

WH LEEP

Request for Proposals



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Many community enterprises struggle for long-term sustainability due to an inability to access affordable credit with favorable payment conditions or reasonable credit obligations.

The World Heritage Local Ecological Entrepreneurship Program (WH-LEEP) is a partnership between the United Nations Foundation, United Nations Development Program/Global Environment Facility Small Grants Programme (UNDP / GEF SGP), Daiwa Securities Co, Ltd., and Conservation International's Verde Ventures program to support community-based enterprises in World Heritage sites. WH-LEEP supports direct capacity building and strengthening of local institutions to provide ongoing support. The program, which will provide eligible community enterprises with the technical training needed to enable them to receive affordable loan financing, **is requesting proposals for this innovative new program from eligible Community Management of Protected Areas for Conservation (COMPACT) sites.**

WH-LEEP will utilize the tools of enterprise development, complementing COMPACT's support to existing enterprises, by providing technical assistance for business growth and the provision of affordable capital. This package of support will enhance the long-term viability of selected enterprises with growth potential in the COMPACT regions. The program is part of a broader GEF initiative that focuses on innovative ways to leverage market mechanisms and promote private sector enterprise development across its portfolio. Additionally, it complements the United Nations Foundation's strategic vision and priorities by providing a market-based approach to community enterprise development in and around World Heritage sites and high biodiversity areas.

WH-LEEP will focus its investment within seven COMPACT sites in **Belize, Dominica, Kenya, Mexico, Philippines, Tanzania and Madagascar.** Within each country, all partners will work collaboratively to generate projects for investment from within the COMPACT network.

The overall objective of WH-LEEP is to establish a loan financing and enterprise development grant facility for community-based sustainable businesses around World Heritage sites, building on the COMPACT and Verde Ventures programs.

This facility consists of **both grants in the form of an Enterprise Development Support (EDS) package and loans** to eligible organizations. The value of the EDS package is limited to US\$10,000 per organization, to be provided through an EDS service. This will be used to implement an enterprise development plan designed to improve the sustainability of the enterprise, and to enable the enterprise to secure additional capital. Additionally, the facility will provide loans for eligible institutions, with a maximum of US\$50,000 per organization. Loans may be used for working capital, inventory purchases, infrastructure

enhancements, reforestation, training and capacity building and plant and equipment purchases. Organizations may apply for either a grant or a loan.

Pre-Selection Criteria

To be eligible for support from WH-LEEP, the enterprise must be a community-based enterprise in one of the following COMPACT sites and involved in a business that benefits biodiversity conservation and human well-being.

Eligible COMPACT Sites:

Phase 1 (July 2009 – October 2010)

Kenya – Mount Kenya National Park
Belize – Belize Barrier Reef
Mexico – Sian Ka'an Biosphere Reserve
Tanzania – Mount Kilimanjaro National Park

Phase 2 (October 2010 – October 2011)

Dominica – Morne Trois Piton National Park
Philippines – Puerto Princesa National Park
Madagascar – Dry Forests of the South-West

Any community-based, income-generating enterprise that provides direct benefits to people and biodiversity conservation is encouraged to apply.

Some examples of eligible businesses include:

- **Agroforestry:** Shade-grown and sustainable agriculture that buffers biologically important protected areas.
- **Ecotourism:** Ecotourism products and services that protect biodiversity and provide conservation-oriented employment and income for communities living near protected areas.
- **Wild-harvest products:** Businesses that develop and promote oils, nuts, fruit, plants, fibers and other natural materials sustainably harvested near protected areas.

An applicant/business must meet the following basic criteria:

- Be a community-based enterprise.
- Be in or proximate to an eligible COMPACT site.
- Be identified by the local COMPACT coordinator.
- Is legally registered and has a formal business structure and board.
- Have generated sales and /or can demonstrate strong relationships with buyers.
- Support biodiversity conservation.
- Address rural poverty.
- Have demonstrated a willingness to grow and learn.

Program Overview

The WH-LEEP program will leverage the UN Foundation's and UNDP/GEF Small Grants Programme's current partnership in the COMPACT initiative with Conservation International's experience in small and medium-sized enterprise development via Verde Ventures. The participation of Verde Ventures in the WH-LEEP is enabled in part by funding from Daiwa Securities. WH-LEEP will complement COMPACT's support to existing enterprises.

The five-year program will be piloted in up to four countries: Kenya, Tanzania, Mexico and Belize. These countries are believed to have the most capacity for enterprise development and thus the strongest potential pipeline of eligible projects. The program will focus on strengthening the capacity of the selected enterprises and ensure that quality business support services are delivered. A secondary objective will be to ensure that local financial institutions are engaged toward the long-term goal of local provision of capital to WH-LEEP's enterprise partners.

Once the pilot projects are operating and lessons learned are documented, and if sufficient funds remain, the program will be replicated in up to three additional COMPACT countries: Dominica, Philippines, and Madagascar. As the additional countries are added to the program, the work initiated in Kenya, Tanzania, Mexico and Belize will continue throughout the entire five-year period as the selected enterprises scale up and begin to benefit from the enterprise development support.

