making the transition to formality more challenging even if it can bring other benefits to balance out the costs.

Detailed documentation on what these business incubation models may look like (approaches and tactics) was not available at the time of writing, making it difficult to learn from them. This toolkit seeks to address this gap.

What this toolkit is

This toolkit is designed to demystify the concept of business incubation as something that is not only relevant for and applied in urban sectors, but also in rural contexts and with a focus on the forest sector. The toolkit offers a framework specific to the forest and farm landscape – in which there are peculiarities of context that require special treatment. It is intended to guide organisations who are already supporting Forest and Farm Producer Organisation (FFPO) businesses in some way but who want to increase, better structure, and target this support and improve the overall sustainability of the enterprises with which they work.

'Incubation' is a term often used to describe a process of nurture, growth and development. Like a hen sitting on her egg for 21 days to produce a chick, **business incubation involves a period of nurturing to generate an enterprise that is ready to stand on its own feet.** Business incubation involves working with a client business, and all the other different actors in the supply chain, to support the development of the value chain such that the client business becomes more sustainable.

Our understanding of business incubation is that it involves **a process of targeted support (for locally controlled business development) informed by a clear set of locally defined and appropriate development objectives, that include outcomes that have broader social, economic and environmental impacts.** This definition is in line with our thinking on the necessary integration of sustainable development and climate action noted above. The main characteristics of forest business incubation, and which make it different to general enterprise training and support, are that it aspires to continuous (not one-off) interventions, has specific procedures in place for selecting, evaluating and graduating clients, and actively maintains networks to which business clients can be linked profitably. For example, trainings are delivered as part of an ongoing process rather than as one-off support. These defining characteristics and procedures are at a minimum what you can expect from a business incubator.

The modules in this toolkit follow a cyclical flow of practical steps that will help you judge how to structure, finance and manage your business incubator (see Figure 1). Each module contains an objective, some notes on process, a checklist of what you will need, a set of steps to follow, and tips and examples which illustrate how others have addressed similar issues.

After completing the five modules in the toolkit, you will have a clear understanding about: which sorts of client businesses you want to support; how you need to adjust your institutional structure, staffing and finance to provide that support; what services might form part of that support; how to manage the delivery of those services to your client business; and how to assess the impact of the support offered.

Who this toolkit is for

This toolkit is intended primarily for **second-tier FFPOs who want to improve their business incubation services to their local first-tier FFPO members.** By 'second-tier FFPO' we mean a regional group, association or umbrella cooperative that has local FFPO businesses as its members.

FFPOs have some significant advantages in providing business incubation services because of their:

- **Connection with potential business clients:** second-tier FFPOs are usually co-located with the local first-tier FFPOs who are their members and potential business clients in specific geographies. They therefore have a presence and reach that allows them to contact and support those clients.
- **Financial sustainability:** second-tier FFPOs not only benefit from the sales of their members' products (often raw materials), they are also often set up to provide value-added processing and marketing functions for their members that also generate income. Because of this, their sustainability as an incubator can be much higher than comparable incubators in that they do not have to be so reliant on client fees or project funding as other private sector, NGO or government agencies operating in client-scarce forest landscapes.

- **Detailed contextual understanding:** FFPOs have a detailed understanding of the challenges facing their member organisations as they are often set up to support or represent them. This gives a strong advantage in business incubation.
- **Potential to scale up:** the more successful the businesses of first-tier FFPO members, the more resources are available to second-tier FFPO business, and the more likely those organisations will attract new members – which creates a virtuous circle of upscaling.

The toolkit is not intended for the training of institutions or staff that have no background or understanding of supporting forest business (if you are at that stage please start with the Facilitator's guide to supporting small forest enterprises – Macqueen *et al.*, 2012).

This toolkit can also be used to train other types of organisations in the practical steps required to set up business incubation services in forest landscapes, for example, private sector incubators, non-government organisations (NGOs), or government extension agencies. In contexts where FFPOs are either very weak, or forest and farm producers are not yet organised, business incubation may have to be carried out by other organisations that can gradually help build capacities and provide a trajectory for better organised first- and second-tier forest businesses over time. Where this is the case, this toolkit can help potential incubators that are committed to a broader set of social and environmental impacts to design their incubator model.

For this toolkit, **a secondary audience are those responsible for channelling climate and development finance (ie donors)**. Although not a direct user of this toolkit, this is an audience that needs to connect with forest business incubators. It is our firm belief that sustainable development and climate action require integrated solutions. The different modules can help users better understand and plan for the level of enabling investment required to incubate and ultimately create viable businesses into which climate finance can flow (see Elson, 2012 for a more detailed overview of the different layers of investment in locally controlled forestry).

A third audience for which this toolkit has relevance are teaching institutions looking to provide students in forestry and agricultural sciences with an understanding of the institutional set-up and service provision required to develop sustainable forest businesses at scale.

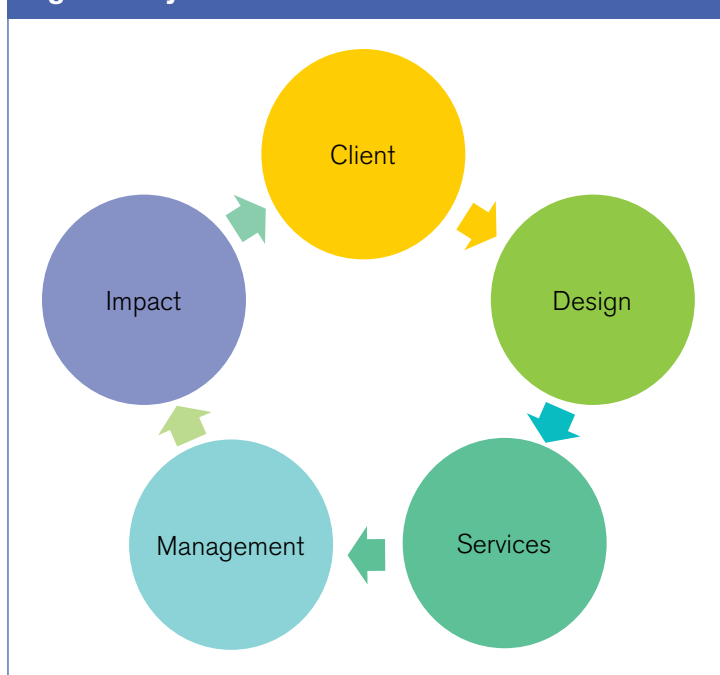
How to use this toolkit

The toolkit has been designed to provide **a logical process for thinking about how to design and manage a business incubation process** that can be applied across different types of institutions.

The toolkit comprises **five main modules**:

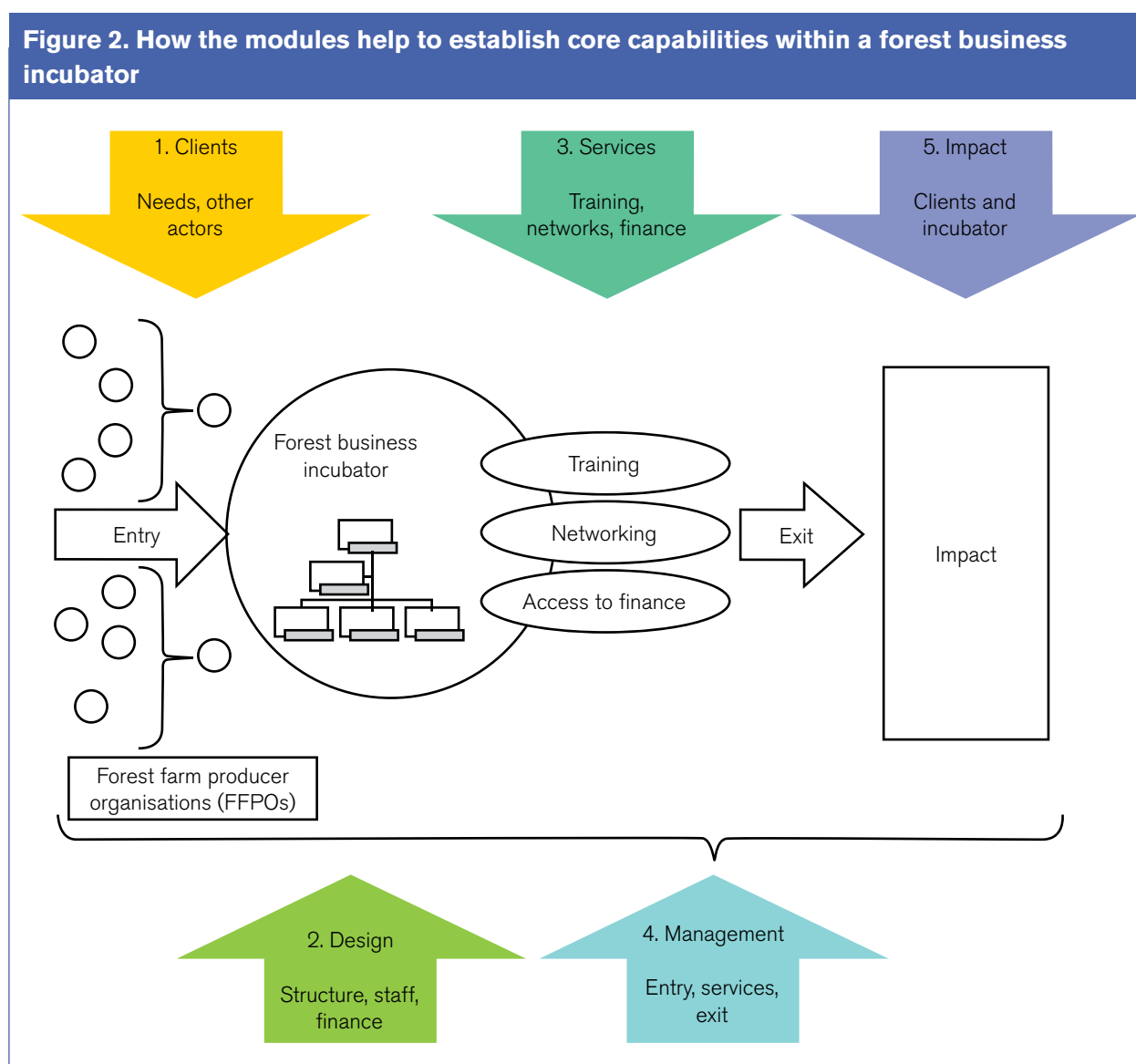
- Clients – how to define and assess the needs of potential FFPO client businesses
- Design – how to structure, staff and finance a business incubator for forest landscapes
- Services – how to identify, and develop the capacity to deliver useful services
- Management – how to enrol, serve and graduate FFPO client businesses, and
- Impact – how to measure and communicate what you have achieved.

Figure 1. Cyclical flow of modules within this toolkit



The modules within this toolkit follow a logical order. We start with an assessment of demand (the needs of client businesses in forest landscapes) in Module 1 on 'Clients'. We then offer some thoughts on how to structure, staff and finance a forest business incubator (the design to meet that demand) in Module 2 on 'Design'. From there we look in more detail at what a forest business incubator might offer to its clients (the training, networking and financial services) in Module 3 on 'Services'. This leads us to some considerations of how to oversee those services (the management of incubator-client interactions) in Module 4 on 'Management'. Finally, we conclude with some thoughts on what might be measured to improve performance and demonstrate utility (the impact of the forest business incubator) in Module 5 on 'Impact'. Each module features practical examples and tips to illustrate how you might go about a particular step. Sheets that might be useful for printing out are provided in Annex 3-6.

Figure 2 below shows the sequence – but please be aware: Module 2 on 'Design' looks at how to finance the incubator – while Module 3 on 'Services' looks at how to help client business access finance – a possible source of confusion that we want to avoid from the start.



It may be beneficial for your team to tackle each module, one at a time. However, **different types of organisations may have different entry points** for using this toolkit. For example, if the client businesses and their support needs are clear, you might not need to go through all the steps in Module 1. If this is the case, your start-off point will be to review Module 1 to ensure that you have all the information needed or know which gaps you need to fill to proceed with Module 2.

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Verdone, M (2017) The economic value of smallholder farm and forest production. BBC Research & Consulting, USA.

Clients of a forest business incubator

Objective

The purpose of this module is to define the geographical scope and types of clients, their needs, and other actors with whom their value chains interact. A forest business incubator will need to have clarity on this before planning the design of the incubation model. Using the client target group as a starting point, this module provides a set of logical steps and tools necessary to categorise clients, assess their needs, and map out the business environment within which they are operating. At the end of this module you should have a clear understanding of the defining characteristics of the type of entrepreneurs and value chains with which you are likely to be working.

Before starting this module you will need to prepare the following to successfully proceed through each step:

- An overview of the geographical and other restrictions imposed by the donor or founding group for the incubator
- A meeting room with flipcharts that can be used to capture the thinking of the business incubation team
- Transport to the field sites where you can get to know potential entrepreneurs and business groups

Process

This module has been designed as a participatory process to be carried out by the business coach or team from the forest business incubator, together with staff of potential client businesses. **Step 1** will involve categorising and defining the scope of potential clients for forest business incubation. **Step 2** will involve developing and pre-testing a needs assessment tool for clients. **Step 3** will involve a mapping exercise to describe the different direct and indirect actors in the business environment that have an influence on the target client businesses.

Step 1. Defining the scope of potential business clients and other support actors

Gather your team to discuss and describe the broad characteristics of the businesses you want to select as the clients for business incubation. Explain that this is different from the more specific selection criteria for the individual businesses that will be done at a later stage (Module 4). Agree on the minimum number of clients you must have to justify the forest business incubator and any sponsors it may have (and therefore the rough geographical area and cluster of businesses that you will serve). At this stage, take time to reflect on how within those clusters it might be possible to ensure gender equality and youth empowerment, as these are key pathways that need to be considered for sustainable businesses in forest landscapes. Also agree on the location for the forest business incubator and discuss the reasons for that location.

The following discussion points will help to narrow down the scope:

- What types of forest and farm businesses might qualify for our support within this forest landscape (ie might we exclude agricultural commodity businesses if our focus is on forest business incubation or is this counterproductive)?
- What are the preliminary criteria that reflect the mandate of the forest business incubator (eg group businesses that are locally controlled, add value and innovation; focus on women entrepreneurs; focus on youth to avoid rural outmigration, environmental considerations, etc)?
- Should we narrow down to some key products or services that the businesses we select will focus on or keep it general (eg timber value chains, NTFPs, honey value chains only, etc)? And what are the implications for this in terms of the incubator design?

- How tight should our geographical focus of where the businesses will come from be, bearing in mind the implications that this will have for our costs?
- The team may add others if relevant.

Write up the most important characteristics on a flipchart and, if the scope is still considered too broad, introduce a scoring exercise to agree on the main characteristics.

Once the general characteristics are agreed on, plan rapid appraisal field visits to assess the businesses of prospective FFPOs and conduct structured interviews with each potential business and other relevant actors. Agree beforehand on the areas to be visited and the key characteristics to look for in any potential client business (this may be guided by the regional survey checklist in Annex 1-2 and analyzed in Table 1 and Table 2). In each area you choose to visit, you may also plan to interview other support agencies (if any) to gather not only their views about what FFPO businesses might need support, but also to assess what those support agencies are already supplying, and their experiences to date. If resources are limited, make sure that this initial field visit is also sufficient to allow the selection of those businesses with which the incubator will initially work, against criteria developed by your team (read Module 4).

During this planning process, be extra careful to consider businesses led by women or those including many women. This is likely to be more relevant in some contexts and sub-sectors than in others. For example, in many countries the majority of NTFP and agriculture producers are women. As already mentioned, their participation tends to be at the lower end of the value chain where value addition and profits are limited. Here the question might not be so much ensuring women are not excluded, but how to improve their integration in the value chain. Table 1 below may help to provide some guidance on how to carry out this exercise. Make sure that if your rapid appraisal involves various teams, each team is equipped with an identical approach and interview questionnaire to conduct the work, so that there is parity between the areas to be surveyed.

Focus groups bringing different forest entrepreneurs together can also be useful in generating cross-fertilisation of ideas, challenges, and can help save time and money.

Table 1. Issues which need consideration in an initial field appraisal to assess client businesses				
Issues which need scoping before designing your forest business incubator	Area w	Area x	Area y	Area z
How many businesses in this area fall within the ambition of our forest business incubator (ie might be potential clients)?				
What are the main needs of those businesses?				
How many other support agencies exist and what services do they offer to prospective client businesses?				

