

CONFIDENTIAL
INTERNAL USE
PUBLIC UPON APPROVAL

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

COSTA RICA

INTO EXPERIENTIAL CAMPS & LODGES

(CR-T1237)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: William Ernest (DIS/CCR), Project Team Leader, Daniel Arevalo (INO/SMC), Daisy Ramirez (FML/LAB), Patricia Guevara (LAB/DIS), and Cristina Parilli (DSP/DVF).

This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. The document will be disclosed and made available to the public upon approval.

CONTENTS

PROJECT SUMMARY EXECUTIVE SUMMARY

I.	THE PROBLEM	1
A.	Description of the problem	1
B.	Project beneficiaries	3
II.	THE PROPOSED INNOVATION	4
A.	Project description	4
B.	Project results, measurement, monitoring, and evaluation	8
III.	ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS	9
A.	Alignment with the IDB Group	9
B.	Scalability	9
C.	Project and institutional risks	10
IV.	INSTRUMENT AND BUDGET PROPOSAL	11
V.	EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE	11
A.	Description of the executing agency	11
B.	Implementation structure and mechanism	12
VI.	FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS	12
VII.	ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY	13

PROJECT SUMMARY

COSTA RICA
INTO EXPERIENTIAL CAMPS & LODGES
(CR-T1237)

Despite significant achievements in tourism development and conservation, Costa Rica faces challenges in seeking to consolidate sustainable tourism. First, most visits to Protected Wildlife Areas occur in eight national parks: Manuel Antonio, Irazú, Marino Ballena, Poás, Tenorio, Tortuguero, Cahuita, and Arenal. Thus, diversification needs to be promoted.

Increased global ambitions and the commitments made by Costa Rica have given rise to the challenge of expanding protected areas, leading to increased financial requirements for their effective administration by the government. To meet this challenge of effective biodiversity conservation, a new tourism supply linked to various conservation areas needs to be created, in addition to developing mechanisms for linkage with local communities and innovation in conservation financing mechanisms.

The objective of the project is to use digital tools to create linkages between tourists and INTO Hospitality guests with conservation projects and local MSMSEs, seeking to increase the financing available for conservation activities, generate opportunities to improve the local community's income, and reduce the tourists' carbon footprint.

The beneficiaries of this project will be 75 micro, small, and medium-sized enterprises (MSMEs) that will successfully link to international tourism, 10 civil society organizations that will connect to the platform, and the raising of US\$76,800 in resources to finance local conservation projects through traveler's philanthropy.

This proposal was identified by IDB Lab's Beyond Tourism Challenge and was selected from among 214 applicants in the category of environmental sustainability. The executing agency is the *Asociación Costa Rica por Siempre* (ACRXS) and the total project budget amounts to US\$1,011,371, US\$500,000 of which will be provided by IDB Lab through a nonreimbursable technical cooperation operation. INTO Hospitality S.A. will cofinance the project.

The project was designed in conjunction with the IDB Invest Tourism Unit and complements IDB Invest operation 13427-01 - INTO Experiential Camps CR.

It is aligned with the IDB Vision 2025, which seeks to assist MSME's in their post-pandemic recovery by promoting entrepreneurship and innovation to help enhance aggregate productivity.

ANNEXES

Annex I	Results Matrix
Annex II	Summary Budget
Annex III	iDelta

APPENDICES

Proposed resolution

**INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE IDB LAB
PROJECT INFORMATION SYSTEM**

Annex IV	Itemized Budget
Annex V	Diagnostic Assessment of Integrity and Institutional Capacity [includes due diligence and integrity analysis]
Annex VI	Project Status Reports (PSR) and Fulfillment of Milestones and Fiduciary Agreements
Annex VII	Procurement Plan

ABBREVIATIONS

ACRXS	Asociación Costa Rica por Siempre
FAICO	Fundación Amigos de la Isla del Coco
ICT	Instituto Costarricense de Turismo [Costa Rican Tourism Institute]
INTO	INTO Hospitality
MSMEs	Micro, small, and medium-sized enterprises
MVP	Minimum viable product
NGOs	Nongovernmental organizations
PWAs	Protected Wildlife Areas
SINAC	Sistema Nacional de Áreas de Conservación [National System of Conservation Areas]