Within each country, all partners will work collaboratively to generate pipeline projects for investment from within the COMPACT network. The winners of the Equator Prize award from COMPACT countries will also be eligible. With the current funding available, it is estimated that a maximum of five pilot projects per COMPACT site can be supported during the five-year term, for an estimated total of 35 enterprises. Best efforts will be made to ensure the projects supported are geographically spread across the COMPACT regions to enable the program to have a geographically diverse sampling of demonstration projects to monitor and from which to collect lessons learned.

Guiding Principles

Blended Value Proposition

The specific support package provided to these selected enterprises includes two key project-level elements for enterprise growth:

- 1) **Enterprise Development Support**
- 2) **Affordable Loan Financing**

Enterprise Development Support (EDS) includes a broad range of services for entrepreneurs to help ensure the long-term financial viability of their business. These services often include: accounting/finance training and software, marketing support, management training, guide training and certification. Each EDS package will need to be tailored to meet the needs of the specific enterprise, and will build on efforts made by COMPACT. Typically, experienced staff will work with the enterprise to conduct a needs assessment and develop an appropriate EDS plan to address those needs.

The partners will work together to develop a strategic approach to EDS provision in the selected project sites. This strategic approach will include inputs from a UN Foundation and UNDP/GEF Small Grants Programme-supported consultancy in four COMPACT sites on how to address local enterprise development needs by leveraging local and global private-sector expertise. Verde Ventures and the Small Grants Programme will be responsible for identifying the most appropriate mechanisms for fulfilling the core EDS package. Each element of the EDS package will complement the existing technical assistance provided by the COMPACT program. The Small Grants Programme, through the administration of the COMPACT program, will support targeted community-based entrepreneurs by offering basic capacity building in terms of outputs-based project design, participatory planning, ecological monitoring, inclusive social and cultural visioning processes, biodiversity-based product development, regional supply chain formation, and cooperative/producer network extension activities.

Once the EDS plan is developed, the delivery of the needed services will be provided by either private sector partners of one of the principal partners (UN Foundation, the Small Grants Programme or Verde Ventures), EDS providers, consultants, or would be purchased by the enterprises themselves through the program's grant mechanism. The EDS package would be funded using a combination of UN Foundation funding, private sector partner in-kind services, Verde Ventures in-kind support, and direct grants disbursed by Verde Ventures. The exact value of funding per enterprise should be determined by the support plan developed, and will not exceed US\$10,000 per enterprise.

Affordable Loan Financing will use the successful Verde Ventures model adapted for the COMPACT enterprise portfolio. The objective of the loan is to build each enterprise's capacity to achieve the goals of its business plan by diversifying and professionalizing its funding base beyond grants. The enterprises supported through the project will be eligible for loans once their EDS plan has been developed and implemented. Some more mature

COMPACT projects may be eligible to receive loan financing before the full realizations of their EDS plan, which will be evaluated on a case-by-case basis by Verde Ventures and UNDP / GEF SGP staff. Furthermore, all investment decisions will be made by an independent investment committee. Loans made for selected enterprises through this program will be made primarily using Verde Ventures' loan capital with the UN Foundation's guarantee to leverage that capital. The funds destined for loan guarantee will sit at the UN Foundation and financial transfers from the UN Foundation to the facility will go directly to Verde Ventures.

Instilling the fiscal discipline that loans require is often critical to an enterprise's ability to grow beyond being a project to becoming a thriving business with long-term growth potential. In addition, building assets and a credit record is also essential for obtaining other sources of investment financing from local commercial banks as the enterprise develops. The average loan size for investments through this project is estimated to be \$25,000, within an estimated investment range of \$20,000 to \$50,000. Projects that perform well could have a potential for additional financing up to \$150,000, following the same approval process agreed by the partners (funding for these projects will not be more than 25 percent of the project portfolio). The pricing and terms of the loans invested will be adjusted for risk and tailored for the specific cash flow needs of the enterprises.

However, it is estimated that the average repayment term would be three to five years¹, with an interest rate that enables enterprise growth, but does not significantly undercut local financial markets. Loans in local currency would be optimal in most cases, and provisions will need to be made for currency devaluation and appropriate hedging to mitigate exchange rate risk.

Submission Deadlines

Mexico	Sept. 30, 2009
Belize	Sept. 30, 2009
Kenya	Oct. 30, 2009
Tanzania	Oct 30, 2009

All funding (loans and grants) must adhere to safeguard policies and cannot be used for: the purchase of land, involuntary resettlement of people (including displacement of land uses) or activities that negatively affect physical cultural resources, including those important to local communities; for activities adversely affecting indigenous peoples or where these communities have not provided their broad support to the project activities; or the removal or alteration of any physical cultural property (includes sites having archaeological, palaeontological, historical, religious or unique natural values). Proposed activities must observe all other World Bank safeguard and social policies:

<http://go.worldbank.org/WTA1ODE7T0>

² Although the funding term of this project is for five years, it is expected that the project will give place to a permanent facility, therefore additional funds would be available for monitoring of projects beyond the project period.



Verde
Ventures

In order to apply, please contact your COMPACT coordinator for the appropriate forms, or download the application forms from:

Verde Ventures site: <http://www.conservation.org/verdeventures>

The GEF Small Grants Programme: <http://sgp.undp.org/> and
http://sgp.undp.org/index.cfm?module=ActiveWeb&page=WebPage&s=compact_1

United Nations Foundation: *UNF Community Based Enterprises Site*
<http://www.unfoundation.org/global-issues/sustainable-development/communities.html>