NOTE: if your forest business incubator is hosted by an Apex FFPO,³ you would need to involve the executive board in setting up the selection criteria.

Assign staff to each rapid field appraisal and agree a schedule through which to carry out this initial work.

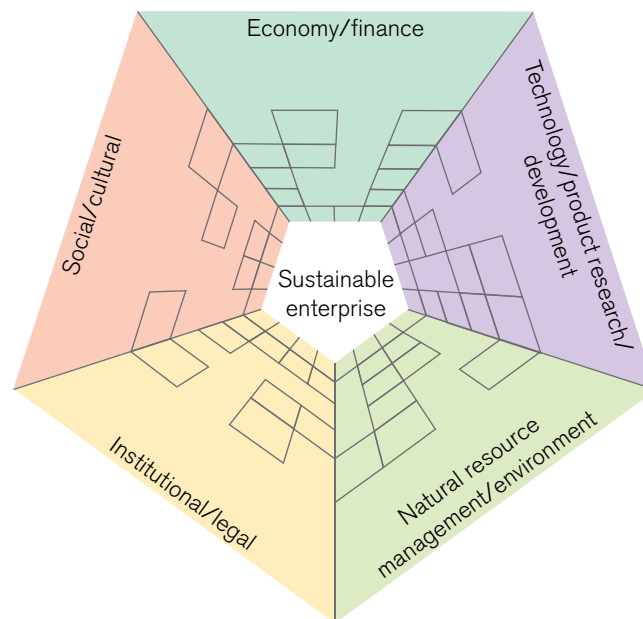
3. An Apex FFPO is the top tier of a multi-tier structure of producer organisations. It can represent one or several sectors and often have headquarters at the national level where it plays a key role in advocacy and lobbying for members.

Step 2. Preparing a detailed client needs assessment questionnaire

Once you have planned the broad details of the rapid field appraisal in Step 1, it is now time to develop a more detailed survey methodology for assessing the needs of potential client businesses. This will help identify not only the client base that the forest business incubator will serve, but also the specific needs of those clients.

- It is good practice to start with asking the business incubator team to share their past experiences in doing needs assessments to assess the in-house capacity.
- To develop the needs assessment questionnaire, which will identify the needs and capacity gaps in the businesses of our potential clients, we can use the five areas of enterprise development of the Market Analysis and Development (MA&D) framework (see Figure 3 below).
- The team will discuss for each of these five areas, what support a client business might need in those areas and will define three to four questions for each area to elicit more detail from the potential client business (you could do this in one group or in smaller groups). These sets of questions can be built into a questionnaire.
- The needs assessment questionnaire should not have more than twenty questions and should be easy to understand. You could pre-test the draft needs assessment questionnaire using peer review or piloting with a few clients (male, female and youth) before finalising and adopting it. The needs assessment is not only used to identify gaps but will also give information about what capacity is already in place.

Figure 3. Five generic areas of influence in the enabling environment



Source: Lecup (2011)

To successfully implement the actual needs assessment exercise, it is important to discuss and reach an agreement on the following questions:

Discussion points	Follow-up actions
Who is responsible for doing the needs assessment?	Assign a team.
When it will be done and for how many (pre-selected areas and potential client businesses)?	Check calendars and available resources.
How long will the needs assessment exercise take (eg one-off or multiple field visits and time needed)?	Allocate time, staff and resources.
How will data entry and analysis be managed?	Prepare a set of tools for the assessment team (see this toolkit and references for ideas).
How regularly will the needs assessment process need to be updated (depending on the anticipated lifespan of the forest business incubator).	Allocate time for review of the tool and target client scope as an agenda item in annual planning and review processes.

Once these steps are agreed on, the forest business incubator may write them down as a one-to -two-page needs assessment procedure document.

Box 1. AAIN needs assessment and ecosystem mapping process

Needs assessment process

The African Agribusiness Incubator Network (AAIN) defines a needs assessment as a systematic process for determining the gap between the current situation (what is) and the desired situation (what should be). The gap between where we are and where we want to be represents the **needs**. The AAIN parameters for needs assessment include assessment of **knowledge, skills, competencies, attitudes and perceptions** of individuals. We use these parameters to develop a context-specific needs assessment tool in the form of a questionnaire. Once this is done, we pre-test the tool and identify the clients to be assessed (this can be directly with existing FFPOs in the village but can also involve other community members with an interest in business incubation). You may apply the tool within a focus group discussion. Analyse the data collected and present it back to the participants (both the survey results and the secondary data). You then use this data to develop an intervention plan to bridge the gaps. Ensure that you do monitoring, evaluation and learning. A needs assessment should be conducted on a regular basis, at least once every year, to determine what individual members in an organisation – or a community entity using communal resources to generate income for the community – need to meet the required organisational or community goals.

Ecosystem mapping

When we think of the entrepreneurial ecosystem, we look at the environment in which the entrepreneur operates. AAIN focuses on several pillars of an entrepreneurial ecosystem:

- Accessible markets
- Infrastructure (physical)
- Human capital (the workforce)
- Funding options and financial services
- Innovations and technologies
- Support systems (such as mentors, professionals, incubators or networks of entrepreneurs)
- Regulatory frameworks
- Education and training
- Cultural support

We use these pillars to develop context-specific tools, which can also be discussed in a focus group discussion. The findings are documented and used to write an ecosystem mapping report, which will show the state of the business environment in the geographical area on which the mapping is focused (national, county, sub-county, etc).

Step 3. Mapping the business environment

In addition to preparing a needs assessment questionnaire, the rapid field appraisal visit should include plans for improving understanding of the business environment within which the client businesses are working. In other words, team members should plan to visit other actors (both government and non-governmental) in the target areas who might already be supporting potential client businesses to know what role they play in the value chains or what existing services they are offering that might be of use. Support organisations can have diverse impacts on community enterprise success – both positive and negative. Getting an overview of both the recent history and current situation will help to avoid any unnecessary overlaps in the future and identify potential resources that could be brought in to provide specific services.

- Draw out the value chains of some of the more prominent local businesses in the forest landscape (if you need help with this idea – please refer to one of the value chain manuals in the 'Useful links and resources' section)
- Discuss which key actors in the forest and farm value chains you may wish to interview in addition to the FFPO businesses themselves (eg input suppliers, other producers, value added processors, distributors, end users) (see example of a value chain map in Figure 4 and in Annex 2).
- Develop a table with these different actors. Discuss and fill in their roles in the value chain and show links with financial institutions, academic institutions, government and private forestry organisations and other relevant stakeholders (see Table 2 on Mapping other key actors who shape the business environment).

Figure 4. Mondulkiri Forest Venture (MFV) honey value chain

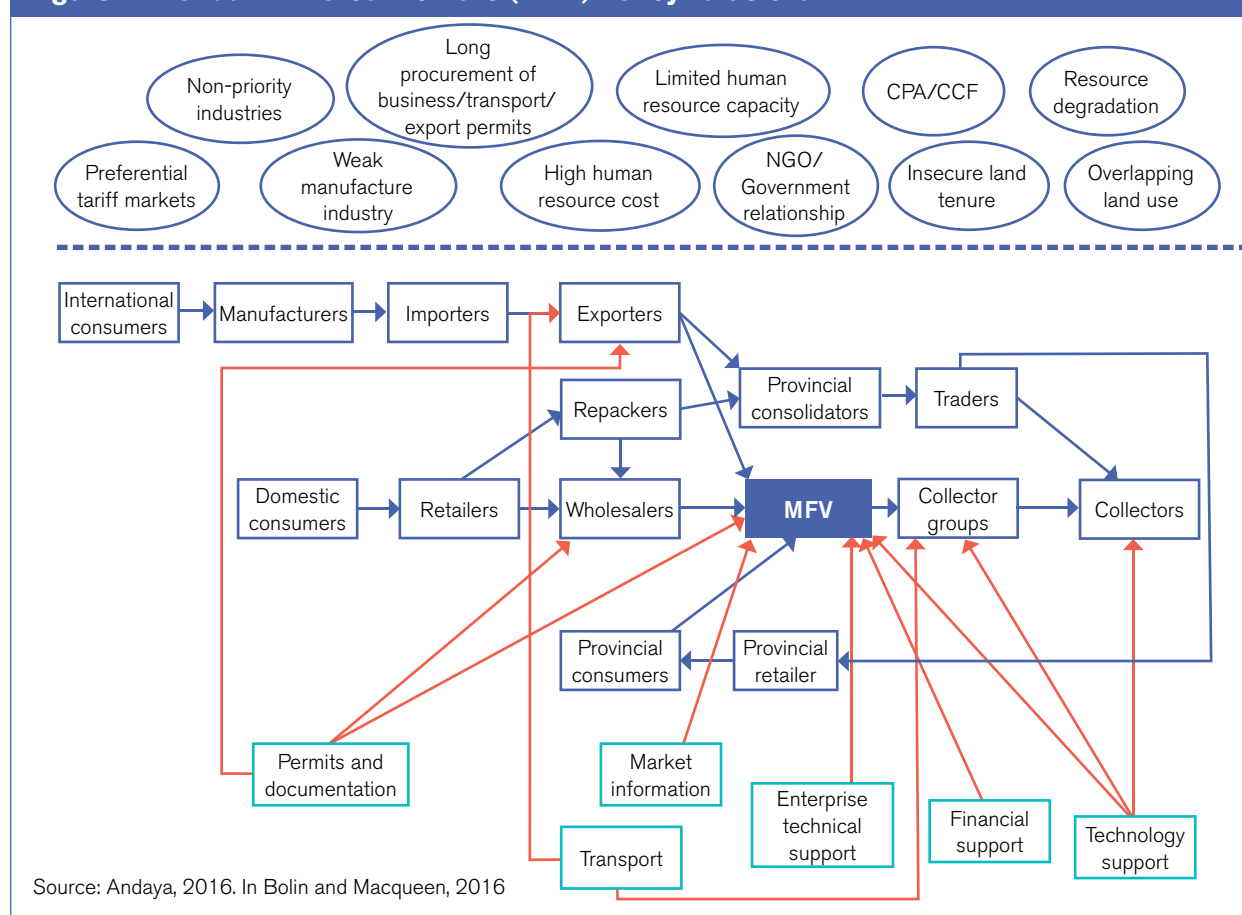


Table 2. Mapping other key actors who shape the business environment for a particular area

Other value chain actors	Role in value chain	Potential use for client businesses
Input suppliers eg tree nursery		
Other producers eg tree growers		
Added value processors eg pole-millers		
Distributors eg intermediaries		
End-users eg power company		
Other supporting actors	Main existing links to value chain	Potential use for client businesses
Legal advisors such as local authorities, eg forest department		
Finance and insurance providers, eg local banks		
Business service providers, eg business trainers		
Market information systems, eg price indices		
Technical service providers, eg extension services or NGOs		
Social organisation specialists, eg local NGOs or relief agencies		
Research centres of relevance to business, eg local universities, technical centres		
Other business incubators, eg in urban centre		

Step 4. Conducting a rapid field appraisal and analysing results

Now that you have a clearer idea of the areas and types and numbers of business you intend to target; the next step will be to go to the field and start to collect information on the existing situation to analyse your target clients' needs. You can now assign staff responsibilities for collecting, compiling and analysing data, then schedule and undertake rapid field appraisals in those areas – using the broad planning (Step 1, Table 1), the client needs assessment questionnaire (Step 2) and the mapping approach for the business environment (Step 3).

Once the field teams have returned, and the data has been compiled and analysed, organise a team discussion to assess two main issues:

- How does our more detailed knowledge of the potential client businesses shape our planned geographical coverage and business support focus? For example, if there are too few client businesses to support, do we need to expand our proposed geographical target area? If there are particularly promising business sectors of which we were not originally aware, do we need to adjust what product or service categories we might wish to target?
- How does our understanding of client business needs and the main opportunities and gaps in the business environment shape what sort of services our forest business incubator will need to provide? For example, what do our client businesses need that is not yet available? Are there gaps not being addressed by the value chain actors or other supporting actors? (see Table 2). Are there services available that our client businesses could make better use of? Are there innovations in particular value chains that could be adopted and used by our client businesses with which they are not yet engaged? Are there existing incubators in the area with which

we could usefully link? Are there sources of finance that could be tapped into, either to better support our client businesses or to improve their own access to finance?

Tips

- The business incubation team should be aware of the risk of raising expectations of the potential clients through the needs assessment process.
- It is vital that any client business interventions are supported with the free prior and informed consent (FPIC) of all those in the forest community where it is based – so it is worth reading and being familiar with FPIC procedures. See references below.
- Careful selection of clients, was one of the key success factors described by many of the forest business incubators surveyed in preparation for this toolkit – so giving this careful attention is an important starting point
- Be careful from the outset to ensure that men and women's business options are considered and that both men and women will be at the same level of knowledge at the end of your intervention. In that way the incubator will improve its capacity to include gender equality and assess its own situation.

At the end of this exercise, you should be able to:

- Define the main types of client business that the incubator will support
- Select your target geographical area
- Specify initial client needs and intervention points where you can fill capacity gaps
- Identify institutions and other supporting agencies that can help you make new linkages in main value chains
- Map financial options available to you as an incubator and for your potential client businesses

This will allow you to move onto the next module and start to design the forest business incubator itself.

Useful links and resources

Albu, M and Griffith, A (2005) Mapping the market: A framework for rural enterprise development policy and practice. Practical Action. Available at: https://practicalaction.org/docs/ia2/mapping_the_market.pdf

Andaya, E (2016) Cambodia: Mondulkiri Forest Venture. Improving the livelihoods of forest-dwelling communities. In Bolin, A and Macqueen, D (eds) (2016) Securing the future: Managing risk and building resilience within locally controlled forest businesses. IIED, London. Available at: <http://pubs.iied.org/13587IIED>

Chakrabarti, I. and R, Magotra "Module 7: Mapping and benchmarking support services" In: Macqueen, DJ (ed.), Baral, S, Chakrabarti, L, Dangal, S, du Plessis, P, Griffith, A, Grouwels, S, Gyawali, S, Heney, J., Hewitt, D, Kamara, Y, Katwal, P, Magotra, R, Pandey, SS, Panta, N, Subedi, B and Vermeulen, S (2012) Supporting small forest enterprises – A facilitator's toolkit. Pocket guidance not rocket science! IIED Small and Medium Forest Enterprise Series No. 29. IIED: Edinburgh, UK. Available at: <http://pubs.iied.org/13558IIED/>

FAO (2011) Market Analysis and Development (MA&D) manual: a facilitation guide to the establishment of community businesses. Available at: www.fao.org/docrep/014/i2394e/i2394e00.pdf

FAO (2016) Free, Prior and Informed Consent: An indigenous peoples' right and a good practice for local communities. Manual for project practitioners. Available at: <https://tinyurl.com/http-www-fao-org-FPIC-2016>

GTZ (2008) ValueLinks Manual: The methodology of value chain promotion. Available at: http://valuelinks.org/wp-content/uploads/2015/09/valuelinks_manual_en.pdf

Lecup, I (2011) Community-based tree and forest product enterprises: Market Analysis and Development manual. FAO: Rome. Available at: www.fao.org/docrep/014/i2394e/i2394e00.pdf

From the InfoDev series 'Business Incubation Management Training Programme': Module 03 Planning the Business Incubator. Parts 1 & 2. Available at: www.infodev.org/infodev-files/m3_trainee_manual_part1_20101029.pdf



Exchange visit and training of Nepalese women entrepreneurs to the Self Employed Women's Association (SEWA) in India.
Credit: Amit Poudyal, IUCN

Organisational structure and staffing of a forest business incubator

Objective

The objective of this module is to identify key skillsets your organisation needs to build and institutionalise so that it can serve your business clients' needs and identify where to get expert support and services from existing networks. After this module, you will be able to create the organisational structure and identify staffing needs and resources for a forest business incubator.

Process

In Module 1, your team identified priority clients around which you intend to tailor your business services. To evaluate whether your organisation is equipped to provide these potential clients with needed services, it is advisable to carry out an institutional self-assessment of your organisation. This module will take you through the self-assessment in four steps. **Step 1** will help you identify the sort of staff skills required to develop core services that address your target clients' needs (Module 1). **Step 2** will help you assess whether there are any missing elements in your organisation's structure that will need to be addressed for you to provide these core services. **Step 3** will give you practical guidance on how to build a strategy towards an organisational structure fit for business incubation. **Step 4** will present some options for generating finance to support the delivery of business incubation services.

