

# ICT INNOVATIONS FOR THE DEVELOPMENT OF AGRICULTURAL AND FOREST ECO-ENTERPRISES IN CENTRAL AMERICA

## I. Project Basic Data

1. **Title:** ICT Innovation for the Development of Agricultural and Forest Eco-enterprises in Central America
2. **Countries:** Guatemala, Honduras, Nicaragua and Costa Rica.
3. **Executing Agency:** Centro Agronómico Tropical de Investigación y Enseñanza (CATIE).

## II. Background

For rural small and medium enterprises committed to environmentally friendly and socially responsible agriculture production and forest management (eco-enterprises), the growing demand for eco-products (organic, fair trade and certified timber, etc.) offers opportunities to generate improved incomes without compromising the natural resource base. The worldwide value of trade in agricultural eco-products, for example, has been estimated at around US\$ 34 billion in 2005, with annual growth rates of 15% over the past eight years. The exact magnitude of the global trade in certified timber and other eco-products from the forest is unknown, but it can safely be assumed that it is also worth several billion US dollars. However, the effective positioning of eco-enterprises in international markets for eco-products requires that they have access to precise information about market prices, trends and opportunities, regulatory frameworks, best production practices, business services and their providers, and are able to use this information for enhancing their competitiveness.

In the case of the estimated 1,000 or more eco-enterprises based in Central America, the costs to acquire and process useful market information are generally prohibitive, which limits their capacity to establish close relations with a diverse range of actors along value chains, as well as identify and respond to emerging market opportunities. For most of the eco-product markets, little processed information is readily available. Internet-based ICT platforms can enhance the flow of knowledge and information among value chains at relatively low costs, leading to greater benefits in efficiency and effectiveness for eco-enterprises. However, most eco-enterprises in Central America have yet to effectively make use of ICT platforms for their business operations and tend to lack the abilities to integrate related ICT tools and services in enterprise administration and development.

Through this proposal, CATIE, together with UNDP-GEF and the Forest Steward Council (FCS), will support agricultural and forest eco-enterprises in Central America to improve their business performance through the opportune use of internet-based ICT tools and services. This project will build on CATIE's over 5 years of experience in the design and operation of two bilingual internet-based ICT platforms: *EcoNegocios Agrícolas* (ENA), [www.catie.ac.cr/econegociosagricolas](http://www.catie.ac.cr/econegociosagricolas), for the eco-agriculture sector, and *EcoNegocios Forestales* (ENF), [www.catie.ac.cr/econegociosforestales](http://www.catie.ac.cr/econegociosforestales), for the eco-forest sector. These ICT platforms have the twin objective of linking the eco-enterprises with buyers and sellers in international markets and vice versa, and better equipping eco-enterprises and their providers of business development services (BDS) with innovative tools and services including information for eco-enterprise development. This project will improve the utility and functionality of ENA & ENF and expand the content of the platforms, as well as strengthen the capacities of at least 82 eco-enterprises in Central America to use the platforms opportunistically.

Eco-enterprises in Central America will benefit from the project in the following ways:

- Increased ability to negotiate more favorable prices with new and existing buyers
- Improved strategic planning and marketing capacities
- Diversification of market contacts with buyers and sellers of eco-products in U.S.A., Europe, and Japan

- Diversification of contacts with providers of business, financial and technical services throughout Central America and beyond
- Access to a large collection of methodologies, tools and literature related to eco-enterprise organization, development and marketing
- Greater presence in international eco-product markets through improved promotion, networking and marketing skills.

### **III. Project Objective, Components, and Activities**

The general goal of the project is to strengthen the competitiveness of agricultural and forest eco-enterprises in Central America through increased access to and more opportune use of internet-based ICT tools and services. Towards this goal, the project will work directly with at least 82 eco-enterprises in Guatemala, Honduras, Nicaragua and Costa Rica to improve their overall business performance and integration in international value chains through the opportune use of ENA and ENF.

The project is comprised of the following components:

#### **Component 1: Expansion and enhancement of ENA & ENF user friendliness and tools for eco-enterprise development**

This component includes the following activities: (i) Identify strengths and weaknesses of existing ENA & ENF layout and user friendliness; (ii) Carry out demand analysis for internet-based ICT tools and services by eco-enterprises and buyers and sellers of eco-products in U.S.A., Europe and Japan; (iii) Enhance content, layout and user friendliness of ENA & ENF; (iv) Design and program eco-enterprise virtual fair; (v) Develop 5 e-tools for eco-enterprise development including an interactive tool for the formulation of strategic plans and business plans, financial planning tools, export readiness assessment tool, eco-enterprise locator (in English and Spanish), and certification advisory tool.