COSTA RICA
INTO EXPERIENTIAL CAMPS & LODGES
PROJECT INFORMATION

Country and geographic location:	Costa Rica		
Executing agency:	Asociación Costa Rica por Siempre (ACRXS)		
Focus area:	Inclusive cities		
Coordination with other donors/Bank operations:	Complements IDB Invest operation 13427-01 - INTO Experiential Camps CR, which finances the development of tourism infrastructure for the camps and lodges circuit of INTO Hospitality that will operate as a platform to support the economic sustainability of conservation in Costa Rica.		
Project beneficiaries:	The project will benefit 75 micro, small, and medium-sized enterprises (MSMEs) that will successfully link to international tourism, 10 civil society organizations that will connect to the platform, and the raising of US\$76,800 in resources to finance local conservation projects.		
Financing:	Technical cooperation funding:	US\$500,000	49%
	Investment:	US\$000,000	
	Loan:	US\$000,000	
	Other (explain):	US\$000,000	
	Total IDB Lab contribution:	US\$500,000	
	Counterpart:	US\$511,371	51%
	Cofinancing (if any; include a separate line for IDB cofinancing if applicable)		
	Total project budget:	US\$1,011,371	100%
Execution and disbursement period:	36 months for execution and 42 months for disbursements.		
Special contractual conditions:	Conditions precedent to the first disbursement will be: (i) appointment of the Project Coordinator; and (ii) the collaboration agreement between ACRXS and INTO Hospitality. A condition precedent to the second disbursement will be: (iii) start of development of the tourism infrastructure.		
Environmental and social impact review:	This operation has been screened and classified according to the requirements of the IDB Environment and Safeguards Compliance Policy (Operational Policy OP-703) on 26 October 2021. Given the limited impacts and risks, the project is proposed as a category C operation.		
Unit responsible for disbursements:	Country Office in Costa Rica		

I. THE PROBLEM

A. Description of the problem

- 1.1 Costa Rica is recognized worldwide for its environmental conservation efforts. Approximately 25%¹ of its territory is covered by some protected wildlife area² (PWA) category and contains high biological diversity in flora and fauna, estimated at 5% of global biodiversity. The country has committed to conservation as a pillar of its development and has been able to position itself as a leading destination for sustainable tourism.
- 1.2 Costa Rica's commitment to conservation and protecting the environment has been recognized at the international level.³ Costa Rica has consolidated the Sistema Nacional de Áreas de Conservación [National System of Conservation Areas] (SINAC), based on a policy that seeks to integrate natural resources conservation with economic development. To support these and other efforts over the long term, the national government works in a public-private partnership with Asociación Costa Rica por Siempre (ACRXS), a nonprofit organization that channels funds to ensure the financial sustainability of protected land and marine areas. Costa Rica has also promoted sustainable tourism as an activity compatible with the objectives of conserving protected areas.
- 1.3 SINAC functions as a deconcentrated and participatory institutional coordination and management system that integrated competencies in forestry, wildlife, protected areas, and the protection and conservation of the use of watersheds and water systems in order to formulate policies, plan, and execution processes aimed at achieving sustainability in the management of the country's natural resources. Territorially, it is divided into 11 conservation areas, where both public and state activities are interrelated and joint solutions are sought, guided by strategies for the conservation and sustainable development of natural resources.
- 1.4 SINAC has historically faced budgetary difficulties (e.g., lack of human resources, such as specialized professionals, and others), which have limited the effective management of protected areas. Added to this, in the context of COVID-19 and as a consequence of the drastic cut in SINAC's approved budget for 2021,⁴ conservation areas will not be able to fulfill their duties and will consequently be noncompliant in terms of qualifications and services, which will affect the protection of the country's natural heritage, imperiling the ecosystem services upon which the population depends.

¹ CINPE, Universidad Nacional de Costa Rica: [Parques Nacionales y Reservas Biológicas aportaron más de 3% del PIB en el 2016](#).

² A defined geographical space, official declared and designated with a management category due to its natural, cultural, and/or socioeconomic significance, in order to comply with certain conservation and management objectives.

³ MINAE. [Notable reconocimiento internacional a Costa Rica por su compromiso con la protección ambiental](#).

⁴ Delfino.cr, 2017, [SINAC anuncia que se quedó sin fondos para cuidar parques nacionales](#).