Before starting this module you will need to prepare the following to successfully proceed through each step:

- An overview of the scope of your target clients and their needs (identified in Module 1)
- An overview of business services provided by other organisations operating in your landscape (also identified in Module 1)
- An overview of services your organisation currently is providing
- Your current organisational vision and strategy, any changes anticipated to this as you take on business incubation, and why such a change makes sense for your organisation
- A diagram of the organisational structure or organogram
- A meeting room with flipcharts (and plenty of time)

Box 2. Different audiences who might want to use this toolkit

While this toolkit is primarily aimed at developing business incubation capacity within second tier associations of FFPOs, the self-assessment can also be applied if your organisation belongs to one of the following types of incubators (even if you haven't identified yourself as one), such as:

1. Third tier apex organisations (at the national level but with sub-national chapters)
2. An NGO providing support to FFPOs
3. A private sector agency providing business incubation services – but not yet tailored to the forest sector
4. A government extension office

NB it is not always necessary to equip your organisation with all skillsets required to support FFPOs. In fact, it is unlikely that one organisation will have all the skills, resources, and networks to provide a complete incubation service. Partnership, in this case becomes essential. So, it is good practice to also consider what skillsets and capacities other organisations – already operating in the same forest and farm landscape – are providing. You may have already identified examples of these types of service providers or value chain actors in Module 1 under Step 3: Mapping the business environment. This will be further covered in Module 3: Design of incubator programme and services.

Box 3. Strengthening capacities of field staff through senior technical advisors – the example of Sawlog Production Grant Scheme (SPGS), Uganda

The Sawlog Production Grant Scheme (SPGS) is a semi-autonomous project that is supervised by the government of Uganda's Ministry of Water and Environment (MW&E). All project staff were locally recruited and nearly all were recent forestry graduates from Makerere University. Two international technical advisors (TAs) were assigned to the project to support the project manager and the forestry staff. Importantly, the chief technical advisor (CTA) had over 20 years' experience with commercial plantations in Africa and was tasked with reporting independently to the steering committee, as well as working day to day with the project manager. As SPGS expanded rapidly and the need for additional support was evident, a second TA was recruited from southern Africa; this person also had very practical plantation experience. Both TAs were active in training and mentoring the young forestry staff, which included exposure to the mature, commercial forest sector in South Africa and Swaziland.

Source: Jacovelli, 2018. In Macqueen and Bolin, 2018

Step 1. Required staffing skills

Based on the needs of your business clients, available services from other organisations (external) identified in Module 1, as well as your own organisational skillsets, it is possible to identify what new internal skillsets need to be developed. Start by listing in Table 3 the business client needs that you have identified (**Column 1**), external skillsets known in your landscape (**Column 2**), and existing internal skillsets (**Column 3**). Appreciate in the latter the diversity of your staff being men, women, youth, and indigenous persons. Based on comparing Column 1 with 2 and 3, list the remaining skills still required to support your clients in **Column 4** (missing internal skillsets). This list in Column 4 represents the skillsets your organisation needs to develop.

Table 3. Gap assessment to identify skillsets to become a forest business incubator

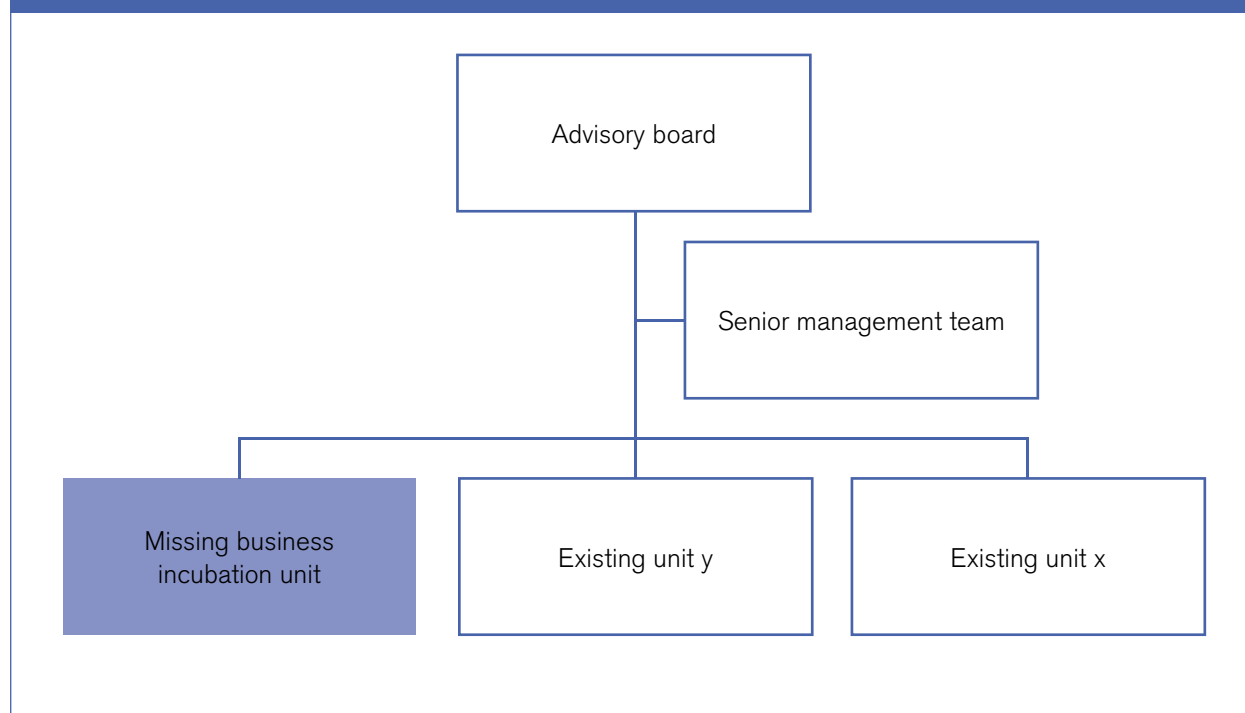
<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Client needs	External skillsets	Internal skillsets	
		Existing	Missing
1			
2			
3			
etc			

If you have identified an extensive list of needed skillsets for your organisation, consider prioritising them. The most important skills required for FFPOs, as discussed in the 'Forest Business Incubation book' (Macqueen and Bolin, 2018) which covers 11 cases describing incubator models, are a mix of technical, finance and business training support, with an emphasis on resource management and soft skills such as organisation building and strengthening. These might already form the required core of your incubator services. Further information on the services that you should consider offering are described in Module 3.

Step 2. Identify missing elements in the organisational structure

With the insights gained from Step 1, you know what skillsets are needed within your organisation to become an incubator supporting FFPOs. This new insight might require you to rethink your organisational structure and identify new tasks or positions enabling you to provide for future services.

Figure 5. Existing organogram with missing business incubation component



Collect the existing organogram as well as terms of reference (TOR) of staff in your organisation and the list of identified missing skillsets or gaps (see Step 1). With your colleagues, including the business incubator manager or 'business coach', review the organogram and discuss whether the gaps in skillsets can be overcome by existing staff or through additional courses, or whether new staffing functions need to be created. It might also be possible that your organisation requires further restructuring, in particular when a for-profit branch or unit is planned which previously was not part of the organisation's mandate.

Whatever your current organisational structure is, the intention now is to reshape that structure so that it has a distinct 'unit' that works on business incubation. For existing business incubators, there might be little need for change, but if your organisational structure is that of a second tier FFPO, an NGO or a government extension service or management unit – you may need to insert an entirely new unit into the original structure.

Step 3: Creating organisational alignment for business incubation services

When you have concluded from Step 2 that your organisation and/or organisational structure is not adequately equipped to provide incubator services you may have to redesign your structure or even your organisational strategy.

In a preliminary meeting, explore with your colleagues and the business incubator manager whether to adapt or redraw your organisational structure to embed the required business incubation skillsets for forest and farm landscapes. Discuss the implications in terms of staffing, capacity development investment, where to source new skillsets, either in the organisations' network or existing services in the value chain. Also consider the potential costs that may arise from restructuring.

Once this is done, call a meeting with your senior management team and, if you have one, the advisory board of your organisation to discuss the implications of improving your capacity for business incubation. Adapt your plans accordingly based on their advice. In presenting to the senior management team and advisory board, make sure to use the information collected in Module 1 as the main argument as to why your organisation may need to adapt to serve your business clients effectively.

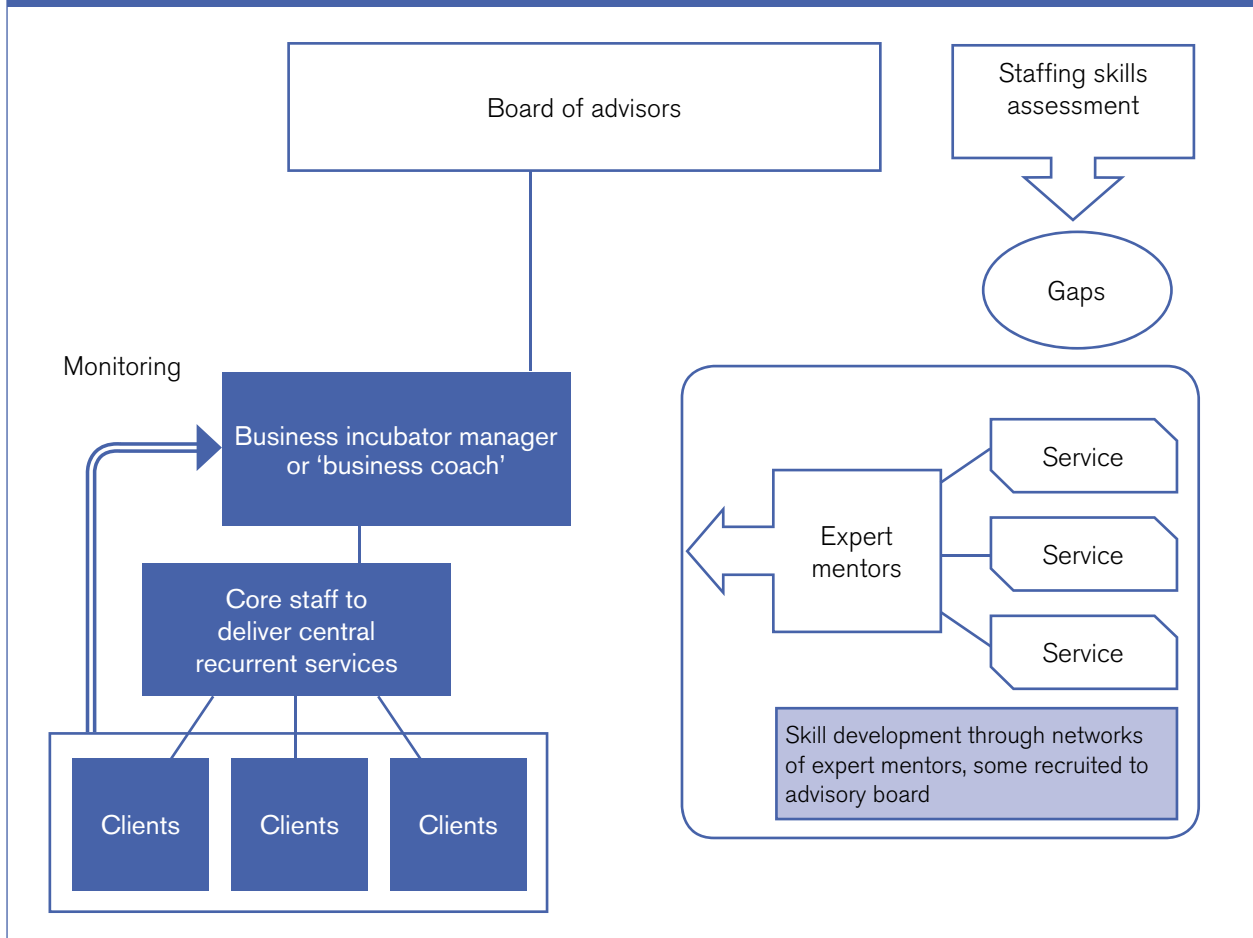
With your colleagues and manager, propose a strategy to reorganise your services, which includes a proposed trajectory towards building an effective business incubation unit serving your client businesses (which in most cases will involve FFPOs). Make sure to also put in place a mechanism for assessing the new strategic direction that you are taking. For example, by developing a business plan for this specific unit within the organisation that includes regular monitoring and evaluation. As you discuss the delivery of services, it is good to consider whether it is necessary to employ permanent staff – important for those areas of service delivery that are likely to be a recurrent need in many client businesses – or whether those services can be handled by maintaining a pool of part-time specialists who can be called on a per needs basis.

If your organisation does not yet have an advisory board or a network of experts who can provide support in developing a business incubation unit, you should consider reaching out to particular professionals and experts. These typically come from the field of business management, entrepreneurship development, technology transfer, or finance. Some incubators involved in development of new and innovative products seek support from experts on intellectual property management or pro-bono legal expertise.

For an incubator to be relevant and up to date on certain developments affecting FFPOs and the business-related services they require, you will need to build and maintain an extensive network (see Module 3 for more detail). Typically, these consists of legal experts, finance and insurance agencies, other incubators and business service providers, marketing agencies, technical extension agencies, input and equipment suppliers, social development organisations, and research and development agencies, including agricultural and forestry universities and colleges as well as vocational schools, in particular those operating in rural areas. It's important to take into account a gender balance and check on the gender sensitivity of your external advisors. These linkages will also help facilitate access to additional services your incubator does not provide.

An example of how an organogram suited to business incubation in forest and farm landscapes might be strengthened based on the self-assessment is depicted below.

Figure 6. Example of a new business incubation unit that can be inserted into an existing organogram



It is critical for an FBI to build a strong network of mentors, coaches and consultants – male and female – and have in place a mentor-mentee feedback mechanism.

Step 4. Financing the delivery of business incubation services

From Step 3 enough clarity should be gained to understand what new staff members are required and what external services need to be engaged. Financing the business incubation unit then comes clearly into focus. It is important to have a good mix of multiple revenue streams, in particular when providing support to FFPO start-ups, which tend to be a long process before they can become financially able to start paying for incubator services.

Box 4. Client fees sourced from lead firms rather than incubates – the example of PlanJunto, Ecuador

PlanJunto in Ecuador adopts a slightly different business model to the traditional client-fee model. Instead of charging client fees from start-up and early stage enterprises upstream in the value chain, PlanJunto's incubation services are financed by private sector buyers. Lead firms such as 'Fundacion Runa' are working with PlanJunto to help them develop the value chain and business relationship they have established with small Amazonian tea enterprises which are owned and managed by indigenous peoples in the Ecuadorian Amazon. This model is quite unique and likely to be applicable only in certain market circumstances.

One interesting option is to work with potential buyers or lead firms that want some of the products that FFPOs can produce. Such buyers or lead firms will often be willing to pay for services required to get local FFPOs into their supply chain.

A fund mechanism may need to be developed to cover the costs of service delivery. Such a mechanism ideally, for the sake of a sustained incubator, consists of a mix of the following revenue streams:

1. Fees from client businesses (or other external paying customers) for training, mentoring and consultancy services.
2. Joint ventures where the incubator invests its own capital into a business and then shares a portion of the profits that can subsequently accrue.
3. Government grants for business incubator programmes.
4. Donor projects, philanthropic private initiatives, or revenues from organising events, to help de-risk or pre-finance the development of the forest business incubator.
5. Climate finance opportunities which are increasingly of interest and relevance to forest-based business incubators, in particular where they support FFPOs in sustainable forest management practices, and forest product-based enterprise development efforts. These can be clearly linked to improved forest cover and greening local economies.
6. A diverse suite of income sources, particularly possible with second tier FFPO incubators and including value-added processing of client business products and marketing fees for aggregated FFPO member products.
7. Membership fees or a share of the sales of members' products marketed through the business incubation organisation (see Box 6 on Södra).

