

TC Document

I. Basic Information for TC

▪ Country/Region:	CCB and CID
▪ TC Name:	Development of Sustainable Islands Initiative
▪ TC Number:	RG-T2960
▪ Team Leader/Members:	Gerard Alleng (CSD/CCS) Team Leader, Jose Jorge Saavedra (CCB/CCB) Co-Team Leader, Luis Miguel Aparicio, Sara Valero, Anaitée Mills, Giovanni Leo Frisari, Carlos Güiza and Juan Gomez (CSD/CCS); Michele Lemay (RND/CCS); Matthieu Pegon (INO/NFP), Cassandra Rogers (CID/CBL), Camilo Pecha, Veronica Gabriela Dassatti and Adriana La Valley (CCB/CCB); Yvon Mellinger (INE/WSA); Patricio Zambrano (CSD/HUD); and Michael Donovan (CSD/HUD) and Margie-Lys Jaime (LEG/SGO)
▪ Taxonomy:	Research & Dissemination
▪ Date of TC Abstract authorization:	April 19, 2017
▪ Beneficiary:	Barbados, The Bahamas, Belize, Costa Rica, Dominican Republic, Haiti, Honduras, Jamaica, Nicaragua, Panama, Trinidad and Tobago
▪ Executing Agency and contact name:	Inter-American Development Bank through its Climate Change Division (CSD/CCS)
▪ Donors providing funding:	Sustainable Energy and Climate Change Multi-Donor Fund (MSC): US\$695,000; Ordinary Capital Strategic Development Program for Sustainability (SUS): US\$300,000
▪ IDB funding requested:	US\$995,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (Execution):	24 months (20 months of execution)
▪ Required start date:	June 2017
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	CCS
▪ Unit of Disbursement Responsibility:	CSD
▪ TC Included in Country Strategy:	No
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; and climate change and environmental sustainability

II. Objectives and Justification of the TC

- 2.1. The objective of this operation is to create a Platform to assist island territories –island states and islands belonging to continental countries– in the Caribbean basin (countries from the Caribbean Countries (CCB) and the Central-America, Mexico, Panama and the Dominican Republic (CID) Departments of the IDB as a first step; Venezuela and Colombia will be incorporated during the expansion of the platform) in pursuing sustainability through an innovative approach that applies the principles of the Blue and Circular economy given the common challenges, constraints and opportunities that island territories share, notwithstanding the incorporation of climate change resiliency. Examples of these island territories are: Jamaica, Barbados, Roatan and Bay Islands, Corn Islands, Caye Caulker, etc.
- 2.2. The ocean covers more than 72% of the earth's surface and is responsible for 80% of global trade, 32% of hydrocarbons extracted for energy needs and for both domestic and international tourism for almost 200 countries and overseas territories. The

contribution of the ocean economy to global value added has recently been estimated, conservatively suggesting its contribution is in the order of US\$1.5 trillion annually, or roughly 3% of global value added. Since Rio+20, the Blue Economy¹ has been gaining momentum as coastal and island nations are looking at the ocean as the next frontier for economic development. An ocean based approach to growth not only offers the marine and coastal resources, but a way to boost growth and tackle some of the key challenges related to the high unemployment, food security, poverty and resilience to climate change.² Similarly, a Circular Economy allows a shift away from the take, make and dispose linear model to one that is restorative and regenerative by design.³

- 2.3. The IDB actively pursues the goal of integrating sustainability into its operations, which basically requires the harmonization of social, environmental and economic considerations and benefits so as to ensure equity, long term economic growth and poverty reduction. This will require new strategies, priorities and policies, as well as innovative approaches to achieve the sustainability goal. It is within this context that the Caribbean Basin Sustainable Islands Platform is being conceptualized, emphasizing an “island systems approach” given the inherent vulnerability and challenges, but also the opportunities to achieve sustainability and improve regional collaboration to address common challenges and opportunities related to diseconomies of scale.⁴ The Platform will be a dedicated space stakeholders from island territories can share evidence, experience and knowledge and access resources under the umbrella of a Blue and Circular Economy approach.
- 2.4. Islands are lands isolated by surrounding water and with a high proportion of coast to hinterland, which are in fact recognized as a category in itself, regardless of being either independent states or territories that belong to larger states (Millennium Ecosystem Assessment 2005a, 2005b). Similarly, the Intergovernmental Panel on Climate Change (IPCC) refers in its reports to small islands in general, regardless if they are states in themselves or part of larger states (IPCC 2007, 2014). “Small island states” and “small islands within larger states” face many common challenges, including exposure to rising sea levels and coastal hazards in the context of a rapidly changing climate (Forbes 2011). Island territories and their populations face a series of challenges that limit their chances to develop sustainably and make them highly vulnerable to climate change. They share intrinsic characteristics including: (i) high overhead cost per capita of services and works; (ii) limited size of their territories; limited access to freshwater resources; (iii) insularity; (iv) susceptibility to natural disasters while having limited capacity to respond to and recover from such disasters; (v) the vulnerability of their economies that depend on a narrow resource base and rely on a limited number of distant markets for international trade; (vi) a lack of means to influence the terms of such trade; (vii) reliance on a few industries –such as tourism and fisheries; (viii) dependency on imported oil products; (ix) diseconomies of scale; (x) low levels of foreign direct investment; and (xi) limited means to exploit their natural resources on a