- 1.5 With regard to tourism, close to 38%⁵ of all international tourists arriving in Costa Rica visit the PWAs and those making transcontinental trips are more likely to visit these areas. According to data from the Instituto Costarricense de Turismo [Costa Rican Tourism Institute] (ICT), the number of nonresidents visiting Costa Rica's protected areas has grown exponentially over the last decade, reaching 1,266,801 annual visits in 2019.
- 1.6 Prior to the pandemic, tourism was the country's main source of foreign currency, representing about 7% of gross domestic product, including indirect activities. In 2018, tourism directly employed 245,200 people,⁶ nearly 10.5% of the employed population; a portion of this employment is in rural areas that are less developed compared to the country's urban areas.
- 1.7 Despite significant achievements in tourism development and conservation, Costa Rica faces challenges in its efforts to consolidate sustainable tourism. First, most visits (77%)⁷ to the PWAs occur in eight national parks: Manuel Antonio, Irazú, Marino Ballena, Poás, Tenorio, Tortuguero, Cahuita, and Arenal. Thus, diversification should be promoted, improving the offering of tourism corridors that connect other conservation areas. In addition, Costa Rica's Social Development Index indicates that the districts closest to the protected areas have the lowest social progress indices. According to the International Union for Conservation of Nature (IUCN), integrating sustainable business structures aligned with the context of land conservation and ethical environmental principles while recognizing the importance of a high-quality tourism experience produces a tourism offering that is able to catalyze positive impacts for protected areas worldwide.⁸
- 1.8 Increased global ambitions and the commitments assumed by Costa Rica have given rise to the challenge of expanding the protected areas, which produces an increase in the financial requirements for their effective administration by the government. Addressing this challenge of effective biodiversity conservation necessitates the creation of a new tourism offering linked to diverse conservation areas, in addition to the development of linkage mechanisms with local communities, and innovations in conservation financing mechanisms.
- 1.9 Currently, Costa Rica has no studies on the magnitude of the digital divide affecting MSMEs; thus the digital maturity level of the business sector is unknown. However, this lack of information is more accentuated for MSMEs located in rural areas, where the size of the business fabric has not been mapped and these MSMEs located in rural areas can be expected to have more limited digital capacities than their peers in the metropolitan area. In fact, the regions that the project aims to serve (Chorotega, Brunca, and Huetar Norte) are below the national average for fixed network Internet penetration.⁹ Thus, gathering

⁵ [*Visitas de residentes y no residentes a las áreas silvestres protegidas.*](#)

⁶ [*Cuenta Satélite Turismo 2012-2018.*](#)

⁷ [*Informe anual Estadísticas SEMEC 2019-2020.*](#)

⁸ UICN, 2018, Tourism and Visitor Management in Protected Areas.

⁹ Ministry of Science, Technology, and Telecommunications (MICITT): [*Informe sobre la conectividad cantonal a Internet en la red fija.*](#)

information on the realities of these businesses is key for the formulation of effective strategies that can contribute to their sustained growth and linkage with different markets. In this sense, MSMEs and independent entrepreneurs in rural areas show low linkage with the tourism and hotel sector in their communities. This is due to the characteristics of these companies, which—given their size and resources—do not always have the training and updating the market demands, which in turn leads them to have shortcomings in terms of the quality of their products or services.¹⁰ According to data from the Central Bank of Costa Rica, there are five key areas that generate income for tourism activities, notably those related to lodging and other industries related to tourism activities, which provide opportunities for generating a sustainable and responsible tourism value chain.

B. Project beneficiaries

- 1.10 The project's direct beneficiaries are 75 MSMEs in communities neighboring INTO Hospitality's lodgings, which would be linked to a digital platform that will allow them to connect with tourists and other potential markets in nearby areas. To demonstrate the impact that the project will have on the life of its beneficiaries, the challenges faced by three rural entrepreneurs in Costa Rica and one European tourist, whose identities are represented with fictitious names, are described below.
- 1.11 The first is 52-year-old Carolina; she is a grandmother and mother who is a head of household in Santa Elena Bay. She is passionate about traditional cuisine and a community leader who has dedicated years to promoting alliance-building and the conservation of natural resources in Cuajiniquil. From her business, she offers made-to-order food services to the tourists who visit the northern Pacific coast of Costa Rica. Her income has been eroded by the pandemic, so that she has faced difficulties continuing to pay for university and lower school education for her children and grandchildren.
- 1.12 The second story is about Carlos, a 55-year-old father from the community of Rancho Quemado, who used to be involved in gold mining. For the last 15 years, he has been offering guided experiences to those visiting the Osa Peninsula. He hasn't been able to formalize his business, which prevents him from establishing long-term relationships with tour operators.
- 1.13 The third story is about Vinicio, a 30-year-old Nicaraguan immigrant who bought a boat to offer whale-watching services in Ballena Bay. Due to the pandemic, he has had to devote himself to traditional fishing, but would like to have a stable flow of visitors to allow him to work full-time in tourism.
- 1.14 The final story is about Camille, a French tourist who has done a "glamping" circuit around Costa Rica with her partner. Despite her interest in conservation issues and having visited various PWAs, she has not been able to have an authentic experience or learn about how communities live. Upon returning to her country, she decided to offset the carbon footprint of her trip based on a calculation done by the airline. When analyzing the supply of offsetting mechanisms, she was unable to identify opportunities in Costa Rica, which she had wanted to do.