Box 5. Diversifying the incubator income base – the examples of AgBIT, Zambia

The African Agribusiness Incubation Network (AAIN) provides incubation support services for other business incubators in the agribusiness sectors. Over the years AAIN has found that one of the most critical challenges for incubators in these sectors is to establish financial sustainability. The particular context, where clients often need significant support over a longer period of time, but with very little profit to pay for those services, makes incubation in the forest sector costly and close to impossible to do purely on a client-fee basis. To manage this challenge one of AAIN's members, AgBIT in Zambia, has developed a diversified income base to spread its risk and income from private sources:

- 10 per cent client business fees for services
- 16 per cent fees for specific consultancy / trainings
- 12 per cent from sales (horticulture technical services)
- 62 per cent from donor grants

Box 6. Generating income from sales rather than membership fees – the example of Södra, Sweden

Södra is a large cooperative wood industry in southern Sweden with approximately 50,000 forest landowner members – but rather than charge membership fees it deducts a small percentage of the sales fee for members supplying it with raw material, which then becomes a shareholding for future profits. The revenues generated through sales and shareholdings are used to subsidise a range of services offered to members.

Once you have an overview of the potential funding streams you will be able to tap into, you need to develop an annual financial plan for your operations so that you can assure that the different funding mechanisms can be sustained to cover your ongoing operations. Developing a clear value proposition with a for-profit approach helps the incubator to focus on the types of services it provides and the role it plays, in particular on the business basics of solving specific problems and getting results which can be clearly measured. The latter will also help the FBI to raise additional funding with external donors and government. The FBI can however adopt a specific policy towards vulnerable groups to lower membership fees and make access to FBI services more affordable.

Tips

- Consider contacting university lecturers on agriculture or forestry to explore whether it is possible to invite them or graduate students to work with you to develop particular skill areas, while giving students an opportunity to get work experience, or perhaps employ them after a grace period.
- Providing internship opportunities to students can also be a strategy to strengthen the development of the FBI (see example from AgBIT) by acquiring up-to-date developments, while providing students with practical learning opportunities.
- Pro bono services can be sourced to build new skillsets of your staff and they are another way of reducing costs in service provision.

At the end of this exercise, you should be able to:

- List what sort of core services your target clients are likely to need as part of a regular incubation programme
- Specify what type of general or 'core' business development services your incubator will need to provide on a regular basis and what expert services you will need to provide on an ad-hoc basis
- Plan for staffing your incubator to develop the skills and services you need for 'core' services and which contacts you might need to develop or draw on from a network of experts
- Develop a strategy for how to 'fit' your incubation services within an existing organisational structure that is aligned with current vision and objectives
- Have a range of options for how you might finance the delivery of your business incubation services based on your specific organisation and business model
- This will allow you to move onto the next module and start to design the services you will offer your clients.

Useful links and resources

Jacovelli, P (2018) Sawlog Production Grant Scheme (SPGS). In Macqueen, DJ and Bolin, A (2018) (eds) Forest business incubation: Towards sustainable forest and farm producer organisation (FFPO) businesses that ensure climate resilient landscapes. IIED: London, UK.

From the InfoDev series 'Business Incubation Management Training Programme':

Module 03 Planning the Business Incubator. Parts 1 & 2. Available at:

www.infodev.org/infodev-files/m3_trainee_manual_part1_20101029.pdf

www.infodev.org/infodev-files/m3_trainee_manual_part2_20101029.pdf

Module 5- Financing an Incubator. Parts 1 & 2. Available at:

www.infodev.org/infodev-files/m5_trainee_manual_part1_20101029.pdf

www.infodev.org/infodev-files/m5_trainee_manual_part2_20101029_0.pdf

InfoDev (2015) Crowdfunding in Emerging Markets: Lessons from East African Start-ups. Washington, DC: The World Bank Group. License: Creative Commons Attribution CC BY 3.0. Available at: www.infodev.org/infodev-files/crowdfunding_in_east_africa.pdf

For examples of different models for staffing and financing business incubators in the forestry and agriculture sectors see: Macqueen, DJ and Bolin, A (2018) (eds) Forest business incubation: Towards sustainable forest and farm producer organisation (FFPO) businesses that ensure climate resilient landscapes. IIED: London, UK.



Women discussing different products for developing a community business in Tanjung Batu Village, Berau, East Kalimantan. Credit: Javlec

Design of incubator programmes and services

Objective

The objective of this module is to understand what different services a business incubator might offer to its client businesses in the forest and farm landscape and how it might deliver those services. After working through this module, you will have:

- identified a mixture of services you can deliver through a pool of core specialised staff;
- developed your ideas on external networks and experts or mentors you might need to complement your in-house capacity in service delivery; and
- defined your approach to improving access to finance for your client businesses.

Before starting this module you will need to prepare the following to successfully proceed through each step:

- An overview of your business client's needs (identified in Module 1)
- An overview of your organisational staffing and structure available for business incubation (identified in Module 2)
- A meeting room with flipcharts that can be used to capture the thinking of the business incubation team

Process

To complete this module, you will need to convene meetings with your core staff and assemble all the data that you collected in Module 1 about the needs of your potential client businesses, and from Module 2 on the design of the incubator. At this stage you will need to think through what internal capacities you have in your manager (or 'business coach' —see Annex 4 for a sample terms of reference that can be used to recruit one) and other core staff, and whether you might need to recruit to fill some skills gaps in the core services to be offered by your business incubator. You will need also to begin to map out an external network of experts and mentors to address all the other more specific service needs that your clients might have — and how you will help your client businesses to secure any financial needs.

Box 7. Setting up your own rural business school to educate youth – the Federation of Cooperatives of the Verapaces (FEDECOVERA), Guatemala

FEDECOVERA in Guatemala is a second-tier cooperative that provides business incubation services to its many member cooperatives which produce timber, coffee, tea, cardamom and cocoa. FEDECOVERA itself has established processing facilities for its members' products and so it both provides a market and generates its own revenue by adding value to member's products. To support its members, it has also established an **agroforestry business training school** within its own premises — that helps in the start-up, training and financing of new member businesses — with a particular focus on youth development.

Source: Moran, 2018. In Macqueen and Bolin, 2018

Step 1. Developing a set of central training modules

To meet the needs of client businesses, it will be necessary to offer both a general training in running a business, and a more specialised training that caters to particular value chains, technology needs and markets. The initial staff capacity of a business incubator will vary, depending if it is hosted in a FFPO, an NGO specialised in business support, a private for-profit entity, or some form of government extension service. From preceding case study research of business incubators serving forest and farm producer organisation businesses, there is a fairly irreducible minimum set of **central training modules** that almost all business incubators provide. These include:

- Needs assessment of the business clients (see Module 4) to develop an intervention plan
- Coaching or mentoring skills to build trust and support the process – in a gender-sensitive way – towards a sustainable business
- Business training, entrepreneurship and business plan development
- Financial literacy to establish management accounting skills and investment readiness
- Market and customer research
- Sustainable resources management, planning and conflict resolution
- Product and value chain development
- Leadership and business management capacity
- Marketing and brand development
- Risk management

It should be noted that unlike many conventional business incubators, incubators in the forest and farm landscape inevitably require some form of natural resource management expertise – and almost certainly some conflict resolution expertise (see ‘Useful links and references’ at the end of this module under ‘Negotiation and mediation techniques for natural resource management’). This is because forest land use is often highly contested between different claimants both within and outside communities.

To offer these central services, a business incubator needs to have at least one business coach/manager who understands business development and has core entrepreneurial skills. Other core staff can be hired depending on the financial capacities of the organisation. The business coach can train other existing staff to support the business incubation function of the organisation. Several guides exist on how to provide some of these central services to client businesses (for example, the ‘Supporting small forest enterprises’ toolkit (Macqueen *et al.*, 2012) and the Market Analysis and Development manual (Lecup, 2011) – see ‘Useful links and references’).

There are also other areas of knowledge which, while not central in all cases, are often required by client businesses. These include training relating to:

- Organisational management (usually important in collective enterprise models)
- Basic literacy (in more remote community groups)
- Quality assurance processes (often critical in early phases of business development)
- Investment options and advice
- Labour standards and human resource management

If you can't provide some of these services, they can also be brought in through the expert network discussed in Step 2.

Box 8. The 'master trainer' approach to peer-to-peer trainings – the example of SEWA, India

SEWA and its sister organisations, such as Sabah in Nepal, use the concept of a 'master-trainer' to provide peer-to-peer trainings to women client businesses. These master trainers are members of the same federation and have themselves received similar trainings in the past from other peers. They are part of a wider network of expert mentors that the organisation maintains. This is an effective method used by SEWA and sister organisations to strengthen solidarity between members, whilst ensuring skills and capacity are continuously built within local clusters of women's enterprises and within the members' organisations.

Source: Nanavaty, Desai and Bhatt, 2018

Tip: Because many agricultural extension and technical/business skill training programmes are traditionally skewed toward men, make sure to consider your women clients during each step, by asking: *"how will this work for our female clients?"*

Step 2. Establish an expert (mentors) network to link to more specialised service providers.

Developing a strong network of expert mentors can extend and complement the capabilities of your internal staff. Mentors can provide more individualised advice and can help support business needs that fall outside your staff capacity. These might be in areas such as:

- Legal advice on registration, transport, export, intellectual property, etc
- Technology transfer advice and procurement (for specific processing and packaging requirements)
- Industrial plant design and layout (for more advanced processing facilities)
- Maintenance and repairs for installed facilities
- Information and communication technology, including website design
- Specific agronomic advice for planting, managing and improving the resource base
- Certification and labelling schemes.

Box 9. Engaging lead firms to facilitate market access and value addition

The Asia Network for Sustainable Agriculture and Bioresources (ANSAB) and NTFP-EP use lead firms in their network as key partners for developing the value chain. They not only contribute technical advice to local FFPO businesses that might supply them but they also contribute in fees to the work of the incubator for helping develop those supply chains. Another reason for engaging with lead firms is because they can often act as aggregators and processors of material coming from several or many local FFPO businesses. In some cases, the incubator even puts equity into the lead firm with a view of developing market access for FFPO products. For example, in Nepal, ANSAB put equity into the establishment of Himalayan Biotrade Ltd., which acted as a processing, packaging and international sales outlet for 20 local handmade paper producing businesses based around community forest user groups in Dolakha and 16 more in Bajhang. This strategy of engaging lead firms that support the business activities of start-ups or early stage businesses appears particularly relevant to business incubation in forest landscapes where aggregation of product from multiple locations is a key challenge.

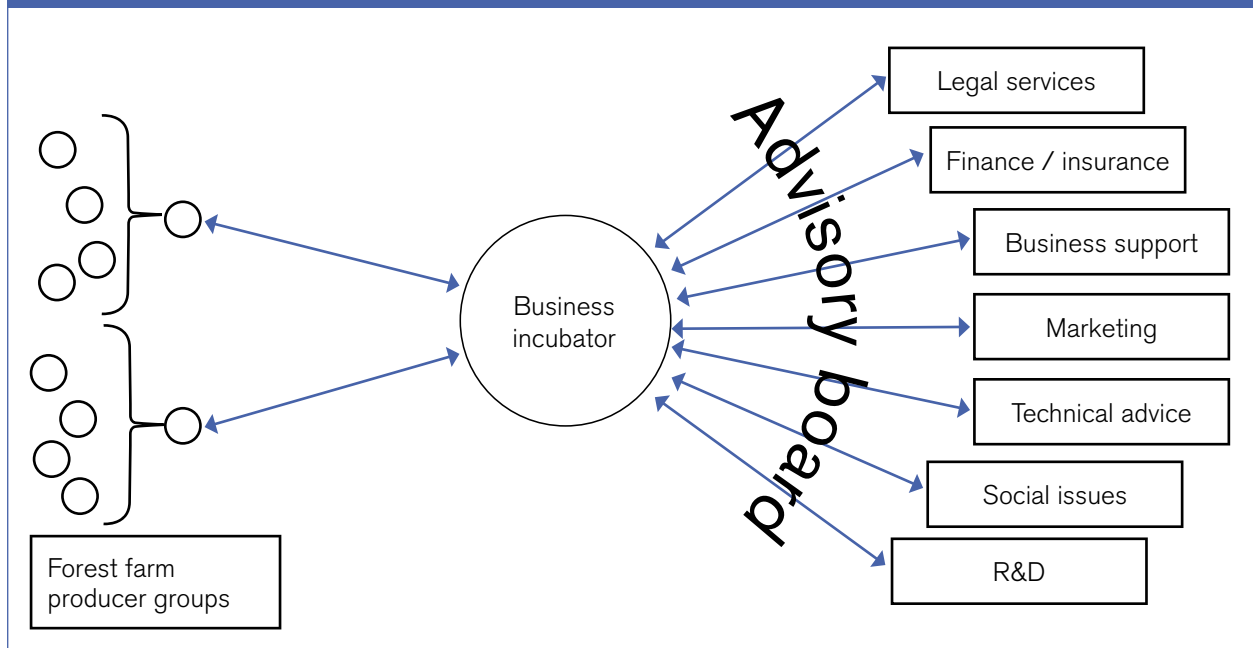
Source: Subedi, B, Khanal, SC, and Ghimire, PL (2018)

One method for sourcing expert mentors is to develop formal agreements with resource institutions (government services, training & research institutes, chambers of commerce etc) which can support and provide their inputs when requested. You will also need to put in place the necessary arrangements addressing the conditions for their support. This can be included in a MoU or a partnership agreement where the type and level (frequency and number of clients and areas) of technical support likely to be needed are clearly outlined. One way of increasing the benefits of the partnership could be to extend some of the incubation services to the other institution's staff or students, helping them strengthen their own staff capacities in business development and coaching. This is also desirable from the perspective that it is likely to be good overall for your client businesses as they will have a larger network of resource institutions that both understand and are in a better position to support them.

Sometimes the cost of providing access to expert mentors is minimal (for example if a potential buyer provides technological advice pro bono in the hope of securing the supply of that processed product). In other cases, costs need to be covered or remunerated by the incubator, which requires consideration of how to pass on such costs either to a donor project that it holds, or to the client through fees for services (see Module 4). An interesting way to pool low cost human resources can be through an agreement with universities or technical institutes with business curricula where students can earn credits for supporting business start-ups through your business incubator. However, it is important that voluntary services offered in exchange for experience is vetted for quality and fits within already established objectives and quality criteria designed by the incubator (and clients) itself.

Experience suggests that services of the type listed above can be pooled through the development of networks based around core knowledge areas (see Figure7).

Figure 7. The main knowledge areas in which a business incubator needs to develop networks



For each of these areas, it would be beneficial for your forest business incubator to establish a lead contact for a network by inviting someone with relevant expertise onto an advisory board for the incubator:

- **Legal services.** Establish links with lawyers, government agencies, regulators. For example, when your client business is a start-up business of an FFPO, it needs to understand the legal consequences of the different business models related to tax payments, rates, issuing of licences and permits, etc. Access and tenure issues around land and forest – especially for women and young people – are often stumbling blocks for forest-based businesses and require legal advice.
- **Finance/insurance.** This can make or break the business, so a business incubator will have to provide guidance for accessing financing. Because this is such a key issue in supporting business in forest and farm landscapes we treat it separately in Step 3 below.
- **Business support services.** Beyond what can be offered by your core staff, it is usually necessary to link with accountants, internal governance and management consultants, specific training centres such as adult literacy initiatives, government agencies supporting SMEs.
- **Marketing.** Market innovation and the development of specific market niches such as for forest certification, geographic indications of origin, participatory guarantee systems, etc. may require linking to research institutes, international bodies (the International Federation of Organic Agriculture Movements (IFOAM), the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), Fairtrade, private actors in specialised value chains, trade associations, or chambers of commerce for more in-depth information of specialised and/or export markets.
- **Social media.** There are emerging opportunities with social media knowledge and networking. Linking with Information and Communication Technology (ICT) experts to introduce ICT tools for networking that are appropriate to rural groups can pay dividends. As forest-based businesses are mostly in remote locations, they can take advantage of social media outlets to make themselves more widely known and support the marketing of their products.

Box 10. Social media as a tool for removing market access barriers – the example of Bantulante Forest Management Unit, Sumbawa, Indonesia

On the island of Sumbawa, the government-run Bantulante Forest Management Unit has been helping community forest user groups to develop business in stingless bee honey and candlenut oil. Innovation in social media allows one group to market its Kemiri candlenut hair oil via Facebook and WhatsApp, and arrange deliveries using an 'Uber' type GO-JEK motorbike delivery service. In areas where infrastructure for mobile phone and road networks are quite well developed social media can fundamentally change the way rural businesses access markets. Delivery services such as GO-JEK and doing low-cost marketing via a smart phone can help break down otherwise difficult barriers such as marketing and transport.

Source: Macqueen and Bolin pers. comm.

