

**SUPPORT FOR PROMOTING BIODIVERSITY USE BY SMALL ENTERPRISES**

**(TC-96-10-36)**

**EXECUTIVE SUMMARY**

**EXECUTING AGENCY:** Instituto Nacional de Biodiversidad [Biodiversity Institute] (INBio)

**BENEFICIARIES:** Small enterprises and communities in Costa Rica

**OBJECTIVES:** The overall objective of this operation is to promote the development of small enterprises through sustainable commercial development of biodiversity by the private sector. The specific objectives are to: (i) create installed capacity to INBio in the form of a business development office to meet specific needs of small enterprises interested in developing new biodiversity-based products; and (ii) develop commercially viable projects for small enterprises, based on making sustainable use of Costa Rica's biodiversity.

**DESCRIPTION:** The program will consist of two components. Component I includes the hiring of specialized consultants, strengthening the institutional capacity of the INBio's Office of Biodiversity in support of Business Development (OBADE), promoting the program and selecting enterprises and products with the greatest potential in order to mount pilot projects deemed commercially viable. Component II will provide technical assistance (coordinated by INBio) for selected enterprises and communities, helping them develop new products or economic activities during the run-up to full commercial production. For purposes of mounting the pilot projects, a detailed plan of action will be drawn up for development of selected new products and/or economic activities.

**FINANCING:** Method: nonreimbursable funding (Facility III-A)  
MIF: US\$1,670,000  
Local: US\$1,230,000  
Total: US\$2,900,000

**IMPLEMENTATION SCHEDULE:** The present operation will be carried out over a period of three years.

**ENVIRONMENTAL/ SOCIAL REVIEW:** The CESI took up the profile of this operation at its meeting of May 2, 1997. The main recommendations agreed upon are set out in paragraphs 2.9, 3.2, 3.4, 3.8, 3.10 and 3.12. The project memorandum was

considered by the Committee at its December 5, 1997, meeting.

**SPECIAL ISSUES:**

The major special issues are as follows: (a) There is a degree of uncertainty inherent in an operation of this type concerning a possible lack of financing for the investments called for in the business plans drawn up for its projects, as well as a risk that new products might not be accepted in the intended market. Since the program deals only with the developmental stage, it is important as a means of reducing these risks that it include efforts to help small enterprises obtain financing for commercial operations from sources such as the Fund for Central American Environmental Enterprises, established primarily with MIF resources to finance investments in projects based on natural resources. The program will also establish a transparent competitive selection procedure with clearly defined criteria for assessing the commercial potential of pilot projects and monitoring of the process by the Bank; and (b) there is likewise uncertainty with regard to cost recovery in the event that a given product is commercially successful. To cover this risk, the operation will include the following: (i) selection of pilot projects with a high degree of financial commitment; (ii) one of the criteria used in selecting pilot projects will be the enterprise's proposed contingent cost recovery mechanism; (iii) the contract between the INBio and the enterprises will specify the form and timing of cost recovery, including penalties in the event that an enterprise neglects to provide the required counterpart resources or, having achieved commercial success, fails to reimburse the cost of technical assistance supplied by the INBio.

**COMPETITIVE  
BIDDING:**

International bidding will be required for the purchase of equipment valued in excess of US\$300,000, and for services costing more than US\$250,000.

**CONDITIONS  
PRECEDENT TO  
THE FIRST  
DISBURSEMENT:**

- a. A contract shall have been signed with the project manager approved by the Bank (paragraph 3.19).
- b. The operating regulations for the program must have been approved by the Bank and put into effect, and the financial management agreement shall have been signed between the INBio and a commercial bank (paragraph 3.22).

- c. INBio's Board of Directors must have established a consultative committee acceptable to the Bank (paragraph 3.24).
- d. An accounting system must have been submitted and approved by the Bank (paragraph 3.21).
- e. The annual work plan for the first year of operations must have been approved by the Bank (paragraph 7.2).

**SPECIAL  
CONDITIONS:**

- a. Before beginning component II, at least three pilot projects shall have been selected and a minimum of two letters of intent and one contract must have been signed between INBio and participating firms, in accordance with criteria agreed in advance with the Bank (paragraph 3.18).
- b. The annual technical and financial reports on the program must have been submitted as required (paragraph 7.2).
- c. The annual work plans must be submitted (paragraph 7.2).
- d. The proceeds of recoveries must be used for the same purposes as in the proposed operation (paragraph 3.22).