¹ The Blue Economy is a sustainable ocean economy in which “economic activity is in balance with the long-term capacity of ocean ecosystems to support this activity and remain resilient and healthy” (adapted from The Economist, 2015).

² Toward a Blue Economy: A Promise for Sustainable Growth in the Caribbean, the World Bank Group, September 2016.

³ A Circular Economy relies on 3 main principles: (1) Preserve and enhance natural capital by controlling finite stocks and balancing renewable resources flows; (2) Optimize resource yields by circulating products, components and materials at the highest utility in both technical and biological cycles; and (3) Foster system effectiveness by revealing and designing out negative externalities (adapted from Ellen McArthur Foundation).

⁴ CARICOM'S Implementation Plan for the Regional Framework for Achieving Development Resilient to Climate Change, 2011.

sustainable basis, which makes them susceptible to external financial and economic shocks.⁵

- 2.5. Climate change alters the frequency, duration, and intensity of extreme weather events, further hindering islands' chances to consolidate their sustainability. The effects of climate change are already evident: warming of the oceans, overall decrease in precipitation with prolonged drought periods, increase in heavy rainfall events and other temporal and spatial changes in precipitation patterns, and more intense or frequent cyclones/hurricanes (UNFCCC 2007a; Nurse et al 2014). Regarding global warming, sea level rise and human induced activities, many island nations or regions currently face and will continue to face serious problems with environmental sustainability, water quantity and quality (Wen & Chambers 2014), including exceptionally high costs associated with these issues (IMF 2013). Economic sustainability is also a critical issue island economies should focus on; many islands are presently experiencing either limited growth or lack thereof, given their particular dependence on tourism as the mainstay of their economies.
- 2.6. Islands are surrounded by oceans which are potential developmental spaces from which a new economy can emerge. The development of a Blue and Circular Economy has the potential for islands, whether they are individual entities or belong to larger continental territories, to become self-sufficient if proper planning and management of the ocean space occurs. In the context of islands, it can facilitate a new way of thinking about capital resources, one that is ocean-based and efficient/circular, as opposed to a land-based system, and which will contribute to the sustainability of these resources. The IDB has some experience in the application of this type of approach with projects focused on sustainable use and conservation of marine and coastal resources with projects in the Bay Islands in Honduras (Consolidación del Ordenamiento de los Ecosistemas y la Conservación de la Biodiversidad en las Islas de la Bahía, Honduras: HO-X1003) and Galapagos in Ecuador (Programa de Manejo Ambiental de las Islas Galápagos:EC-0134) that will provide important lessons learnt for the proposed Blue and Circular Economy approach. Despite these preliminary efforts, when looking closely at the amount of investment that is actually allocated to island territories compared to continental territories. It seems clear that there is a disparity, especially when looking at the levels of vulnerability and the potential to develop a Blue and Circular Economy approach for sustainable growth. A recent estimation conducted by the CCB shows that Latin-American continental countries with island territories invested only 3% (approximately US\$89 million) of the total resources⁶ granted to them for sustainable development purposes, in projects dedicated to preservation, adaptation, and management of coastal areas (including their island territories).⁷ Similarly, the Climate Change Division of the IDB (CCS) carried out an analysis of over 650 IDB projects⁸ in CCB and CID countries with island territories in the Caribbean basin. The

⁵ UN 1994; UNFCCC 2005; IPCC 2007, 2014; UNFCCC 2007a, 2007b; UN-OHRLLS 2011; IMF 2013; Nurse et al 2014; IPCC 2014; UNCTAD 2014; UNEP 2014a, 2014b; Winters and Martins, 2004.

⁶ The international funds analyzed, among others, are: Adaptation for Smallholder Agriculture Programme, Adaptation Fund, Amazon Fund, Clean Technology Fund, Forest Carbon Partnership Facility, Germany's International Climate Initiative, Global Climate Change Alliance, Global Environment Facility, Global Environment Facility, Green Climate Fund (GCF), Least Developed Countries Fund, Pilot Programme for Climate and Resilience, Scaling-Up Renewable Energy Program for Low Income Countries, Special Climate Change Fund, UK's International Climate Fund, UNREDD Program.