- **Technical advice.** Establish links to universities, technical institutes, research centres, technology companies, suppliers. You will need to consult different service providers on technologies depending on the needs of your clients. The expert who knows about the type of machine suitable for processing wood logs to veneer will probably not be the same who knows about the best distilling equipment for the rural conditions of your client. For the first need you can consult the provincial forestry department, and for the second one a research institute specialising in NTFPs.
- **Social issues.** Linking with relevant local farmer organisations or community forestry bodies to discuss and agree on the business activities that will involve their communities is an important area for client businesses in the forest and farm sector – and requires specific skillsets.
- **Research and development.** Linking with relevant research institutes and universities is an important step. They can service your clients with requests to combat pests or to do the necessary laboratory test to receive a licence to put products on the market – needed when products are for human or animal consumption. Clients who want to add value to an NTFP can partner with a research institute to know the nutrients, medicinal properties, or the best ways of processing.

Step 3. Providing access to finance: approaches and options

Finding adequate and appropriate sources of funding can make or break the business, so a business incubator will have to provide guidance for access to financing. Forest businesses have difficulties in receiving external finance due to: the long maturation period of any trees that are grown— before returns can be received; the extensive nature of forest which often brings forest land use into conflict with other uses and thereby increases perceptions of risk; and the generally lower levels of education in remote forest areas which also undermine confidence in financial institutions. Undoubtedly, your clients will request that a business incubator will explore and facilitate possible avenues for financing. For your women clients, the threshold to access finance will be even more significant and could need additional efforts.

Cash flow is the lifeblood of a business. Cash flows out of a business to pay for the costs of doing business; cash flows into a business because customers are willing to pay for the goods and services the business can provide. Positive cash flow sustains a business –negative cash flow cannot be sustained indefinitely and will sooner or later result in the closing of the business.

The most common ways a business incubator helps to connect clients to funding include:

- **Brokering deals** or proactively designing new financial products with financial institutions. The business incubator will work closely with financial institutions and build trust for its client with the finance provider for negotiating appropriate financial deals. This may involve arguing for longer loan repayment periods, developing new ideas on collateral (ie using trees as collateral), organising credit guarantee arrangements, and representing client businesses in such a way as to instil confidence.

Box 11. GROW, Liberia

GROW in Liberia was seeking to improve the conditions for vegetable producers who were served by local trading businesses. A key constrain for the trading businesses was cash flow to buy improved seeds and other agricultural inputs which they would then offer to vegetable producers upfront as part of a purchase agreement. GROW held meetings to broker a financial product with a local bank to supply agricultural traders with a credit line at a particular agricultural retail outlet (providing seed and other agricultural inputs). Trading businesses could then offer inputs to farmers, repaid when the crops had grown and were sold on the market.

Source: Macqueen, pers. comm.

- **Offering grants** is another option but only if the business incubator has received specific capital (from government, foundations, or other agencies) for carrying out specific activities (eg job creation for rural youth). Start-up capital could then be provided once the business and operational plans are in place and specific financial needs have been identified.
- **Developing rotating loan funds.** Many start-ups will try to self-finance their ventures. It can be a challenge to find start-up equipment costs or cash flow needs to break even and before sales generate sufficient cash flow to cover costs. The risk is that all too often client business run out of cash before they figure out how to become a sustainable business and break even. By creating a rotating loan fund between many potential community businesses in a region, it can be possible to overcome these short-term investment needs without resorting to external finance.
- **Investing in equity and joint ventures.** Investors, under certain conditions, will be willing to provide debt or equity capital based on confidence that the business can provide them an appropriate return on investment. Sometimes the incubator itself can provide this sort of financing by establishing an equity fund (see Box 12).

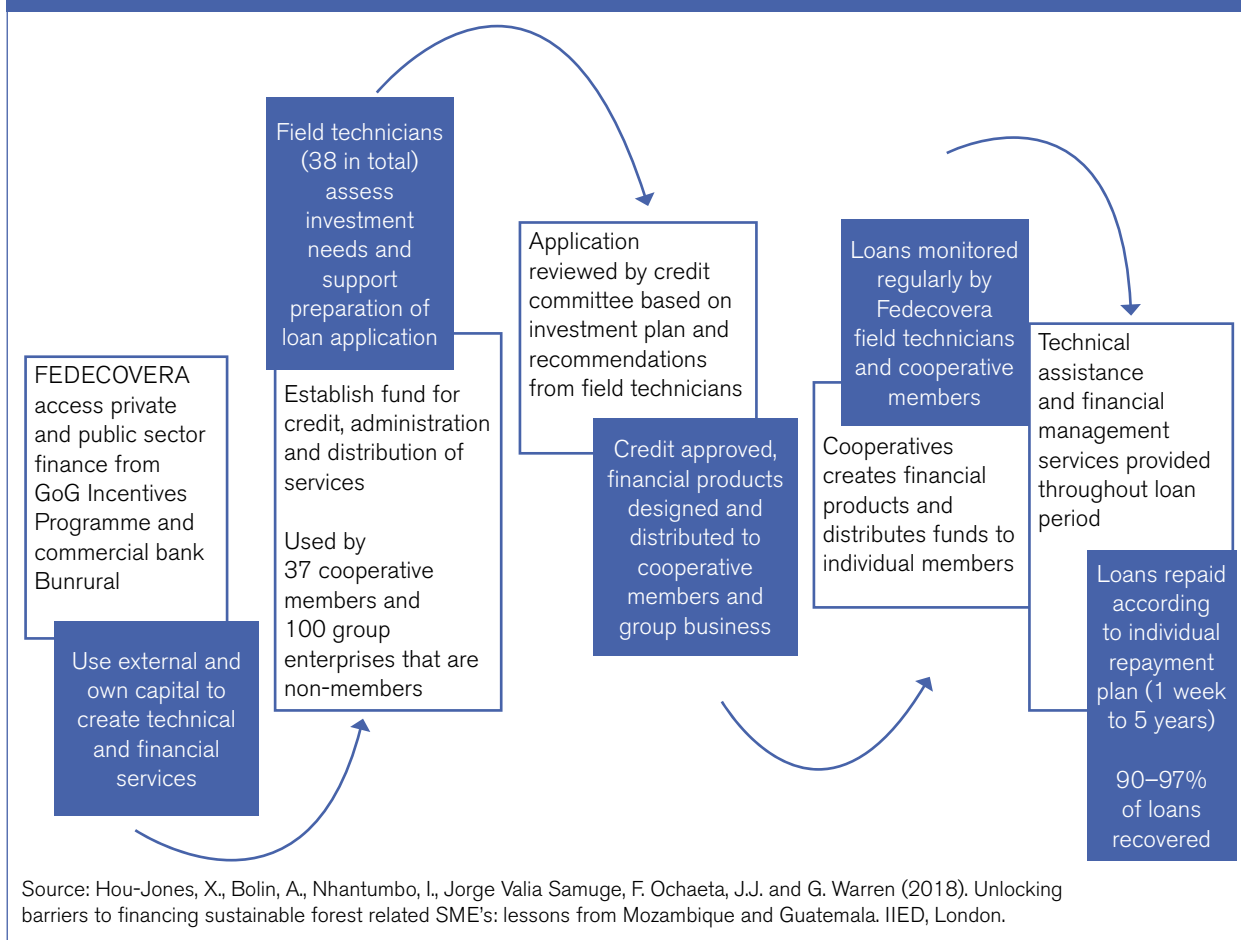
Box 12. Investing in lead firms to strengthen market access and value addition – the example of ANSAB, Nepal

ANSAB invested its own equity into several lead firms that provided aggregated marketing of the products of multiple community forest businesses. The lead enterprises drive progress and market opportunity, with strong socioeconomic and environmental impacts to the community that have little chance to access mainstream financing. The capital forwarded by ANSAB are channelled into an equity fund which is based primarily on the lead firm's business plan, and normally ranges from five to ten years. The equity fund is managed by an equity fund management committee within ANSAB.

Source: Subedi *et al.*, 2018. In Macqueen and Bolin, 2018

- **Offering loans (directly).** Some incubators have their own system for providing financial services. FEDECOVERA makes a credit system available to its members with a range of guarantee systems and favourable interest rates (see Figure 8).

Figure 8. FEDECOVERA direct loan service provision



Step 4. Decide how and where the services are to be provided

For many urban business incubators, a shared space was the core of the service delivery model. But this simply does not work in remote forest and farm landscapes. It is important, therefore, to reflect on how you will provide the business incubation services to your client businesses. Conventional incubators do this through a combination of in-house, virtual and on-site external training, which can be on-farm for certain FFPOs. Our case study research showed that for business incubators operating in forest and farm landscapes the most common patterns of service delivery involved the following:

- **On-site hands-on training.** This is the most used method and implies that the business incubator will provide the required services in the (forest) area close by the client business. The client will learn by doing with support of the business incubator and mostly this practical training will go on for a certain but limited period.

Box 13. Maintaining a strong contact and collaboration with graduates – the example of ANSAB, Nepal

ANSAB seeks advisory support from the entrepreneurs who have graduated from the previous incubation support, and other personnel that were trained before by the organisation and currently being involved as practitioners and professionals in the respective field. ANSAB uses this wide network for the delivery of its services. It has access to a roster of more than 200 experts and relevant organisations that ANSAB works with on need basis. The roster has been maintained as a database that it updates periodically. In addition to its past graduates, ANSAB often calls for the expression of interest from the relevant experts to be included in the roster.

Source: Subedi *et al.*, 2018. In Macqueen and Bolin, 2018

- **Virtual services.** These are getting more promising as more and more remote forest farmers and communities have smart phones and access to internet. Currently, online Market Information System (MIS) services exist for agricultural products and in some countries some NTFPs have also been included. In Nepal, ANSAB has developed a dedicated MIS for NTFPs. It is however important that the source of information is reliable and therefore a MIS provided by a business incubator based in an apex FFPO are likely to be more trusted and used by the producers. Apps have been developed for specific training and services (eg Meteo App for farmers). Social media has also been proving useful for outreach and information sharing.

Box 14. Connecting Rajasthan farmers with agriculture extension and markets through Android mobile application

It is estimated that for every 1,000 farmers in India there is one agriculture expert. One young entrepreneur, Shiva Chitta, is piloting the 'Meri Kisan Seva' app, which he developed to address a critical gap in agriculture support. The aim of the app is to set up a virtual clinic for tribal farmers, connecting them to experts located remotely and get help to diagnose a specific problem or ask a question, and get advice on best practices for improving yields. The app allows farmers to send photos and access information on better farming tips and practices, both online and offline. Farmers access the app through a tablet (one for every 50 farmers) and communicate with the experts via SMS and email. The app intends to not only provide much needed technical support, but also collect data on the produce expected in the region and connect producers with markets and other support organisations virtually. The project was entirely funded through 'crowdfunding' and the founders are hoping to be able to attract more funding to roll out the system more widely.

Source: Bolin pers. comm. 2018

- **Exchanges or study tours.** Increasingly business incubators in remote environments are realising the benefits of facilitating exchange visits between their client businesses and already advanced businesses in the same rural environment. Forest farmers learn quickly from their contemporaries and can adopt useful practices quickly in the wake of such exchanges. Especially women entrepreneurs learning from peers has proven very instrumental in their learning curve. But to make them work it is important that they are focused on particular learning objectives, have preparatory and daily tasks for participants to ensure that focus is maintained and ideally post-monitoring follow-up (not much used – but has proven very useful in for example the work of the Forest and Farm Facility).
- **In premises or the office of the incubator.** Although the usual format for urban incubators, this type of training and mentoring arrangement works less well for remote client businesses in a forest farm landscape. Nevertheless, for short intense periods of business training for multiple clients, it might be an effective delivery strategy – and several business incubators use short 'boot-camps' to supplement on-site delivery.
- **Off-site expert mentoring.** Not all the training facilitated by a business incubator needs to be managed by that incubator. It may prove useful to arrange training in certain areas, such as on how to use a technology or legal service, at the site of some third party within the business incubators broader network who already has that established technology or service.

Some of these delivery methods require quite high levels of resourcing (eg on-site training and mentoring, regular field visits to follow up, and exchanges requiring significant coordination and logistics). Coupled with generally low client numbers in remote forest and farm landscapes – there can often be a significant gap in financing for business incubators trying to serve such clients. We note in the preamble, that the potential positive impacts on climate change from incubating sustainable forest businesses should justify greater flows of climate finance into such business incubation – but this advocacy point is still to be made.

Tips

- Remember that no single institution can ever hope to master all the complexities of forest and farm business in remote environments— that include socio-political issues, natural resource management issues and economic business issues. This is why developing and leveraging your network is a particularly important function of a business incubator in forest and farm landscapes.

- Because of the need for a strong network, the choice of a business coach or manager for the incubator is of critical importance, not just for the knowledge she or he has, but for their ability to develop and maintain good links with other organisations and forest business knowledge networks (cfr. Forest Connect – see ‘Useful links and resources’).

- Supporting forest and farm businesses often require two types of knowledge – on the one hand technical knowledge of natural resource management, and on the other knowledge about organisation and how to strengthen collective action between quite large groups of forest farmers and communities. Both fields of knowledge need to feature highly in an incubator designed to serve this type of clientele.

- Choosing well-connected people from particular fields of knowledge for the advisory board of the incubator can help to cement networks and improve what a business incubator has to offer.
- It is good practice to develop a regular gender sensitive evaluation of any services offered to client businesses – to gradually improve both the content and the delivery method of each.
- Financial constraints associated with delivering service to client businesses in remote forest and farm landscapes provide an additional reason to try and develop incubation capacity in a second-tier FFPO that generates its own revenue from value added processing of products from its member-business groups.

At the end of this exercise, you should be able to:

- Develop a set of services you can deliver through a pool of core specialised staff
- List external networks and experts or mentors you might need to complement your in-house capacity in service delivery
- Define your approach to improving access to finance for your client businesses
- Plan the delivery of incubation services, in-house, virtually, and in the field.

This should allow you to start planning the practical operations of the incubation process.

Useful links and resources

Nanavaty, R., Desai, M. and M. Bhatt (2018) SEWA: Developing a business incubation ecosystem for smallholders and forest producers in India.

Deals and Financing for Incubator Clients – Module 9 of a business incubator toolkit developed by Infodev. Available at: www.infodev.org/businessincubation

Forest Connect at: www.iied.org/forest-connect

Lecup, E (2011) Community-based tree and forest product enterprises: Market Analysis and Development manual. FAO: Rome. Available at: www.fao.org/docrep/014/i2394e/i2394e00.pdf

Negotiation and mediation techniques for natural resource management: case studies and lessons learned developed by FAO. Available at: www.eldis.org/document/A36809

www.fsnnetwork.org/sites/default/files/vsl_programme_guide_for_village_agents_-_version_1.04_english.pdf

Subedi, B, Khanal, SC, and Ghimire, PL (2018) ANSAB: developing community-based farm and forest-based enterprises in Nepal. In Macqueen, DJ and Bolin, A (eds) Forest business incubation: Towards sustainable forest and farm producer organisation (FFPO) businesses that ensure climate resilient landscapes. IIED: London, UK.

Supporting small forest enterprises: a facilitator's toolkit developed by IIED and the Forest Connect alliance. Available at: <http://pubs.iied.org/13558IIED/>

Operational management of the incubator process

Objective

The objective of this module is to guide potential forest business incubators through the process of selecting which businesses to support, managing the engagement process with them, and agreeing on an exit strategy.

Process

To complete this module, you will already have an idea of the design structure, staff, and financing your incubation model will have. The steps in this module will help you prepare the management of the incubator process once it is operational. Step 1 will guide you through the rapid appraisal field visits to assess the businesses of prospective forest and farm producer organisations (FFPOs), and the structured interviews with each potential business. Step 2 will provide a framework for assessing the suitability of clients based on criteria developed in Step 1. The initial field visits should be sufficient to allow the selection of those businesses with which your incubator will initially work against criteria developed by your team. Once selected, further fieldwork will be needed to assess each business. Step 3 will help you go through the practicalities of developing an 'intervention plan' which will be formalised through a memorandum of understanding (MoU) between the two parties. Part of that MoU will include the negotiation of an agreed exit point based on the accomplishment of jointly negotiated targets. Step 4 will provide examples of how to implement that plan together with your clients, and measure progress against the agreed targets. Step 5 will provide suggestions, if relevant, of how you can develop a graduation policy for those clients. Further fieldwork will be necessary to implement this intervention plan from the point of selection to the agreed exit point for each business.