¹⁰ Benavides Vindas, S. (2019). *El aporte del turismo a la economía costarricense: más de una década después*. Economía y Sociedad, 25(57), 1-29. <https://doi.org/10.15359/eyes.25-57.1>.

- 1.15 These real stories exemplify entrepreneurs' challenges in the areas of intervention. Unlike their identities protected by anonymity, the problems they face cannot be hidden. The situation in which they live is intensified by the limited supply and diversity of jobs in these rural and coastal areas; thus it is essential to develop sustainable ventures and productive alternatives. These families need to develop new skills that will allow them to discover the opportunities that the green economy¹¹ represents for their communities, and to link up with digital platforms to offer their goods and services. In addition, this illustrates the experience of the tourist niche to which the supply of services developed by the project is targeted.

II. THE PROPOSED INNOVATION

A. Project description

- 2.1 The objective of the project is to use digital tools to create linkages between tourists and INTO Hospitality guests with local conservation projects and MSMEs, seeking to increase the financing available for conservation activities, generate opportunities to improve the local community's income, and reduce the carbon footprint of tourists.
- 2.2 During its execution period, the project seeks to connect 75 MSMEs to the tourism value chain, link 10 civil society organizations to the platform, and raise US\$76,800 in resources to finance local conservation projects through traveler's philanthropy, through a digital platform that would be developed by INTO Hospitality. Upon conclusion of the project, it is hoped that these results will be scaled up in the framework of INTO Hospitality's operations and expansion efforts.
- 2.3 The digital platform will be created within the context of INTO Hospitality operations, with plans for the construction of a circuit of camps and lodges that will serve as a platform to support the economic sustainability of conservation in Costa Rica, generating high-value economic alternatives for rural communities and quality impact investment opportunities for tourists.
- 2.4 Through the development of a portfolio of tourism projects connected by adventure and nature, the aim is to offer authentic experiences to tourists and to offer a hospitality product to meet the demand of a market niche. The rigorous selection of destinations (Osa Peninsula, Santa Elena Bay, Nicoya Peninsula) and the geographic locations in which the camps and lodges will be located will enhance the cultural, social, and regenerative experience of the guests, so that they will be immersed in an "ecosystem" of properties that have different characteristics but are united under a conservation structure.
- 2.5 **Innovation.** A mobile application will be developed that aims to revolutionize the experience of the guests, the community, and conservation in the following ways:
(a) Education for conservation: The application will engage and educate guests on the impact and research of conservation organizations that are implementing projects in neighboring communities; conservation projects will be identified throughout Costa Rica to increase their visibility so they can improve their incomes

¹¹ United Nations Environment Programme (UNEP). An economy that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.

- through traveler's philanthropy. Guests will also be informed regarding the latest news related to the conservation areas visited. In addition, they will be able to calculate their carbon footprint throughout their itinerary, and the cash value thereof, and will have access to offsetting opportunities that will contribute to conservation projects in the areas where the lodges are located. **(b) Species monitoring:** The application will have a cloud-based database with the area's native species and a mapping component to allow guests to identify and document the flora and fauna they are able to observe during their stay. It is hoped that this database can be used by researchers to generate heat maps on species sightings. **(c) Marketplace of entrepreneurs:** The platform is expected to improve the social experience of guests by giving them the opportunity to interact with staff, members of the community, and other guests. Guests will be able to connect with local entrepreneurs to purchase their products and services through e-commerce. **(d) Impact dashboards:** Data dashboards will be created to monitor the environmental and social performance indicators of the tourism operation. For example, tourists will have access to data related to electricity consumption, the number of women employed in the lodge, the employee turnover rate, etc. It should also be noted that although there have been similar efforts, they have been smaller-scale, disjointed, or targeted to other populations (e.g. <https://susty.org/> and Osa Experience). The proposed digital platform would represent Costa Rica's first effort to group these functionalities in a single platform and with a solid institutional backup, supported by the experience of the Enjoy hospitality group, a leading company in the sector with an extensive track record in the Costa Rican market and a holistic approach to digital transformation.
- 2.6 **Component I: Guest platform.** The objective of this component is to develop a mobile application that operates as a digital platform connecting INTO guests, MSMEs, and grassroots nongovernmental organizations (NGOs) as well as other visitors to the area.
- 2.7 The platform will function as a complement to the services and experiences offered at the INTO Hospitality lodges, providing access to products, services, and experiences of local MSMEs and NGOs for INTO guests before, during, and after their stay, as well as to the community of tourists in the area.
- 2.8 This will be achieved by following the most up-to-date standards and processes for software development. Taking these standards into account, a user-centered design will ensure that the platform is inclusive (e.g., includes different languages, can be web responsive on multiple electronic devices, and text size can be adjusted) considering populations with more limited digital skills, while using best practices for cybersecurity and data protection. The main activities of this component are: (i) identification of all types of users, including cases where the application is used to achieve the objectives of the platform; (ii) identification of available data sources and development of the platform's four main functionalities; (iii) development of a minimum viable product (MVP) with real users; (iv) official launch of the platform; and (v) preparation of a technical expansion and maintenance plan for the platform.
- 2.9 In view of the platform's users, the following functionalities have been proposed to ensure a complete conservation tourism experience, and to promote acceleration of the desired impact along with the partner organizations (i.e. Guanacaste Dry Forest Conservation Fund, Osa Conservation, Fundación Amigos de la Isla del