#### **Component 2: Expansion and enhancement of ENA & ENF market intelligence services**

This component includes the following activities: (i) Identify key actors, supply and demand trends, and regulatory frameworks for importation and commercialization of selected eco-products in U.S.A., Europe and Japan; (ii) Identify key actors, supply and demand trends, and regulatory frameworks for production and commercialization of selected eco-products in Guatemala, Honduras, Nicaragua and Costa Rica; (iii) Update and expand existing eco-product modules (specialty coffee, eco-tourism, and eco-banana); (iv) Construct new eco-product modules (organic cacao, certified timber and organic honey and jams); (v) Elaborate market intelligence bulletins for eco-enterprises and international buyers and sellers.

#### **Component 3: Capacity building for incorporating ICT into eco-enterprise administration and development strategies**

The following activities are considered in this component: (i) Elaborate training guide for incorporating ICT into eco-enterprise development strategies; and (ii) Conduct training workshops for eco-enterprises and their BDS providers.

#### **Component 4: Scaling-out ENA & ENF tools and services for achieving financial sustainability**

In this component the following activities are included: (i) Design and implement regional and international marketing strategy for ENA & ENF; (ii) Develop promotional materials for ENA & ENF for eco-enterprises, BDS providers, and international buyers and sellers; (iii) Promote ENA & ENF services in at least 2 international and 5 regional trade fairs; (iv) Elaborate at least 3 articles on design and use of ICT for eco-enterprise development; (v) Negotiate agreements for private sector actors wishing to purchase advertising space; (vi) Negotiate agreements with ENA & ENF users for access to ICT tools and services; (vii) Negotiate agreements for collaboration with NGOs, projects, donor agencies.

#### IV. Executing Agency

CATIE is a recognized leader in promoting sustainable resource management and rural development in Latin America. Through its Center for the Competitiveness of Eco-Enterprises (CeCoEco), CATIE has been committed to rural poverty reduction through rural eco-enterprise (REE) development. Since its creation in 2001, CeCoEco has been committed to strengthening REEs in increasingly globalized markets for agricultural and forest products. CeCoEco helps build capacities of REEs to fully capitalize on opportunities in expanding specialty markets, such as organic, fair trade and gourmet, by facilitating their integration into value chains through the provision of business development services (BDS), capacity building of BDS providers, postgraduate education and applied research. CeCoEco has an annual budget of about US\$ 500,000 and includes 11 full-time staff based throughout Central America. CeCoEco has distinguished itself as a leader in the design and application of innovative concepts and methodologies to its research, teaching, development and outreach activities related to environmentally sound and socially beneficial rural enterprise development.

#### V. Main Issues

**Beneficiaries:** This project will directly benefit at least 82 eco-enterprises in Central America [(Guatemala (30), Nicaragua (25), Honduras (17), and Costa Rica (10)], participating in value chains for specialized agricultural and forest products including organic coffee and cacao, eco-banana, and certified timber and non-timber forest products, with annual sales between US\$ 100,000 and US\$ 1 million.

**Project Indicators:** Following are the project performance indicators:

PERSPECTIVA	INDICATORS
Objectives	Eco-enterprise representatives trained in use of ENA & ENF based services and tools
	Eco-enterprises in Central America make use of ENA & ENF based services and tools
Processes	Eco-enterprises with improved business planning and marketing skills
Marketing/Sales	New business contacts and/or strategic alliances
	Increased sales level

**Sustainability:** The main sources of incomes for the project will be: (i) Advertising revenue from certifying bodies, chambers of commerce, industry associations, financial service providers, and other businesses/organizations wishing to sell products and services to eco-enterprises (12%); (ii) Sale of ICT tools and services to eco-enterprises and BDS providers (13%); (iii) Sell of non-internet based market intelligence services and seeking for co-sponsoring of ENA & ENF through organizations, projects, etc (10%); (iv) own resources provided by CATIE and its project partners (65%).

**Dissemination:** The dissemination of the services developed by the project will be accomplished through the following activities: (i) Design and implement regional and international marketing strategy for ENA & ENF; (ii) Develop promotional materials for ENA & ENF for eco-enterprises, BDS providers, and international buyers and sellers; (iii) Promote ENA & ENF services in at least 2 international and 5 regional trade fairs; (iv) Elaborate at least 3 articles on design and use of ICT for eco-enterprise development.

**Risks:** The main risks that the project will face are possible abrupt changes in national or international regulatory frameworks for the production, commercialization and certification of eco-products and low ability and willingness to pay by eco-enterprises in Central America for ENA & ENF based tools and services. To mitigate these threats, the project proposes the following actions: the project will focus considerable resources on increasing the capacities of eco-enterprises to use ICT for better business

management and marketing, and ENA & ENF eco-product modules will cover a variety of eco-products of special interest to eco-enterprises in Central America.