Before starting this module you will need to prepare the following to successfully proceed through each step:

- An overview of your business client's needs (identified in Module 1)
- An overview of your organisational staffing and structure available for business incubation (identified in Module 2)
- An overview of the services your business incubator will provide or source externally (identified in Module 3)
- A meeting room with flipcharts that can be used to capture the thinking of the business incubation team
- A printer to prepare questionnaires
- Transport to field sites for interviews with prospective business clients



Step 1. Establish selection criteria to identify with which businesses the incubator will work

Within the geographical area where your incubator hopes to work, there may be many businesses set up by FFPOs. Module 1 has already described the initial scoping visits that you will have made to know what is out there – ensuring that there are enough potential businesses (or enough ‘deal flow’) to justify the work of the incubator. But which businesses should the incubator initially try to support?

Making that decision is very important – because choosing the right businesses to support will improve the success that those businesses, and by association, the success that the incubator will have. And it is not just economic success that matters, although that is clearly fundamental for any business, but also the success that the business will have in social development and sustainable forest management in the communities where it is based (please see Module 5 if you need to think through what ‘success’ should look like). Having a reputation for successful support work is critical if the incubator is to attract new client businesses. It is also critical if the incubator wants to raise funds for its work from potential donors. So, you need to get this stage right. But, how do you select the right businesses to support?

The key to this is to develop a set of criteria that will help you prioritise between different prospective businesses. This might involve a mix of different characteristics that you are looking for in the business you support. You are not looking for perfection. Indeed, if a business was already perfect, there would be no need for the incubator! But you are looking for businesses that stand a good chance of being successful and having a strong positive impact with your support.

Consider whether obtaining this information using a questionnaire beforehand or with the businesses during the session is more valuable for the process. For the screening process, there are different ways of approaching it. One way is through a call for proposals where clients come to you to go through an application process. Another is to identify and approach clients directly. In most cases incubators use a mix of both approaches.

Gather your team within your institution who will be working on these issues and brainstorm together on a flipchart the sort of criteria that you think will lead you to prioritise the right businesses. Ask each member of the team to write down on pieces of card the characteristics that they feel should be present in the businesses with which you want to work. If people are struggling with ideas, you might want to show them a list of criteria that other forest incubators frequently use (see Table 4 below). Once everyone has contributed their ideas on pieces of card, you can then cluster similar ideas and create

a table like the one below which reflects your own list of criteria you will use to select business to work with – what we call ‘clients’.

Once you have an agreed list of criteria, your team can then assess each prospective business to support against those criteria – using the scoring system shown to the right of the table. You may decide that some criteria require ‘certainly true’ status while for other criteria you can accept less certainty and/or have a minimum number of ‘certainly true’ scores that a business must have in order to get selected. You should be able to do this from your knowledge of the businesses gained during the scoping of potential clients in Module 1. If you feel you do not have enough information, organise a field trip to interview representatives of each business using the criteria as a set of questions to check their status for each business.

By now, you should have a prioritised list of businesses with whom you will work. Depending on your staff capacity and finance, you will know how many businesses you can work with during any one year – so make a cut-off line, above which you will engage those businesses, and below which you will leave support to a future year. Make sure you have enough representation from woman-owned businesses or businesses with significant numbers of female employees.

Table 4. Criteria frequently used by forest business incubators to select their clients (in roughly descending frequency of use)

Characteristic	Criteria (desired state for that particular characteristic)	Score for a prospective business		
		Clearly true (3)	Probably true (2)	Unsure (1)
Control of business	Business owned by members of a forest farm community, and with wide participation of members of that community, and benefit distribution within that community.			
Likely business impact	The business is likely to have a strong positive impact on that forest community in terms of employment and income, social cohesion and sustainable forest management and restoration.			
Business offer	The product or service being offered by the business involves financial returns that exceed financial costs (ie it is economically feasible).			
Market demand	There is strong market demand (eg many buyers) for the product or service that is offered, and this is likely to be the case into the foreseeable future.			
Natural resource base	The use of the forest or farm resource to supply what the business needs is responsibly sourced (eg tenure rights are clear and products legally sourced) and can be done sustainably without degrading or exhausting those resources – either in terms of the species composition or the soil fertility.			
Business affiliation	Supporting that business is legal and legitimate (or even required), ie the government and community allow the business (or the business is a member of the FFPO providing business incubation support).			
Human capacity	There is a clear understanding and leadership from the business manager (or team) of how to run a business and how they want to develop it.			
Geographic location	The business can be reached by the incubator at bearable cost and has tolerable infrastructure for its development.			
Scalability	The product or service being offered by the business is one which has widespread occurrence in that environment and offers the potential for growth or replication in other adjacent communities.			
Innovation	The product or service being offered by the business is not yet commonly available in the market in that region and is therefore 'ahead' of the competition.			

Step 2. Develop and use an assessment framework to understand the needs of each client

Having chosen which businesses you are to work with, you will now need to plan exactly how you will support each one. To make such a plan, you will first need to go through the step of assessing in more detail the business you have selected. This requires having some sort of assessment framework. We propose that you develop a framework based on the 'Securing forest business' toolkit (see references) that at the very least covers the main areas shown in Figure 9 below.

Figure 9. Main areas of a business assessment framework



Box 15. Examples of selection criteria from Inkomoko business incubator, Rwanda

Selection criteria

Product-market fit

Does the product/service offered directly address the problem or market need identified?

Value proposition

Is there a clear and compelling reason for customers to purchase the product/service?

Team credentials

Does the management team have the right skills and experience?

Scalability

Is the business scalable?

Financial viability

Is there a path to financial sustainability? Are financial forecasts based on sound assumptions?

Selection process

Application submission

Typically, applications are submitted through an online form.

Review and scoring

Applications are scored against selection criteria; each application is reviewed and scored by multiple judges.

Shortlisting applicants

Shortlisted applicants are selected from applicants receiving the highest scores.

Interviews

Shortlisted applicants are interviewed in person or by phone to confirm information and gather additional details.

Final selection

Judges share insights from interviews and make the final selection of participants.

Source: Pilisuk, 2018. In Macqueen and Bolin, 2018

For each of these areas, your team will need to develop an assessment approach that will allow you to gain a detailed knowledge of the client business. We offer in Table 5 below an initial set of questions under each of these six areas of business assessment.

Table 5. Example of the main sets of questions that will comprise a business assessment	
1	Revenue flows
	<p>1.1 What is the state of knowledge within the business about finance (balance sheets, cash flow, profit and loss projections), and the need for investment?</p> <p>1.2 If additional funding is needed, are adequate record keeping and financial reporting practices already in place?</p> <p>1.3 What are the main within-business perceptions about challenges relating to revenue flows and investment?</p> <p>1.4 What potential interventions might be undertaken either to improve the knowledge about revenue flows within the business or address challenges to it?</p>
2	Resource management and access
	<p>2.1 What is the state of knowledge within the business about resource rights and sustainable forest or farm management, or supply for the products or services offered?</p> <p>2.2 What are the main within-business perceptions about challenges relating to resource rights, sustainable forest and farm management or supply?</p> <p>2.3 What potential interventions might be undertaken either to improve the knowledge about resource management or address challenges to it?</p>
3	Business relationships
3.1	<p>3.1 What is the state of knowledge within the business about actors in the value chain and those in local authorities and other relevant institutions?</p> <p>3.2 What are the main within-business perceptions about challenges relating to its place in the value chain?</p> <p>3.3 What potential interventions might be undertaken either to improve the knowledge about the value chain or address challenges to it?</p>
4	Operating capacity
	<p>4.1 What is the state of knowledge within the business about the organisational management, technology and staff capacity to produce required quantities and qualities efficiently?</p> <p>4.2 What are the main within-business perceptions about challenges relating to operating capacity?</p> <p>4.3 What potential interventions might be undertaken either to improve the knowledge about revenue flows within the business or address challenges to it?</p> <p>4.4 How closely is production capacity matched with demand? Is there surplus production capacity, or is the business unable to meet demand due to capacity constraints?</p>
5	Security of operating space
	<p>5.1 What is the state of knowledge within the business about political, economic, environmental or social factors that might disrupt their production or service?</p> <p>5.2 What are the main within-business perceptions about challenges relating to the operating environment?</p> <p>5.3 What potential interventions might be undertaken either to improve the knowledge about the operating environment or address challenges within it?</p>
6	Brand development
	<p>6.1 What is the state of knowledge within the business about its target market segment and customers, marketing and branding?</p> <p>6.2 What are the main within-business perceptions about challenges relating to marketing and brand reputation?</p> <p>6.3 What potential interventions might be undertaken either to improve the knowledge about marketing or address challenges to it?</p>

Using the rough framework described above, work with your team to develop an assessment framework that is appropriate to the types of business that you wish to support, and the level of business sophistication that they have. It may be that you want to use an alternative framework – such as that advanced in the Market Analysis and Development (MA&D) framework or one of several approaches to value chain promotion (see ‘Useful links and references’), all of which have well-tested approaches to business needs assessment.

Once you have an assessment framework, set an assessment date with the client business to discuss each of these main areas – to identify areas where that business needs support. When you are in the field to make that assessment, we strongly suggest a participatory approach is used in which you/the incubator facilitates a self-assessment by the business of the areas of challenge that require interventions together. One useful tool which lays out a process for such a self-assessment is ‘Securing forest business – a risk management toolkit for locally controlled forest businesses’, which uses the same headings described above.

In the assessment meeting you should jointly agree and prioritise the main areas in which the client needs business support. This assessment forms a baseline against which progress can be measured.

Step 3. Develop a mutually agreed upon intervention plan

The priority areas of needs within each client business form the basis of an intervention plan between the incubator and client business. We recommend that you write this up as a signed memorandum of understanding (MoU) between incubator and client to avoid any discrepancies in expectations between the incubator and its clients. In the MoU, the roles of both the incubator and the client are outlined and should be screened prior to getting started for potential barriers for women.

The starting point to achieve this is to create an agreed list of areas in which the incubator will assist the client business. This may be broadly stated in the MoU as part of the support services from the incubator. Each of these needs to be carefully thought through and fall within the capacity of the incubator – or its network of expert mentors – or if it involves investment, the known parameters of internal or external financial agencies.

Box 16. RECOFTC capacity development needs assessment

In its livelihoods and markets programme, the Center for People and Forests (RECOFTC) uses a capacity development needs assessment framework to develop an intervention plan for its support for community forest businesses. The framework is used to assess capacities and capacity needs of main stakeholders in the forest landscape (community forest organisations, NGO staff, government staff) and evaluate the strengths and weaknesses of respective organisations in five aspects: 1) programme planning; 2) service delivery; 3) human resource management; 4) budget and financial management; 5) stakeholder communication. This framework is based on principles of global best practice for community forestry – so as to assess the main areas where community forest businesses need support. The framework is also used to improve training sessions so that there are clear learning objectives linked to client needs.

Source: Siscawati and Zaskaria, 2010

Box 17. Tracking and measuring impact throughout the incubation process – the examples Inkomoko, Rwanda

Inkomoko collects and tracks outcomes data from participants in its programmes in four stages. **First**, baseline data are collected at the start of each programme. **Second**, survey data are gathered every six months for three years following the programme's completion. **Third**, key outcomes data is collected at the point of and after graduation. These include: whether the business is still active, number of employees (full time, part time, casual), gender of owners, and financing received. These data are used to measure business survival rates, job creation, gender balance and total financing disbursed. **Finally**, surveys are conducted to gather feedback on nearly every component of Inkomoko's programmes including boot camps, workshops and one-to-one consulting. The data provide valuable insights to the Inkomoko team and are fed back into overall programme design, curriculum topics and exercises, advising sessions, and the professional development of trainers.

Source: Pilisuk, 2018. In Macqueen and Bolin, 2018

Step 4: Measuring and monitoring progress

For each time-scheduled intervention – which may vary hugely from the delivery of or participation in a general business boot camp or business management training, to more specific training, such as a market fair, a peer-to-peer exchange, the introduction of new processing or packaging technology, help to attain certification, production of advertising materials etc – there should be an agreed statement of objective. Together these different interventions will contribute to the development of business capacity – and can form the basis by which the incubator and client business monitor performance of the business.

It can be useful to tie performance monitoring to the initial needs assessment framework – for example by setting targets in each of the areas revisited in Table 5. For any particular business, there may be as few as one target to as many targets as are realistically possible given the resources and timeframe of the incubator and client.

Table 6. One possible way of structuring performance monitoring

1	Revenue flows
	Target (a) – a functioning financial accounting system with an w% increase in profitability which results in increased income of x% to y business members by month z.
2	Resource management
	Target (b) – a management plan and formal title to x ha of community forest land that is certified as sustainable by the y certification scheme by month z
3	Business relationships
	Target (c) – an increase in the number of orders from x to y buyers by month z
4	Operating capacity
	Target (d) – the establishment of production policies and staff terms of reference that together create the ability to meet the increased orders by supplying x volume, to y quality standards, with a 100% on-time delivery record by month z
5	Security of operating space
	Target (e) – participation in a national business association that ensures policy x is enacted to improve the business environment in y region by month z
6	Brand development
	Target (f) – development of a logo and placement of y advertisements together with the achievement of a geographical origin certificate by month z

The incubator and client business should agree on a regular series of progress meetings depending on the timeframe of agreed interventions to check progress and add in new intervention plans and targets as necessary up to the point of graduation.

Step 5. Ensure you have a graduation plan (if required)

Box 18. Developing a mutually agreed progress and graduation plan – the example of AgBIT, Zambia

AgBIT is a good example of a business incubator that has developed a clear graduation process. The incubator uses individually agreed targets and milestones with each client business in areas such as new funding raised, number of new customers, new product launches, etc, and once the client business has achieved these targets it graduates from the incubation programme.

Source: Mwanamambo, 2018. In Macqueen and Bolin, 2018

For some business incubators, such as second tier associations of FFPOs, there may be no need to have a graduation policy. Those sorts of incubators can provide ongoing business incubation support to their member FFPO businesses. But for many other types of business incubators with more time-bound funding arrangements (eg projects), or whose funding is based on client fees, having a graduation policy is important.

The easiest way of organising a graduation policy is to develop a set of gender-sensitive criteria and indicators for graduation that are based on the agreed performance targets described above (see Box 17 on AgBIT). Each of these performance targets should be timebound. The incubator and client business can then assess in a structured way when all the agreed targets have been accomplished – with graduation following their completion.

An alternative method for organising graduation is to develop separate indicators for a range of basic business functions – and then assess those. Commonly used graduation criteria for forest business incubators include:

- **Organisational management capacity** – as evidenced by the development of a clear business plan, regular risk management plans, transparent financial accounting systems, policies for operational management, staff roles and responsibilities.
- **Financial stability** – as evidenced by accounts that show the business is profitable and has passed the break-even point.
- **Product sales** – as evidenced by regularity within a pipeline of orders that have moved beyond pilot sales contracts, coupled with a sustained supply of raw material into the business to allow the fulfilment of those orders.
- **No need for incubation services** – as evidenced by the mutual agreement between incubator and client business that there is no further need for what the incubator has to offer to that client business.
- **Positive social and environmental impact** – as evidenced by the negotiation of culturally appropriate production or products, stable or increasing employment, desired levels of youth and women's inclusion, a functional benefit distribution mechanism that is improving local livelihoods, and recorded increases in forest restoration or sustainable management activities.

A third alternative is simply to set a fixed period over which client businesses and incubator interact. This is particularly common where the incubator is operating commercially and where a significant portion of its revenues come from client fees for services. It is unusual for forest business incubators to offer shared premises for client businesses, but should this occur, another graduation threshold might come when the client business outgrows the available space.

It goes without saying that once client businesses have graduated, there is then space for the incubator to engage with further clients. In our survey of forest business incubators (see Macqueen and Bolin, 2018), the median numbers of clients served at any one time was between 20 and 40, and regular turnover in clients was a normal feature of incubator design (though again perhaps not applicable to second-tier associations of FFPOs).

Tips

- You will not be able to address every issue a business has, so prioritise those interventions that are most critical to the success (or survival) of the business. Additionally, consider which problems and interventions the business owner is most motivated to address – this will increase their engagement and your likelihood of success.
- There may be a necessary sequencing of interventions. For example, if the assessment meeting has identified major gaps in knowledge – such as knowledge about financial management or markets or value chain actors – it may make most sense to address these knowledge deficits first.
- There is a risk of dependency between client businesses and the incubator which can drain incubator resources unless clear MoUs regarding interventions and graduation are agreed from the outset.
- Clarity of vision for the incubator and the shared responsibilities between incubator and business clients was the most often mentioned key to success – so the step of formalising in MoUs the intervention plans is a key step.
- Another success factor noted by many forest business incubators was the need for a participatory and process-oriented approach that establishes trust between incubator and client businesses with flexibility to adjust intervention plans as capacity grows.
- In comparison with urban businesses, incubating forest and farm businesses requires much more attention to issues of resource management – and should be built into intervention plans in a routine way.
- Since many forest businesses require aggregation from large areas, and often involve many individual members, upskilling organisation management is often a key feature in the intervention plans of forest business incubators.