Coco (FAICO), Cirenas, Misión Tiburón, etc.). The platform seeks to incorporate the following functionalities:

- (i) *Guest experience/Marketplaces*: The application will serve as a virtual concierge that will allow users to explore activities and entertainment scheduling opportunities. The offering of tours and activities related to natural and cultural experiences at the lodges will be shown through this service, allowing users to reserve activities at their convenience. An e-commerce platform will also be developed to include local MSMEs so they can offer their goods and services to tourists linked to the application. The offering of services will include a list of active conservation projects related to the INTO Hospitality destinations, allowing users to support conservation efforts at the PWAs they have visited by making donations to partner organizations through the app. Donors will have access to reports on progress made by each of these projects, so they can follow up their donations.
- (ii) *Eco-dashboards*: This function of the application serves as an informative dashboard so clients can visualize in real time the impact of their visit, specifically by tracking their carbon footprint.¹² This will contribute to the overall objective of allowing guests to gain awareness of their effect on the environment and to take offsetting actions, such as donations to conservation projects in the Marketplace described above. In order for conservation projects to qualify as carbon footprint offsets, INTO will work hand in hand with an organization that specializes in identifying and certifying these projects on carbon offset. It will be possible to visualize the tracking of each user's carbon footprint in the application. Data dashboards will also reflect the evolution of the environmental and social performance indicators of the INTO Hospitality operation, such as electricity consumption, gender parity among employees at the lodges, employee turnover rate, etc., with the objective of promoting transparency and accountability for tourists.
- (iii) *Connect with the land*: This function will allow users to identify and share species sightings in their interactions with nature, which can be uploaded to a shared database. This seeks not only to connect users with their environment, but also to compile citizen science data to support ecosystem research and biodiversity conservation. To develop this module, collaboration is proposed with the Ornithology Laboratory at Cornell University,¹³ which will provide human capital for this advisory support service (e.g., through internships for laboratory students). Access will also be provided to academic material, initiatives, news, and interactive content to allow users to learn about the history of

¹² The carbon footprint will be calculated according to the logistics and transfers included in each guest's itinerary, primarily taking into account the means of transportation (air/maritime/land) used for their trip to Costa Rica, tourism activities, and transfers between lodges.

¹³ Cornell Laboratory of Ornithology, through the eBird citizen science project, has generated a database with nearly one billion bird observations, with broad spatial and taxonomic coverage.

conservation, protected areas, and efforts in this area, seeking to democratize knowledge and impact in the areas.

- 2.10 The results expected from this component are: (i) Guest experience/Marketplaces module developed and integrated in the mobile application, (ii) Carbon Footprint Tracker module developed and integrated in the mobile application, (iii) Connect with the land module developed and integrated in the mobile application, (iv) Eco-dashboards module developed and integrated in the mobile application, (v) Minimum viable product (MVP) developed and launched, (vi) Technical expansion and maintenance plan for the platform developed; (vii) Launch of final version of INTO App, (viii) 384 guests with active usernames in the INTO App before beginning their stay at an INTO Lodge, and (ix) 1,280 guests with active usernames in the INTO App during their stay.
- 2.11 **Component II: Mapping of supply and capacity-building.** The objective of this component is to map the potential supply of conservation products, services, and projects that could be linked to the platform and to position the platform in communities nearby INTO Hospitality operations. The main activities of this component are: (i) Mapping of the tourism offering of each of the communities where INTO Lodges are located; (ii) Mapping of conservation projects; (iii) Preparation of a development plan for each tourism corridor; and (iv) Development of a digital marketing strategy for both MSME goods and services and conservation projects.

