



Poisonous Dart Frog

# IFC Support for Biodiversity-Related Business

IFC's investments must always meet our minimum criteria for protecting the environment. But there are also opportunities for companies to increase profits and reduce operating risks through activities that improve protection of natural resources. IFC can add value to its investee companies and enhance its development impact because of our specialized knowledge of these biodiversity-related opportunities and our access to external resources to support worthwhile ventures.

## How can companies reap bottom-line benefits by protecting the diversity of plants and animals found in the natural environment?

New markets are emerging for businesses that sustainably use nature's biological diversity ("biodiversity"), including ecotourism, sustainably-harvested agricultural and wood products, and non-timber forest products. Companies in these sectors can earn price premiums, strengthen customer loyalty and develop new product lines. Furthermore, many businesses are able to reduce supply chain risks, increase employee satisfaction, and reap reputational benefits by helping to preserve biodiversity.

## What type of services and financing can IFC offer for biodiversity-related businesses?

IFC's Environmental Finance Group (EFG) offers a wide range of expertise — from specialist conservation knowledge to project structuring skills — to develop and support projects that help to conserve biodiversity. EFG works closely with IFC's investment departments to enhance the biodiversity benefits in mainstream IFC projects. EFG can also access limited concessional funding from the Global Environment Facility (GEF), which is the financing mechanism of the U.N. Convention on Biological Diversity. EFG can obtain GEF funding as grants, guarantees, low interest loans, quasi-equity, and more.

## What sectors may qualify for EFG's assistance?

EFG can support projects in any sector that may have a direct or indirect impact on biodiversity:

**Eco-tourism.** Ecotourism ventures depend directly on the availability of rainforests, coral reefs and other natural habitats to attract and maintain customers. EFG assists ecotourism

companies to support protected area management and to provide conservation-compatible livelihoods for community members. For example, the Boundary Hill nature tourism lodge in Tanzania has received an investment from both IFC and the IFC/GEF SME Program (described below). EFG has provided GEF resources to enhance the protection of biodiversity in the Boundary Hill area by establishing a conservation plan with community participation.

**Agribusiness.** EFG engages in the agribusiness sector because of the potential for organic agriculture and integrated pest management to yield commercial and ecological benefits. For example, EFG is developing a multi-country program that will provide technical assistance and financing to promote adoption of integrated pest management for several agricultural commodities.

**Water-Intensive Industry/Infrastructure.** EFG is able to assist water-intensive industrial projects, such as hydroelectric dams, in those cases where it is cost-effective for them to support watershed protection. EFG is interested in working with infrastructure projects because natural filtration of water over a large watershed can provide a substitute for conventional water purification systems.

**Extractive Industries.** EFG is interested in assisting sponsors of extractive industry projects to ensure that their activities provide a positive contribution to biodiversity conservation. For instance, EFG could assist a mining project to helping conserve a nearby protected area.

## What type of assistance can EFG provide for mainstream IFC investment projects?

Some mainstream IFC investments provide opportunities to develop "incremental" components that provide considerable benefits for biodiversity. In these instances, EFG can provide both technical assistance and funding. For example, IFC approved an \$8 million investment in Inka Terra, a Peruvian ecotourism company. Inka Terra expanded its hotel facilities, including an ecolodge in the Amazon where it leases 10,000 hectares of rainforest as a privately-managed protected area. EFG obtained GEF funding to develop a Forest Conservation Management Plan and to

establish a Foundation to oversee its implementation. In this way, EFG has helped to maximize the ecological benefits that may be attained from IFC's investment in this company.

**What type of assistance can EFG provide for investment projects that benefit biodiversity but are too small for mainstream IFC financing?**

EFG may be able to catalyze financing from the following biodiversity-oriented investment vehicles:

The Environmental Business Finance Program (EBFP) is an IFC initiative that supports the development of a sustainable market of viable SMEs that benefit the global environment. These goals will be achieved by supporting the three pillars of SME development: i) access to finance; ii) increased capacity (financial, managerial and technical); and iii) development of a supportive and enabling environment. Through country programs and stand alone projects, the EBFP will provide financing to SMEs through financial intermediaries (FIs) and will complement this financing with technical assistance grants to both partner FIs and organizations that support target SMEs.



The Komodo Dragon

Sponsored by The Nature Conservancy, the *EcoEnterprises Fund* is a US\$ 10 million fund that aims to promote ecologically and socially beneficial enterprises in Latin America. The Fund invests in small-scale biodiversity-oriented businesses that involve NGOs and/or local communities.

**Can IFC support projects that benefit biodiversity but do not have an adequate risk/return profile for mainstream IFC financing?**

EFG may be able to access direct GEF funding. For example, EFG is supporting a project that establishes a private-sector concession to undertake tourism development for Komodo

National Park in Indonesia. It is being developed in conjunction with The Nature Conservancy and a local tourism company. A US\$ 5 million GEF grant is being provided to cover the project's incremental biodiversity conservation costs. The GEF grant will be scaled down as park revenues increase to the point of self-sufficiency.

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