At the end of this exercise, you should be able to:

- Develop criteria for both the identification of clients and the procedure for selecting them
- Design a needs assessment framework that is tailored to each specific client needs and context
- Articulate an intervention and progress monitoring plan together with a client
- Know what indicators you might want to use to measure and monitor progress of the outcomes of the incubation process

Once you have a clear idea of how to start putting in place the practical procedures and guidelines for running the incubation process, you should be able to develop a plan for effectively capturing its impact (Module 5).

Useful links and resources

Albu, M and Griffith, A (2005) Mapping the market: A framework for rural enterprise development policy and practice. Practical Action. Available at: https://practicalaction.org/docs/ia2/mapping_the_market.pdf

Bolin, A, Macqueen, D, Greijmans, M, Humphries, S and Ochaeta, JJ (eds) (2016)

Securing forest business. A risk-management toolkit for locally controlled forest businesses. IIED: London. Available at: <http://pubs.iied.org/13583IIED/>

Business Incubation Management Training Programme: a 12-module training programme for generic business incubation services developed by Infodev. Available at: www.infodev.org/business-incubation-toolkit

FAO (2011) Market Analysis and Development (MA&D) manual: a facilitation guide to the establishment of community businesses. Available at: www.fao.org/docrep/014/i2394e/i2394e00.pdf

Managing the incubator: a training module as part of the above on business incubation management developed by Infodev. Available at: www.infodev.org/infodev-files/m6_trainee_manual_part1_20101029.pdf

Mwanamambo, B (2018) Agribusiness incubation in Africa: a case study of AgBIT business incubator in Zambia. In: Macqueen, DJ and Bolin, A (eds) Forest business incubation: Towards sustainable forest and farm producer organisation (FFPO) businesses that ensure climate resilient landscapes. IIED: London, UK.

Pilisuk, J (2018) Inkomoko: creating sustainable businesses in Rwanda. In Macqueen, DJ and Bolin, A (eds) Forest business incubation: Towards sustainable forest and farm producer organisation (FFPO) businesses that ensure climate resilient landscapes. IIED: London, UK.

Siscawati, M and Yando Zakaria, R (2010) Capacity Building Needs Assessment for Community Forestry Development in Indonesia. The Center for People and Forests RECOFTC: Bangkok, Thailand.

Supporting small forest enterprises: a facilitator's toolkit. Pocket guidance not rocket science! IIED and the Forest Connect alliance. Available at: <http://pubs.iied.org/13558IIED>

Valuelinks Manual: a methodology for value chain promotion by GIZ. Available at: http://valuelinks.org/wp-content/uploads/2015/09/valuelinks_manual_en.pdf

Impact assessment

Objective

The objective of this module is to identify and decide what performance metrics to track, both for your client businesses, as well as for your own organisation, and how to communicate these results to attract further support.

Process

For business incubators in forest and farm landscapes to learn and grow their business and services, there is a need to assess impact, address failures, build on successes, and communicate your results to future potential business clients, as well as to your supporters and investors. There are various ways to measure and communicate impact of your incubation services either directly or indirectly, such as through claiming results based on the performance of business clients after they have been through your incubation process.

Before starting this module, you will need to prepare the following to successfully proceed through each step:

- A full plan for your business incubator operations (identified through Modules 1 to 4)
- Summary information on the types of business clients and their needs that you will meet through service provision (identified in Module 4)
- A good understanding of the communication possibilities with clients and the budget available for such client communication
- A meeting room with flipcharts to capture discussion points.

What is rather unusual for business incubators working in forest and farm landscapes is that their impacts generally extend far beyond economic measures to impacts on social relationships in rural areas and impacts on the forest and farm landscape. Because such impacts are important globally for climate change mitigation and adaptation and for the broader Sustainable Development Goals (SDGs), we recommend here types of impact assessment which go beyond what might be found in conventional incubator approaches.

This module consists of five steps:

1. Assessing what types of impacts can be measured for your business clients that can be attributed to the services, networks and finance you have facilitated.
2. Measuring how your organisation is achieving impacts linked to the SDGs.
3. Identifying who is responsible for measuring the impacts as indicated in Steps 1 and 2.
4. Preparing your organisation to track client performance during the provision of services, and post-service delivery impacts.
5. Communicating those impacts and lessons from both successes and failures, while sharing tactics to enhance success.

Step 1. Decide what impacts could be measured for business clients

In Module 4, the needs of the business client are discussed with the incubator prior to the design of an intervention plan and the provision of services. At that point targets are set to help measure the progress of the business client. Module 4 suggested monitoring targets in the areas of revenue flows, resource management, business relationships, operating capacity, security of operating space and brand development. Continuous monitoring of those performance targets through regular engagement with client businesses is a means to track whether those targets are being met and to help reduce failure and improve outcomes.

Many indicators can be used to assess the performances against the targets agreed in Module 4, and these can be broadly grouped into:

- **Economic indicators:** product numbers, sales volume, income from sales, net profit, inward investment, employment, local economic multiplier effects, household incomes.
- **Social indicators:** organisational structures that link business to community, group enterprise membership, FPIC compliance, gender and youth inclusion, frequency of management meetings, participation that demonstrates collaborative interest and commitment, educational processes, clarity of leadership and staff roles and responsibilities. If the intention is that client businesses are 'social businesses' then it should be possible to track some of the social impacts in the community: education levels, inclusion of marginalised groups, healthcare, life expectancy, and so on.
- **Environmental indicators:** increase in forest area, increase in biodiversity, more sustainable forest management practices, reduced use of chemicals (including certification of organic produce or sustainable forest management and/or chain of custody certification).

The list of potential parameters which can be used to measure the impact of the incubator on client businesses performance is considerable. From our survey of business incubators in forest and farm landscapes, commonly used impact measures include:

- Client business turnover – for example increase in sales, ideally measured through financial statements.
- Client business profitability – for example, again measured through financial statements.
- Client business survival rates – for example, numbers of businesses that have sustained and independent operations, measured against the total number of client businesses that have been supported.
- Number of jobs created and employment growth rate.
- Number of new products launched.
- Number of women/youth champion entrepreneurs.
- Quantity of inward investment attracted by the client businesses because of improved business practices (ie financial sector confidence and subsequent provision of services and investment).
- Area of certified forest (including community forest and plantations) sustainably managed by client businesses.
- Local economy improvement because of improved client business practices and subsequently its particular sector (ie Uganda sawmill expansion because of improved standards in plantation forestry).

It can quickly be observed that most of these parameters have to do with economic impact indicators — rather than social or environmental impact indicators (which only emerge in the last two measures). In the forest and farm landscape it may prove beneficial to track impacts on broader issues relating to climate change mitigation and adaptation and the attainment of the SDGs. It is suggested that you consider also assessing client business impacts on:

- Profit distribution to members and number of members (SDG1).
- Percentage of women among business members and in leadership positions (SDG5).
- Number of and wages of average employees (SDG8).
- Extent of business members as a percentage of total in community (SDG10).
- Numbers of products based on different tree and crop species (SDG13 - climate adaptation).
- Area of sustainable forest management linked to the client business (SDG13, SDG15 - climate mitigation).

Discuss with your client businesses which of the above performance indicators you agree to monitor (while they are still actively being supported), and a process through which the indicators will be assessed over time — for example, through a short questionnaire sent out through social media or via personal follow-up visits.



Local indigenous palm oil production in Liberia. Credit: Sophie Grouwels, FAO

Step 2. Decide what impacts could be measured for the Incubator

In measuring the performances of your business clients, your organisation will be able to partially assess your own organisational impact. That is rather obvious, because your performance is closely related to meeting the expected targets of your business clients through a particular set of incubation services. In addition to those, the list below provides some performance indicators that measure the impact of the incubator:

- Business incubator space or occupancy rate occupied
- Level of revenue received
- New clients supported and incubated
- Number of clients with completed business plans
- Number of clients entering new markets or developing new products
- Graduated clients (based on set targets)
- Promotional mentions by clients and supporters, mentors

Box 19. Measuring and evaluating progress of the incubation services – the example of Agribusiness Incubation Trust (AgBIT) Zambia

AgBIT has developed a set of parameters that the organisation uses to measure its own success as a Business Incubator, based on the performance of the clients who benefit from AgBIT's Incubation Services. A set of 25 clear indicators helps AgBIT measure how well they achieved the targets they set for themselves every year. Indicators are included in the annual results framework of the organisation and measured annually. These are useful for providing annual comparisons in subsequent years. Some of the data is disaggregated by gender and age.

Source: Mwanamambo, 2018. In Macqueen and Bolin, 2018

With your team and manager there is a need to prioritise a manageable set of indicators which can be monitored throughout the engagement with your business clients. Perhaps the most appropriate impacts you should measure are the ones where you can provide statistics. Statistics ideally should represent sustainability, effectiveness and efficiency, a suggestion is provided here:

- More immediate outcomes measure annually the minimal required results from the activities that an incubator carries out to know if it is effective. Examples could be secured access to finance, revenue growth, and job creation. This is critical both for continuous course correction but also to enable the right allocation of resources for further development of the incubator.
- Impacts in the long-term cover metrics such as societal impacts and forest resource impacts which can only be measured at five to seven years.
- Behind successful impacts lie successful business incubator operations. The business incubator must develop sustainably with a strong organisational structure and functions to ensure impact. Indicators annually measuring organisational success might also be used such as:
 - Effective service teams supporting clients (clients per unit finance)
 - Pipeline of clients (number of clients)
 - Mainstreamed organisational processes, policies and systems
 - Financial sustainability (clients versus finance)

Tip: It will be important to collect sex-disaggregated baseline data at the beginning of the incubation process. This is data that both the incubator and the clients will use to measure success, make annual comparisons and show growth over time.

Step 3. Implementation and management of impact assessments

Gathering data and monitoring impact should take place throughout the intervention period, but also after incubation services cease (after clients graduate). These particular aspects of data collection need to be guided by simple procedures together with your field team and manager, and a format of data collection decided upon. The procedure may include: what assessment entails (during and after incubation), how it is done, who does it, when/how often it is done (baseline, annual, mid-term, end-term) and how data may be used.

Monitoring and collecting performance data needs to become part of overall workplans. Some incubators include annual indicators, as well as baseline (Year 1), mid-term (Year 3) and end-term impact (Year 5) assessments as part of their planning and budget. Tasks might also include the entering of data on an online system, quality control, and regular reporting of analytics.

Box 20. The importance of capturing and keeping track of the impact of your incubation services – the example of ANSAB, Nepal

ANSAB keeps close monitoring of the enterprises supported and measures their effectiveness on the ground through a detailed impact tracking system (ITS) even after their graduation. ANSAB maintains updates of these enterprises which provide information based on the outcomes on a yearly basis. Lead firms are used to collect the information from the enterprises. Through this process, ANSAB has records on the 1,196 business clients involved in the production and value addition of forest and farm products, and on their trading both at national and international levels.

Source: Subedhi *et al.*, 2018. In Macqueen and Bolin, 2018

The service teams providing regular support to the business clients need to assess progress continuously. They require a checklist, based on Step 1, to use when they engage with the clients.

How the incubator itself is functioning, as identified in Step 2, can be discussed and assessed with the board of advisors during board meetings, while mentors can provide regular feedback to the teams and the manager. This includes a review on the design of the incubator (as developed in Module 2).

Step 4: Communication and reporting

Maintenance of data of graduated clients, including identified parameters decided upon in Steps 1 and 2, helps the incubator to track performance of past clients over time to enable the further refining of services on offer. Measuring client performance enables the incubator to also compile best practices, valuable for both the mentorship of new clients and to communicate impacts to future clients, supporters and investors. This wealth of lessons and evidence justifies the existence of the business incubator in the sector and must be analysed and documented well.

Many stakeholders should be able to benefit from the insights and lessons pulled from your data, thus it needs to be shared and communicated in an attractive format on a regular basis. Lessons and innovative approaches can be written up in a regular (monthly or quarterly) newsletter which is circulated to past clients, member base, supporters, the board and contacts in the incubators' networks. This information is also useful for potential investors, particularly for the business incubator and financiers of small businesses. The newsletter can contain personal success stories from individual male and female clients, or introductions of appropriate technology relevant to most of the client base, or even promoting new developed products from your business clients.

Other avenues for communication may include annual reports, websites and social media, depending on the target audience of the incubator or client.

Tips

- Collecting, storing and presenting results in a database can become an asset to attract further support and investment. Research has shown that top-performing incubators are more likely to collect and keep a database of the outcomes of their business incubation on participating clients (Molnar *et al.*, 2011).
- Some incubator programmes make use of project management and contact management software tools to track client data, training or mentoring sessions, and progress on key interventions.
- Communicating impact in an attractive fashion to attract interest, support and/or investment can be done more effectively using **infographics**. Incubators and their clients could include graphics on key impacts (such as hectares of forest under sustainable management in client businesses, income generated over time, women benefiting/equity, etc) to show the impacts of their interventions for use by their management teams, boards and investors.

At the end of this exercise, you should be able to:

- Know what types of impacts can be measured that are likely to be attributable to your incubation services
- Develop a set of criteria to track client performance during the provision of services, and post-service delivery impacts
- Design monitoring and data collection systems with your team, past graduates, and partners
- Put in place a plan for communicating those impacts and lessons with partners, donors, and future clients

This should enable you to capture information that will help you learn from your own client experiences, adapt and improve your services, and communicate successes effectively to potential funders and other clients.

Useful links and resources

National Entrepreneurship Network (2013) A White Paper, Guidelines - Metrics & Milestones for Successful Incubator Development. Recommendation version 2.0. Made to Department of Science & Technology, Government of India. https://assets.aspeninstitute.org/content/uploads/files/content/docs/resources/A%20White%20Paper_Metrics%20%20Milestones%20for%20Incubators.pdf

Molnar, L, Lewis, DA and Harper-Anderson, E (2011) Incubating success: incubation best practices that lead to successful new ventures. University of Michigan, USA. Available at:

<http://economicgrowth.umich.edu/publications/incubating-success-incubation-best-practices-that-lead-to-successful-new-ventures/>

Mwanamambo, B (2018) Agribusiness Incubation in Africa: A Case Study of AgBIT business incubator in Zambia. In: Macqueen, DJ and Bolin, A (eds) Forest business incubation: Towards sustainable forest and farm producer organisation (FFPO) businesses that ensure climate resilient landscapes. IIED: London, UK.

Subedi, B, Khanal, SC, and Ghimire, PL (2018) ANSAB: developing community-based farm and forest-based enterprises in Nepal. In Macqueen, DJ and Bolin, A (eds) Forest business incubation: Towards sustainable forest and farm producer organisation (FFPO) businesses that ensure climate resilient landscapes. IIED: London, UK.

Annexes

Annex 1: Checklist of information needed to survey a region during the initial scoping phase

General information about the province/district and community forest business groups

- Where are the main urban and market centres?
- Where are the main highways, train connections, airports?
- Is there a functioning mobile telephone network?
- What are the most important external markets and market centres where products from the region are sold (including cross border trade)?
- What does the market chain look like in markets within and outside the region (number of producers, traders, transporters, processors, retailers etc.)?
- What are the most important natural resources and products to be found in the region? Are there existing markets for them? What are their comparative advantages?
- What are the prices obtained for these main products sold in local and regional markets?
- What enterprises are operating in your specific geographic location(s) (product, type, structure)?
- What are the main networks (e.g. advocacy networks for community forestry, indigenous peoples etc.) and product-based organisations (e.g. forestry and agriculture producer organisations) in the region? Are they active (have regular meetings) and on what key issues?

Information about relevant financial institutions and access to finance

- What banks and microfinance institutions (MFI) are present locally (region/province/district) and where are they located?
- What other sources of finance (public sector grants/other projects/village savings and lending institutions)?
- What are their conditions for accessing finance (size of loan, interest rate, collateral and documentation required e.g. land certificate, business plan, identity card)?
- What is the percentage of non-performing loans?
- Do micro-finance institutions/banks serve many small businesses in the agricultural or forestry sectors?