To implement the activities in this component, the aim is to work in partnerships through allied organizations of ACRXS to facilitate work with the communities.

The project will carry out the following actions in each of the areas of intervention:

- (i) Mapping of tourism supply inventory: An inventory will be taken of tourism attractions and resources in each of the areas of intervention, compiling information on the existing supply and the status of the community's MSMEs based on a gap analysis, identifying their organizational capacities, level of digital maturity, and their participation in the tourism value chain.
- (ii) *Mapping of conservation projects*: Based on the criteria established by ACRXS and INTO Hospitality, carbon offset, research, and social support projects will be identified that have the capacity to produce the results that tourists expect, as well as to be accountable. The organizations will be provided support to structure their projects according to the established guidelines.
- (iii) Tourism corridor development plan: A development plan will be formulated with each of the communities to improve the territory's tourism competitiveness. Based on the gap analysis of the tourism supply survey, the participating MSMEs will be offered support to develop business and digital skills. To make this support operational, training will be provided in business skills.¹⁴ The curriculum for the

¹⁴ Some of the topics to be covered in this training include: accounting, finance, marketing and sales, team management, etc.

training on digital skills will be created specifically for this project, will include content to support the adoption and use of the digital platform, and good practices in cybersecurity.

- (iv) Digital marketing: A marketing strategy will be developed through digital media that will allow MSMEs and NGOs to put their goods and services on the INTO app. and on other e-commerce platforms, as well as measure the results of their sales strategies.

- 2.12 The results expected from this component are: (i) Mapping of conservation projects in communities close to INTO Lodges completed; (ii) Mapping of tourism supply inventory on MSMEs active in communities close to INTO Lodges completed; (iii) 10 training sessions held for MSMEs on business skills; (iv) 8 training sessions held for MSMEs on digital skills; (v) 75 MSMEs registered and offering their products and services on the mobile application Marketplace; (vi) 75 MSMEs receive technical assistance to develop their digital marketing strategy; (vii) 5 conservation NGOs registered and with ecological carbon offset projects that qualify to be published on the mobile application; and (viii) 10 conservation NGOs registered and with research and/or social projects¹⁵ published on the mobile application.

B. Project results, measurement, monitoring, and evaluation

- 2.13 The project seeks to use digital tools to create linkages between tourists and INTO Hospitality guests with local conservation projects and MSMEs, seeking to increase the financing available for conservation activities, generate opportunities for improving the incomes of local communities, and reduce tourists' carbon footprint. At this stage, the project seeks to achieve the following results indicators: (i) 30% of MSMEs registered on the digital platform generating sales through it; (ii) US\$76,800 collected in donations to conservation projects through the application; (iii) 1,536 tons of greenhouse gases (GHG) offset through donations to ecological projects via the mobile application; and (iv) 4.0 average user satisfaction rating with the mobile application.
- 2.14 For project monitoring and follow-up, the executing agency will develop a monitoring plan that will make it possible to capture socioeconomic information on the beneficiaries, so that it can monitor the sales of the community's ventures through the platform. Active users who are guests of the INTO Lodges, other types of users such as tourists housed in other establishments, members of the local community, etc. will also be monitored. According to IDB Lab requirements, ACRXS will report on the specific results described in the project's results matrix and will report on this aspect every six months through the IDB Lab project status report. ACRXS will also prepare a final report upon completing the project.

¹⁵ Examples of social projects to be supported by tourists: [Osa Conservation](#), [Guanacaste Dry Forest Conservation Fund](#).

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS

A. Alignment with the IDB Group

- 3.1 This project is aligned with the IDB Group Country Strategy with Costa Rica 2019-2022. That strategy seeks to support the country in promoting new business models to create more efficient and inclusive products and services based on the use of digital technologies, benefitting SMEs, as well as economic recovery efforts in the tourism sector in response to the crisis caused by the pandemic.
- 3.2 It is aligned with the IDB Vision 2025, which seeks to help MSMEs in their post-pandemic recovery by promoting entrepreneurship and innovation to help enhance aggregate productivity.
- 3.3 The tourism strategy of IDB Invest focuses on exploring innovative concepts that have a high impact on development and a solid environmental and social sustainability strategy. As such, IDB Invest has managed to close a transaction to grant long-term financing for seven lodges considered in this stage of the platform in Costa Rica. The IDB Invest team is currently in the due diligence stage. The concept is considered pioneering and well-aligned with the Bank's mandate. IDB Lab's initial support in developing this mobile application that functions as a digital platform will provide INTO with a great tool giving it a greater impact on development once the IDB Invest financing is approved. This platform and its scope are considered part of the nonfinancial additionality of the IDB Invest operation, and would be part of the financing's impact analysis. The team continues to explore how to maximize synergies between IDB Lab and IDB Invest around this proposal.
- 3.4 The project is also aligned with the sustainable development goals (SDGs), particularly the following goals: (i) SDG 8, decent work and economic growth with target 8.9, "devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products;" (ii) SDG 13, climate action with target 13.3, "Improve education, awareness-raising, and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning;" and (iii) SDG 17, partnership for the goals with target 17.3, "Mobilize additional financial resources for developing countries from multiple sources."
- 3.5 Approximately 11.8% of the IDB resources for the operation are invested in climate change mitigation activities, according to the [joint MDB methodology for estimating climate finance](#). These resources contribute to the IDB Group's target of increasing financing for projects related to climate change to 30% of all operational approvals by the end of the year 2020.

