

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	ECUADOR/CAN - Andean Group
▪ TC Name:	Support to implement biodiversity conservation activities in the context of a debt for nature conversion
▪ TC Number:	EC-T1497
▪ Team Leader/Members:	WATSON, GREGORY (CSD/CCS) Team Leader; MURGUIA BAYSSE, JUAN MANUEL (CSD/RND) Alternate Team Leader; BUCARAM VILLACIS, SANTIAGO JUNIOR (CSD/RND); PRATS CABRERA, JOAN ORIOL (IFD/CMF); GOMEZ, JUAN CARLOS (CSD/CCS); JUAN FRANCISCO MARTINEZ COTRINO (CSD/CCS); VILLACORTA ALVAREZ, OMAR (IFD/CMF); NATALIA ALMEIDA (LEG/SGO); SARA CARIAS (CSD/CCS); ANABELLA PALACIOS (CSD/CCS); PATRICIA GUTIERREZ MESONES (CSD/CCS)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Sustainable Development and Biodiversity Program in Ecuador - EC-U0005
▪ Date of TC Abstract:	28 Jul 2022
▪ Beneficiary:	Ministry of Environment, Water, and Ecological Transition
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$600,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD/CCS - Climate Change
▪ Unit of Disbursement Responsibility:	CSD/CCS - Climate Change
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law; Environmental sustainability

### II. Objective and Justification

- 2.1 The resources of this TC will support the Government of Ecuador in the planning, use, and operational aspects of deploying funds derived from a debt for nature conversion supported by an IDB Policy-based Guarantee, for the benefit of marine ecosystems in the Galapagos, livelihoods, and climate change resilience. Specifically, it will: (i) support the creation and effective management of a new marine protected area in the Galapagos Islands, and (ii) support the Capacity Building required for the Debt for Nature Conversion in Ecuador.
- 2.2 The natural capital of Ecuador is vast including 91 types of terrestrial and 21 marine and coastal ecosystems. Ecuador is one of the 17 most biodiverse countries in the world, and one with the largest number of species per square kilometer. The Galapagos Marine Reserve consists of 138 thousand square kilometers made up of 13 main islands, and a marine protected area that includes 40 miles. More than 2,900 species have been reported in the Marine

Reserve, of which 25% are endemic. It is home to 24 species of marine mammals, of which two are endemic. This natural capital not only has an invaluable intrinsic value but is also an input for important economic sectors in Ecuador, such as tourism and fishing. Despite its value, the conservation of Ecuador's marine biodiversity is threatened by unsustainable extraction, production, and consumption practices of marine-coastal species.

- 2.3 The ocean is also a carbon sink, absorbing up to a quarter of all CO<sub>2</sub> emissions. Climate change (CC), for its part, also has a direct impact on marine biodiversity and, together with the unsustainable use of resources, constitutes one of its main threats. CC is related to increases in ocean temperature and acidity levels that affect the delicate balance that allows marine life. Extreme weather events, such as erosion and flooding, also deplete natural environments.
- 2.4 Recognizing the importance of ecosystems to national environmental, cultural, and economic patrimony, Ecuador has been proactive in seeking their conservation. Ecuador has integrated the protection of ecosystems in its Nationally Determined Contribution (NDC), which states that "Ecosystems such as the insular region with the Galapagos Islands are highly fragile and consequently highly vulnerable to the expected impacts of climate change, in the short, medium and long term". The NDC also seeks "[the] existence of climate change adaptation projects financed with fiscal resources, international cooperation funds, multilateral banks, bilateral cooperation resources and mixed financing (national and international funds), through innovative mechanisms, to reduce the vulnerability of livelihoods, the population and ecosystems". It has also recognized the importance of conservation in its National Biodiversity Strategy and Action Plan. As part of meeting its commitments to conservation and climate, the Government seeks to protect a new marine areas adjacent to the Galapagos Marine Park, in the area known as Hermandad. To create this new Marine Protected Area requires both efforts from Environmental Authorities in delineating the area and implementing a management plan, and from financial authorities to fund the monitoring and conservation of the area, and any associated transition for communities impacted by new regulations on fishing or other activities.
- 2.5 Thus, the government, in the context of EC-U0005, is developing a debt for nature conversion supported by a policy-based guarantee of the IDB, wherein savings from swapping existing sovereign debt for newly issued bonds will be used to fund a conservation trust fund to support the implementation of a management plan for a new marine protected area. This TC will support the necessary technical studies and capacity building required to ensure robust implementation of the activities related to the conservation commitments of the policy-based guarantee.

### **III. Description of Activities and Outputs**

- 3.1 **Component 1. Analytical Support for Conservation Commitments and the Implementation of Management Plans.** This component will strengthen implementation of the MPA management plan and fund analytical work to support the achievement of the conservation commitments of the policy matrix of the guarantee. Activities include: valuation of the natural capital of the Galapagos, mapping of funds in the Galapagos and the creation of a coordination mechanism between funds and government, analysis of the funding needs of the management plan, cost/benefit analysis of fishery reforms, including impact on women.

- 3.2 **Component 2. Strengthening of the Ministry of Environment, Water, and Ecological Transition.** This component includes activities related to strengthening the capacity of the government to engage in this and future debt for nature conversions. Specific activities include supporting workshops to disseminate the transaction structure at climate and biodiversity COPs and support to update management plans for additional protected areas in the Amazon in order to prepare for future debt/nature conversions.

#### IV. Budget

Indicative Budget (US\$)

Activity/Component	IDB/Fund Funding	Total Funding
Component 1. Analytical Support for Conservation Commitments and the Implementation of Management Plans	480,000	480,000
Component 2. Strengthening of the Ministry of Environment, Water, and Ecological Transition	120,000	120,000
<b>Total</b>	<b>600,000</b>	<b>600,000</b>

#### V. Executing Agency and Execution Structure

- 5.1 The Bank will act as the executing agency. Until such point that CSD/CCS has a specialist in Ecuador, CSD/CCS HQ will be responsible for the supervision and implementation of the resources, in close collaboration and coordination with the local RND specialist, as the alternate team leader, and with divisions and specialists involved in the PBG.
- 5.2 The Bank will act as the executing agency at the request of the government, due to its ability to leverage its extensive network of internal and external subject-matter experts and well-established relationships with involved stakeholders.
- 5.3 The project will leverage synergies and complementarities with IDB operations, research, and in-house expertise in National Biodiversity Strategies and Action Plans, Conservation Trust Funds, Nationally Determined Contributions, and Long-Term Strategy planning and implementation.

#### VI. Project Risks and Issues

- 6.1 The Galapagos islands are treated under a special legal and regulatory regime in Ecuador. It will be important to ensure that local stakeholders are engaged in the creation of management plans. The management plan process that is ongoing has already undertaken several local consultations, and an additional consultation is scheduled for September. The donor/fund roundtable to be created in the context of this TC will also create a coordination mechanism with local and national government and local actors.
- 6.2 In addition, coordination between the Ministries of Finance and Environment, Water, and Ecological Transition is key for the success of this TC. For the design of the associated policy-based guarantee there are bi-weekly meetings with representatives of both ministries, civil society, and IDB to ensure that workflows are coordinated and required inputs are shared.

#### VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".