Information about useful business development contacts, educational institutions, technical and administrative service providers

- What is the expertise available at the national level, and where possible the local level (region/province/district), regarding relevant business development services, legal advice, research and development, marketing etc?
- What is the expertise available in this region regarding technical extension for cash crops, agroforestry, timber, NTFP's etc (location of office, number of technical staff and specific skills)?
- How often do staff members visit the villages in their areas?
- How often do staff member get transferred to other regions/districts?
- Are there any schools of higher education or technical training in the province? Where are they located? What subjects do they teach?

Information about other organisations implementing relevant projects in the region

- Where are the current project sites located?
- Do they have regular field level staff and with what expertise (e.g. technical, business development services)?
- What value chains do they work with?

Legal matters

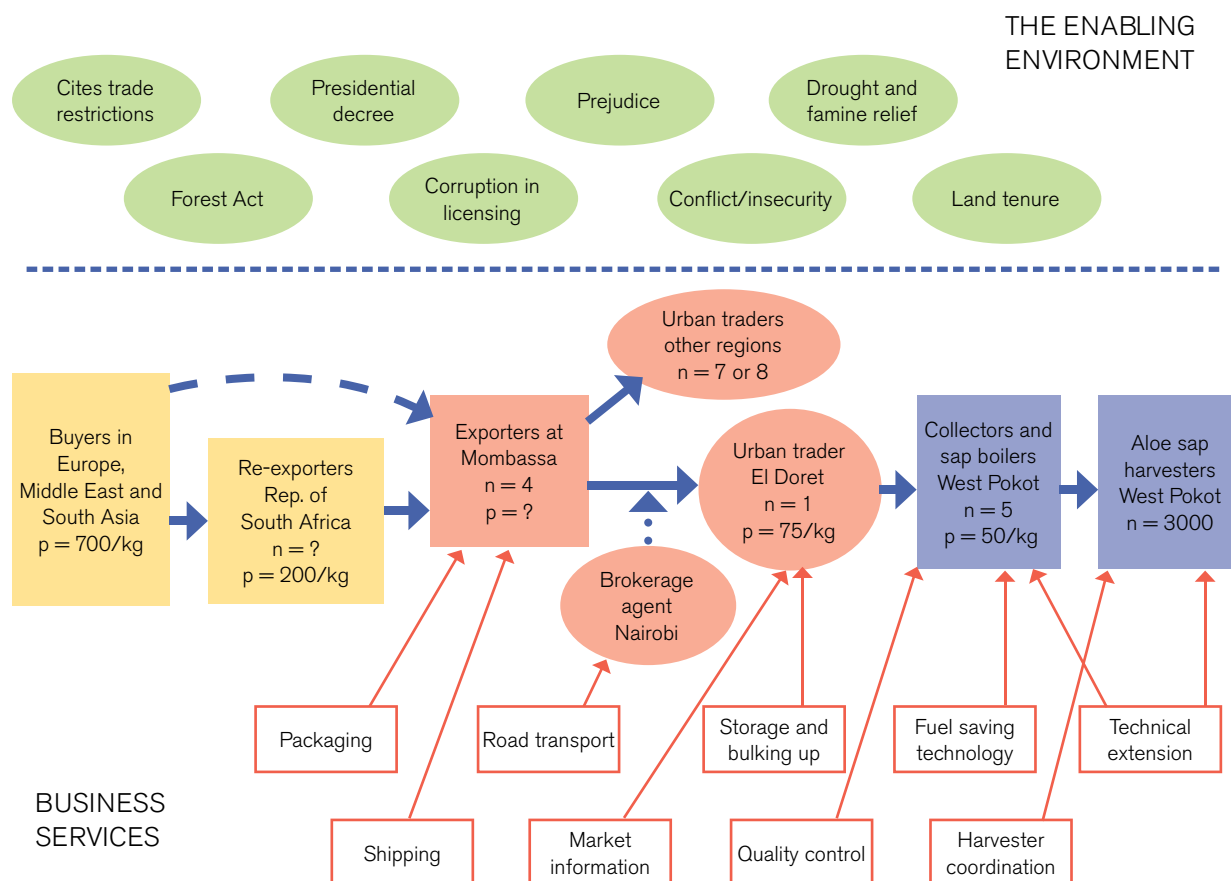
- What legal documentation are needed for enterprises to harvest, process, transport, and trade forest and agriculture products and services?
- What are the mechanisms for companies, partnerships, corporations and cooperatives to acquire legal status? Should the various types of legal status be registered at the same office? What are the rules governing the registration of each type of legal status for enterprises?
- Is there any governmental support or incentives for micro, small, and cooperative businesses (e.g. different tax implications for different types of enterprise statuses)?

Adapted from: Lecup (2011) Community-based tree and forest product enterprises: Market Analysis and Development manual. FAO: Rome. Available at: <http://www.fao.org/docrep/014/i2394e/i2394e00.pdf>

Annex 2: Example of a value chain diagram

(P = price, N = number of market actors, Arrows = direction in which money flows, Green circles = major challenges in the enabling environment, Red boxes = Necessary business services within or outside enterprise)

Aloe market chain into West Pokot, Kenya



Source: Albu, M and Griffith, A (2005) Mapping the market: A framework for rural enterprise development policy and practice. Practical Action. Available at: https://practicalaction.org/docs/ia2/mapping_the_market.pdf

Annex 3: Mapping other key actors who shape the business environment for a particular area

Other value chain actors	Role in value chain	Potential use for client businesses
Input suppliers, eg tree nursery		
Other producers, eg tree growers		
Added value processors, eg pole-millers		
Distributors, eg intermediaries		
End-users, eg power company		
Other supporting actors	Main existing links to value chain	Potential use for client businesses
Legal advisors such as local authorities, eg forest department		
Finance and insurance providers, eg local banks		
Business service providers, eg business trainers		
Market information systems, eg price indices		
Technical service providers, eg extension services or NGOs		
Social organisation specialists, eg local NGOs or relief agencies		
Research centres of relevance to business, eg local universities, technical centres		
Other business incubators, eg in urban centre		

Annex 4: Sample terms of reference for a business coach

Objective

To support client businesses in business development, access to credits and markets

Outcome

Client businesses have better access to higher value markets and increased sales (or revenue)

Expertise and tasks

Organise dedicated support in screening business ideas, preparing sustainable business plans, making market links, accessing finance (particularly the cooperatives' credit system), achieved through fostering a public-private partnership approach. This coach will use a range of tools to help producer organisations to identify new markets, make connections with potential trading partners and help farmers to build their own individual or collective marketing strategies. Better access to markets and finance through improved value chains will be achieved by:

- Training in market analysis and development (MA&D) which takes an entrepreneur through a logical process of formulating an idea into a sustainable enterprise development plan
- Training in financial literacy and bookkeeping
- Organise participation in trade fairs and events linking businesses to market outlets
- Facilitating links between sustainable client businesses, potential buyers and other market agents
- Develop an expert/mentoring network to link more specialised service providers, and
- Facilitating learning exchanges hosted by successful business groups to facilitate learning on sustainable production, value addition and market opportunities for their products.

Annex 5: Criteria frequently used by forest business incubators to select their clients

Characteristic	Criteria (desired state for that particular characteristic)	Score for a prospective business		
		Clearly true (3)	Probably true (2)	Unsure (1)
Control of business	Business owned by members of a forest farm community, and with wide participation of members of that community, and benefit distribution within that community.			
Likely business impact	The business is likely to have a strong positive impact on that forest community in terms of employment and income, social cohesion and sustainable forest management and restoration.			
Business offer	The product or service being offered by the business involves financial returns that exceed financial costs (ie it is economically feasible).			
Market demand	There is strong market demand (eg many buyers) for the product or service that is offered, and this is likely to be the case into the foreseeable future.			
Natural resource base	The use of the forest or farm resource to supply what the business needs is responsibly sourced (eg tenure rights are clear and products legally sourced) and can be done sustainably without degrading or exhausting those resources – either in terms of the species composition or the soil fertility.			
Business affiliation	Supporting that business is legal and legitimate (or even required), ie the government and community allow the business (or the business is a member of the FFPO providing business incubation support).			
Human capacity	There is a clear understanding and leadership from the business manager (or team) themselves of how to run a business and how they want to develop it.			
Geographic location	The business can be reached by the incubator at bearable cost and has tolerable infrastructure for its development.			
Scalability	The product or service being offered by the business is one which has widespread occurrence in that environment and offers the potential for growth or replication in other adjacent communities.			
Innovation	The product or service being offered by the business is not yet commonly available in the market in that region and is therefore 'ahead' of the competition.			

Annex 6: Example of the main sets of questions that will comprise a business assessment

1	Revenue flows
	<p>1.1 What is the state of knowledge within the business about finance (balance sheets, cash flow, profit and loss projections), and the need for investment?</p> <p>1.2 If additional funding is needed, are adequate record keeping and financial reporting practices already in place?</p> <p>1.3 What are the main within-business perceptions about challenges relating to revenue flows and investment?</p> <p>1.4 What potential interventions might be undertaken either to improve the knowledge about revenue flows within the business or address challenges to it?</p>
2	Resource management and access
	<p>2.1 What is the state of knowledge within the business about resource rights and sustainable forest or farm management or supply for the products or services offered?</p> <p>2.2 What are the main within-business perceptions about challenges relating to resource rights, sustainable forest and farm management or supply?</p> <p>2.3 What potential interventions might be undertaken either to improve the knowledge about resource management or address challenges to it?</p>
3	Business relationships
3.1	<p>3.1 What is the state of knowledge within the business about actors in the value chain and those in local authorities and other relevant institutions?</p> <p>3.2 What are the main within-business perceptions about challenges relating to its place in the value chain?</p> <p>3.3 What potential interventions might be undertaken either to improve the knowledge about the value chain or address challenges to it?</p>
4	Operating capacity
	<p>4.1 What is the state of knowledge within the business about the organisational management, technology and staff capacity to produce required quantities and qualities efficiently?</p> <p>4.2 What are the main within-business perceptions about challenges relating to operating capacity?</p> <p>4.3 What potential interventions might be undertaken either to improve the knowledge about revenue flows within the business or address challenges to it?</p> <p>4.4 How closely is production capacity matched with demand? Is there surplus production capacity, or is the business unable to meet demand due to capacity constraints?</p>
5	Security of operating space
	<p>5.1 What is the state of knowledge within the business about political, economic, environmental or social factors that might disrupt their production or service?</p> <p>5.2 What are the main within-business perceptions about challenges relating to the operating environment?</p> <p>5.3 What potential interventions might be undertaken either to improve the knowledge about the operating environment or address challenges within it?</p>
6	Brand development
	<p>6.1 What is the state of knowledge within the business about its target market segment and customers, marketing and branding?</p> <p>6.2 What are the main within-business perceptions about challenges relating to marketing and brand reputation?</p> <p>6.3 What potential interventions might be undertaken either to improve the knowledge about marketing or address challenges to it?</p>

In rural areas, implementing sustainable development and climate action requires the coordinated action of the 1.5 billion male and female forest and farm producers who live there. The profitability and sustainability of their businesses will define whether the Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change can be achieved. Significant development and climate finance exists – but the pipeline of investible businesses into which it can flow to scale up integrated solutions is blocked. Far too little is being done to incubate sustainable and locally controlled forest businesses through which that upscaling might happen. It is exactly for this reason that a better understanding of business incubation in forest and farm landscapes is needed. Without it, it is difficult to see how climate change adaptation and mitigation that is compatible with the SDGs could possibly occur.

Specific challenges in forest landscapes (eg remoteness, high transaction costs, long production timeframes, overlapping rights, high levels of informality, and so on) mean that forest business incubation needs a rather unique approach. Forest businesses are typically perceived as high risk. Unlike urban small and medium enterprises (SMEs), they are difficult to reach and are currently underserved by business support agencies. In this context, the role of a well-designed system of incubators in the forest landscape that de-risks investment into this crucial sector, and fills the business support gap, could really make a difference.

By providing an approach to incubation that is adapted to the forest and farm landscape, this toolkit aims to address that gap. It is written primarily for second-tier umbrella organisations of forest and farm producers, who aspire to offer business incubation services for their members. But it could equally serve government, NGO or for-profit private sector actors wishing to develop business incubation in forest landscapes. It draws on findings from 11 case studies of different forest business incubation models and is laid out in a logical sequence of 5 modules with practical tips and guidance throughout. The authors welcome constructive feedback of any sort that might improve its positive impact in the future for both people and forests.



Knowledge
Products

Toolkit

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Forests

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Forest Connect, small and medium enterprises, Forest and Farm Facility, business incubation

MODULE 1

Define the geographical scope and types of clients, their needs, and other actors with whom their value chains interact.

STEP 1

The incubator defines the scope of potential business clients and other support actors categorising

STEP 2

The incubator prepares a detailed client needs assessment questionnaire

STEP 3

The incubator maps the business environment

STEP 4

The incubator conducts a rapid field appraisal and analyse key results

MODULE 1 OUTPUTS:

- 1) A list of the main types of client business that the incubator will support in specific geographic area(s)
- 2) Selection of a target geographical area where targeted clients and incubation service delivery can be clustered
- 3) Collection of data on initial client needs and in intervention points where business incubation services will be needed
- 4) A map of institutions and other supporting agencies that can help establish new linkages in the main value chains identified

MODULE 2

Identify key skillsets your organisation needs to build and institutionalise and identify where to get expert support and services from existing networks.

You can start here if you already have a clear idea of who your business clients could be and what their support needs are.

STEP 1

The incubator establishes what new internal staffing skillsets need to be developed

STEP 2

The incubator identifies missing elements in the organisational structure

STEP 3

The incubator creates organisational alignment for business incubation services

STEP 4

The incubator develops a plan for financing and delivering business incubation services

MODULE 2 OUTPUTS:

- 1) A list of the sort of core services your target clients are likely to need as part of a regular incubation programme both on a regular basis and on an ad-hoc basis
- 2) A plan for staffing your incubator to develop the skills and services you need for 'core' services and which contacts you might need to develop or draw on from a network of experts
- 3) A strategy for how to 'fit' your incubation services within an existing organisational structure that is aligned with current vision and objectives
- 4) A value proposition and overview of potential funding streams for how to finance the delivery of business incubation services

MODULE 3

Understand what different services to offer in the forest and farm landscape and how it might deliver those services.

STEP 1

The incubator develops a set of central training modules to meet the needs of client businesses

STEP 2

The incubator establishes an expert (mentors) network to link to more specialised service providers

STEP 3

The incubator develops client guidance for getting capital investment and accessing finance

STEP 4

The incubator decides how and where the services are to be provided to client businesses

MODULE 3 OUTPUTS:

- 1) A list of services you can deliver through a pool of core specialised staff
- 2) List external networks and experts or mentors you might need to complement your in-house capacity in service delivery
- 3) A defined approach to improving access to finance for your client businesses
- 4) A plan for the delivery of incubation services, in-house, virtually, and in the field

MODULE 4

Establish a process for selecting which businesses to support, how to manage the engagement process, and agreeing on an exit strategy.

STEP 1

The incubator establishes selection criteria to identify with which businesses they will work

STEP 2

The incubator develops an assessment framework to identify specific needs of each client business

STEP 3

The incubator and client business develop a mutually agreed upon intervention plan

STEP 4

The incubator and client business agree on ways to measure and monitor progress

STEP 5

The incubator and client business develop a graduation plan based on agreed targets for progress (if required)

MODULE 4 OUTPUTS:

- 1) A list of criteria for both the identification of clients and the procedure for selecting them
- 2) A needs assessment framework that is tailored to each specific client needs and context
- 3) An intervention and progress monitoring plan

MODULE 5

Identify and decide what performance metrics to track and how to communicate these results to attract further support.

STEP 1

The incubator and client business decide what impacts could be measured and monitored for client businesses

STEP 2

The incubator decides what impacts of their own could be measured

STEP 3

The incubator implements and manages impact assessments

STEP 4

The incubator communicates and shares reports on insights and lessons with internal and external networks

MODULE 5 OUTPUTS:

- 1) A list of the types of impacts can be measured that are likely to be attributable to your incubation services
- 2) A set of criteria to track client performance during the provision of services, and post-service delivery impacts
- 3) Monitoring and data collection systems
- 4) A plan for communicating those impacts and lessons with partners, donors, and future clients