B. Scalability

- 3.6 The project's scale is expected to be leveraged with the expansion of INTO Hospitality's operations in Costa Rica and internationally. Currently, INTO has plans to expand over the next five years to four locations in addition to those considered in this project (Tenorio Volcano Sector, Maquenque Sector, Chirripó, and La Amistad Park). Thus, the scale would be led by INTO in partnership with ACRXS to continue linking and training MSMEs in communities close to the areas of expansion, as well as NGOs with active conservation projects. Although there are no data to quantify the potential market of MSMEs and NGOs that could

benefit from the expansion, the hypothesis is that tourists in these areas are looking for authentic experiences linked to conservation, so it is also expected that more sustainable tourism-oriented companies will be interested in including the MSMEs identified by INTO in their value chain.

- 3.7 At the international level, INTO aims to expand its operations to other countries in Latin America and the Caribbean, with a view to developing this tourism product by promoting the connection between its customer base and the values of the region's flagship protected areas. However, as stated earlier, the first stage in the scaling of INTO Hospitality operations is focused on Costa Rica, where the objective is to develop seven lodges over a period of five years (development that would be partially financed by IDB Invest). After that, it expects to expand internationally, considering Panama, Colombia, and Ecuador among the target countries. For this second stage, the digital platform's value proposition is expected to be a clear differentiator given the new consumer trends. The aim is to utilize the IDB Lab and IDB Invest connections to disseminate the experience among audiences interested in innovations for conservation financing and the sustainable use of biodiversity.
- 3.8 Currently, it already has partnerships with organizations such as Guanacaste Dry Forest Conservation Fund, Osa Conservation, FAICO, Cirenas, and Misión Tiburón, which would be willing to link to the project and support the national scaling up. In addition, ACRXS will support the scaling efforts by managing partnerships with other NGOs and public sector actors such as conservation NGOs, tourism chambers, local governments, community leaders, etc.

C. Project and institutional risks

- 3.9 The main risk of the project is that the tourism sector's recovery from the disruption caused by the COVID-19 pandemic and the INTO lodges circuit will not produce the expected number of visitors. To mitigate this risk, the tourism product will be adapted to new consumer trends.
- 3.10 Potential delays in developing the tourism infrastructure represent a risk for the platform's launch. Operation of the existing lodges is considered a mitigation strategy.
- 3.11 The integration of the digital tools to be developed by the project represents a technical risk. It is expected that this risk will be mitigated by forming a solid technical team responsible for defining the platform's architecture, which will be adaptable to the changing nature of the app, and supervising the development tasks.
- 3.12 The coverage and quality of internet services in the regions where the activities will take place is considered a risk for the project given the increased usage stemming from the digital platform. To mitigate this risk, a broadband network will be offered in the lodging establishments, and the possibility will be explored of leveraging the installed capacity of the Ministry of Science, Innovation, Technology, and Telecommunications Smart Community Centers program.
- 3.13 Sociocultural conditions in the areas where the camps and lodges are expected to be established represent a risk. These include limited schooling, limited English proficiency, few trained guides, and slow pace of learning as imminent risks. To

mitigate this risk, it is expected that INTO will be able to become a liaison with the training entities in order to bring programs to the communities.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The project has a total cost of US\$1,011,371, US\$500,000 (49%) of which will be contributed by IDB Lab and US\$511,371 (51%) of which will be the local counterpart contribution. Climate financing represents 11.8% of IDB Lab's contribution. The instrument to be used is technical cooperation funding. IDB Lab funds will be used to finance technical assistance and training activities.

