

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Natural Capital Lab: Mainstreaming Biodiversity and Financial Innovation
▪ TC Number:	RG-T3728
▪ Team Leader/Members:	WATSON, GREGORY (CSD/CSD) Team Leader; SANTA PENA, CAMILO ANDRES (CSD/CSD); DEBADE, XAVIER YVES (CSD/CCS); ALMEIDA OLEAS, NATALIA (LEG/SGO); DEQUECH NETO, NAPOLEAO (CSD/CSD); ESMAEILI CHINCHILLA, MARYAM (CSD/CCS); GARCIA SALINAS, ANDREA VICTORIA (CSD/CCS); GOMEZ, JUAN CARLOS (CSD/CCS); CEVA ALVAREZ, MARIANA DANIELA (CSD/CCS)
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract:	16 Jun 2020
▪ Beneficiary:	Countries of the Region, IDB Departments
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$270,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	18 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD - Climate Change and Sustainable Development Sector
▪ Unit of Disbursement Responsibility:	CSD - Climate Change and Sustainable Development Sector
▪ TC included in Country Strategy:	No
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Environmental sustainability

### II. Objective and Justification

- 2.1 This TC has the general objective to support the knowledge creation, dissemination and implementation of pilot activities that enable biodiversity mainstreaming across the Bank's sectors, and within IDB operations through its member countries at national and subnational levels. These biodiversity-led activities allow the incubation, acceleration and scale of new finance, technology, and policy solutions. To achieve this goal, this TC will: (i) develop, design and test methodologies for new financial models that leverage the value of biodiversity and natural capital, along with tools to streamline the application of nature-based solutions; (ii) develop research and knowledge products that identify the opportunities for biodiversity mainstreaming and design the related activities to be integrated into Bank operations or policy planning, and ensure that these are in alignment with the IDB institutional strategy; (iii) upscale capacity building, training and dissemination of technical support across governments to incentivize and implement biodiversity mainstreaming; (iv) evaluate, publish and disseminate results and knowledge obtained from the NCL's interventions through its communication channels and regional policy dialogues across high-level strategic clients and partners.
- 2.2 The Latin America and the Caribbean (LAC) region accounts for 40% of the world's pristine biodiversity, containing 7 regions of biodiversity hotspots. To preserve, regenerate and enhance the sustainable use of LAC's ecosystems, it is vital to ensure biodiversity considerations are mainstreamed into public policy, development cooperation, and private sector ventures. This is not only important to

achieve the scale of impact necessary but can also help drive innovative new practices - in public and private domains - that can help harness the natural capital of the region. The Natural Capital Lab at the Climate Change and Sustainable Development Division of Inter-American Development Bank (IDB) serves as an innovation hub for testing cutting edge activities directed at harnessing natural capital for public and private good. The NCL is the focal point for the IDB with the Convention on Biological Diversity, which counts mainstreaming and finance as two of the main pillars of its strategy as it sets new global targets for Biodiversity in COP 15, to be held early in 2021. In addition, the NCL is working with global initiatives such as the UK-Treasury led Dasgupta review of the Economics of Biodiversity, the French One Planet Lab, and AFD all of whom are focused on aligning knowledge and strategy on the mainstreaming of biodiversity and filling finance gaps. This TC will support this effort.

- 2.3 Lastly, this TC is consistent with the Update to the Institutional Strategy 2010-2020: Partnering with Latin America and the Caribbean to Improve Lives (AB-3008) and is in alignment the Bank's focus to mitigate climate change and secure environmental sustainability in the LAC region. It also has the objective to endorse the Bank's Corporate Results Framework (CRF), which sets out indicators and time-bound targets that allow for evidence-based monitoring of the implementation of the Institutional Strategy.