Project components	IDB Lab	Counterpart	Total
Component I: Guest platform	0	287,571	335,000
Component II: Mapping of supply and capacity-building	435,200	95,800	645,500
Project administration (execution unit costs)	64,800	128,000	55,188
Grand total	500,000	511,371	1,011,371
% of financing	49%	51%	100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

- 5.1 ACRXS will be the executing agency responsible for administering the funds and offering technical support to the project. ACRXS is a private environmental fund that seeks to conserve marine and terrestrial ecosystems by mobilizing and managing funds and partnerships with governments, the private sector, and civil society. It works in collaboration with a network of 380 partners in the country. It has developed and implemented 12 sustainable tourism and business plans, 7 natural resource utilization plans (4 fishery-related), 8 community participation strategies, and the strengthening of 5 local councils. ACRXS administers funds and provides technical monitoring, management, facilitation, and advisory services to projects to support the country in meeting the national biodiversity conservation targets declared under the United Nations Convention on Biological Diversity. To this end, it builds long-term planning instruments that ensure the financial sustainability of its actions.
- 5.2 INTO Hospitality is a company founded in 2019 that is currently developing a portfolio of land and marine tourism conservation projects throughout Costa Rica, connected through seven campgrounds and lodges that will serve as a platform to support the economic sustainability of conservation in Costa Rica, generating high-value economic alternatives for rural communities and quality impact investment opportunities for investors. INTO Hospitality will be the implementing partner responsible for managing the destination management platform, in coordination with ACRXS and the communities. INTO will be the technical supervisor of the contracts and will monitor the work plans. INTO Hospitality is one of the applicants selected in the IDB Lab Beyond Tourism Challenge; its proposal

was selected from among 214 applications under the environmental sustainability category.

B. Implementation structure and mechanism

- 5.3 For the effective, efficient execution of this project, ACRXS and INTO Hospitality will establish a consortium that will have a defined governance structure. A Monitoring Committee will be formed that will include the participation of at least one focal point from each organization, to which the IDB will also be invited to participate as an observer. This committee will be responsible for decision-making on technical and administrative issues related to the project. INTO Hospitality will be responsible for implementing the technical decisions made by the Monitoring Committee, and ACRXS will be responsible for administrative decisions. Project funds will be used to contract a coordinator who will provide services and be accountable to the committee. This person will be based at and be directly supervised by ACRXS. As a condition precedent to the first disbursement, ACRXS and INTO Hospitality will sign an agreement defining the specific functions and responsibilities related to project execution.
- 5.4 ACRXS will establish the structure necessary to execute project activities and will manage project resources effectively and efficiently. ACRXS will also be responsible for submitting progress reports on project implementation.
- 5.5 INTO Hospitality will supervise the software development contracts and work contracts with the communities. To develop capacities with the communities, it is expected to work with competent firms and to have good preexisting relationships with the selected communities.
- 5.6 Periodic coordination meetings will be held to determine action and implementation strategies. IDB Lab will support the executing agency in project development and will participate in strategic project decisions.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to the standard IDB Lab arrangements related to results-based disbursements and the Bank's procurement¹⁶ and financial management policies¹⁷ as specified in Annexes V and VI.
- 6.2 The level of risk resulting from the Diagnostic Assessment of Integrity and Institutional Capacity was low, demonstrating that NPF has a financial management system acceptable to IDB Lab and a monitoring and accountability structure for submitting its institutional financial statements to the Bank. Project disbursements will be contingent upon verification that milestones have been fulfilled, according to the means of verification agreed upon between the executing agency and IDB Lab. Fulfillment of milestones does not relieve the executing agency of the responsibility to achieve the agreed outcomes.

¹⁶ Link to [Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank](#).

¹⁷ Link to [Financial Management Guidelines for IDB-financed Projects](#).

- 6.3 Unless the Bank determines otherwise during execution, the executing agency's policies will be used for procurement. Annual planning for the procurement necessary for project execution and fulfillment of the milestones will be submitted, together with the annual work plan. IDB Lab will conduct an ex ante review of the technical considerations of procurement as it deems necessary, particularly with regard to those considered critical.
- 6.4 The executing agency will prepare its annual financial statements and make them available to the Bank. Using funds from the contribution, the Bank may review the financial statements and make revisions to the use of funds applied to the project, verifying financial and procurement practices.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** The information contained in this document is classified as public upon approval pursuant to the Bank's Access to Information Policy.¹⁸
- 7.2 **Intellectual property.** The technological platform developed in Component II will remain in the hands of INTO Hospitality. Otherwise, ownership all products, methodologies, and knowledge obtained as a result of the project will be held by the Bank. The Bank may provide the public free access to the information it deems relevant by granting the Creative Commons IGO 3.0 BY-NY-ND license.

¹⁸ Link to the Bank's [Access to Information Policy](#).