### III. Description of Activities and Outputs

- 3.1 **Component I: Mainstreaming of biodiversity.** This component will support the mainstreaming of biodiversity in key economic sectors, national development planning, and IDB Group sectors. Activities may include (i) studies to support specific activities to mainstream biodiversity within IDB member countries and across the IDB Group's sectors; (ii) Capacity building activities for governments; (iii) mainstreaming policy design.
- 3.2 **Component II: Innovative finance.** This component will support design of methodologies and models for innovative finance that can demonstrate how biodiversity can attract private funds and drive economic growth. Activities may include (i) studies to develop financial instruments to be tested IDB Group; ii) creation of methodologies to develop specific nature-based solutions that can attract finance. These products will be applied in cases to open work with new clients, prove new concepts or provide initial diagnosis of a problem.
- 3.3 **Component III: Produce a comprehensive knowledge and dissemination program.** This component will produce a comprehensive knowledge, dissemination, and lessons-learned package on the work of the NCL to be disseminated across internal and external audiences of the Bank and key partners. Activities may include (i) design of a knowledge strategy, (ii) design of communication channels, (iii) support to dissemination events.
- 3.4 **Component IV: Project Administration Costs.** This component includes costs relates to consultant travel, costs for co-financing of dissemination events in the context of the COP, and publication costs.

### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund	Counterpart	Total
Mainstreaming of biodiversity	US\$130,000.00	US\$0.00	US\$130,000.00
Innovative finance	US\$100,000.00	US\$0.00	US\$100,000.00
Produce a comprehensive knowledge and dissemination program.	US\$20,000.00	US\$0.00	US\$20,000.00
Project Administration Costs	US\$20,000.00	US\$0.00	US\$20,000.00
<b>Total</b>	<b>US\$270,000.00</b>	<b>US\$0.00</b>	<b>US\$270,000.00</b>

## **V. Executing Agency and Execution Structure**

- 5.1 The TC will be executed by CSD/CSD to support the Natural Capital Lab Program, created in 2018 as a joint effort with IDB Lab, and is classified as Research and Dissemination. The Sector Specialist responsible for the Natural Capital Lab (NCL) will be responsible for the execution of this TC. The Bank will hire individual consultants, consulting firms and non-consulting services in accordance with current Bank procurement policies and procedures. No formal evaluation will be undertaken, and monitoring will occur based on the documentation generated.
- 5.2 The Sector Specialist responsible for the Natural Capital Lab will coordinate activities of this TC with IDBG staff from IDB Invest, IDB Lab, the Environment, Rural Development and Disaster Risk Management Division (RND), the Climate Change Division (CCS), and CSD. The NCL will meet regularly to coordinate and align the work of the Lab with the IDBG's priorities and programming. Other departments may join on an ad hoc basis. Given the mainstreaming nature of this operation, the need to coordinate with international actors such as the Convention on Biological Diversity, and the cutting-edge orientation of the deliverables to be developed, the IDB will act as the executing agency. Its regional coverage will be required to manage and foster possible synergies and complementarities with Bank operations and research programs. CSD/CSD will coordinate with other departments and divisions and establish partnerships with academia, private sector actors, and governments to achieve these goals. Given that the Natural Capital Lab within CSD is raising funds from donors for natural capital initiatives and may co-finance some activities with donor funds.

## **VI. Project Risks and Issues**

- 6.1 Introduction of natural capital and mainstreaming biodiversity requires coordination, policy dialogue and investments between public agencies, as well as private stakeholders. Internally, lessons can be learned from the team working on mainstreaming climate change and a knowledge sharing on lessons learned is already occurring between these teams. In addition, the project team is reviewing international best practices of other organizations.
- 6.2 Components I, II, and III, aim to address the challenges of financial markets and public policy by proposing solutions to capitalize biodiversity and its knowledge dissemination. COVID-19 has activities had devastating economic impacts in the LAC region, activities of Natural Capital Lab will help mitigate biodiversity loss and enhance regional resilience for future pandemic outbreaks. The project team is working with external experts on the incorporation of nature-based solutions into COVID recovery plans as part of the economic stimulus needed to put people back to work.

## **VII. Environmental and Social Classification**

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