⁷ [Climate Funds Update](#). The data contains information about approvals and the total disbursed (and others) by country and by fund, between 2002 and October 2016. CCB calculations.

⁸ The analysis focused on projects in selected sectors directly linked to sustainable development such as low carbon transport, environment, sustainable tourism, clean energy, climate change, waste management, water resource management, etc.

analysis showed there was approximately a 2:1 ratio when investment is compared in continental territories versus island territories, highlighting again a financial gap.⁹

- 2.7. The activities to be financed with this operation are aimed at supporting investments in the Caribbean basin islands, aligned with the Sustainable Development Goals (SDGs)¹⁰ and the outcomes of the Paris Agreement, while facilitating access to climate finance to leverage private sector investment through: (i) improvement of institutional capacities (governance, policy, legislation, regulations and organizational); (ii) support of upstream planning and preparation of investment proposals to attract sustainable finance; and (iii) creation of an operational funding facility to mobilize private and public investment for island territories in LAC.
- 2.8. The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenge of productivity and innovation, as the facility seeks to become a source of financing that will support initiatives that include elements from: (i) the Blue Economy, which principles are based on responding to people's basic needs with available resources, bringing about innovations inspired by nature, maximizing benefits –such as jobs and social capital, and producing more with less; and (ii) the Circular Economy, based on restorative and regenerative cycles that continually keep products and materials at their highest utility, preserving natural capital, optimizing yields and minimizing risks by managing stocks and renewable flows. The program is also aligned with the cross-cutting theme of climate change and environmental sustainability given the strategic focus of improving climate adaptation and resilience. Additionally, the program will contribute to the Corporate Results Framework 2016-2019 (GN-2727-6) (CRF) by providing means (governance assessments, action plans, capacity enhancement programs, relevant information, etc.) to institutions and decision-makers, to facilitate the generation of capacities and the creation of policies that enable an environment that encourages sustainable, competitive and efficient business models.¹¹
- 2.9. The project is consistent with the Environment and Biodiversity Sector Framework Document (GN-2827-3), the Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (GN-2609-1) and Action Plan (GN-2609-3). Additionally, climate change adaptation and resilience are priority or cross-cutting areas in the Country Strategies of all the beneficiary countries: The Bahamas 2013-2017 (GN-2731); Barbados 2015-2018 (GN-2812); Belize 2013-2017 (GN-2746); Costa Rica 2015-2018 (GN-2829-1); Dominican Republic 2013-2016 (GN-2748); Haiti 2011-2015 (GN-2646); Honduras 2015-2018 (GN-2796-1); Jamaica 2016–2021 (GN-2868); Nicaragua 2012-2017 (GN-2683); Panama 2015-2019 (GN-2838); and Trinidad and Tobago 2016-2020 (GN-2888).
- 2.10. The project will also actively seek out collaborations with regional initiatives that are complementary and have synergies with its objectives. Of note will be the Bank's Compete Caribbean Partnership Facility and its emphasis on private sector development and innovation. Other collaborations may include the Caribbean Development Bank (CDB), the Centre for Environment, Fisheries and Aquaculture Science (CEFAS), the German Corporation for International Cooperation's (GIZ) Caribbean Aqua-terrestrial Solutions Program (CATS) and Blue Solutions Program,

⁹ Information for this analysis was taken from the Bank's OPS system to assess the level of sustainable development investments in island territories from countries participating in this TC (for the 2010-2015 period).

¹⁰ Specifically, [SDGs](#) # 6, 7, 9, 11, 13, 14, 15.

¹¹ Country Development Results Indicator N° 25 of the CRF: "Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery".

the World Bank's Blue Economy program in Grenada, Blue Action Fund (German Ministry for Economic Cooperation and Development), Global Island Partnership (GLISPA) and Caribbean Challenge Initiative, among others.

III. Description of Activities/Components and Budget

- 3.1 Component 1. Defining the elements of Blue and Circular Growth for island sustainability (US\$190,000).** This component will define the current situation in terms governance structure and institutional settings as well as recommend main policy and regulatory reforms necessary to apply a Blue and Circular Economy approach to sustainability in island territories.¹² The activities to be implemented are: (i) desk review to identify the elements (principles, existing challenges and requirements) of a Blue and Circular Economy so that these can be applied to islands in their efforts to attain sustainability; (ii) assessment of the existence or nonexistence of the previously identified elements in targeted islands;¹³ (iii) assessment of: (a) the level of attainment of SDGs and targets set out in the Nationally Determined Contributions (NDCs) to the United Nations Framework Convention on Climate Change (UNFCCC) of participating countries; and (b) current and potential (in a scenario where the Blue and Circular Economy approach is applied) contributions of all island territories to their corresponding national targets in terms of SDGs and NDCs; and (iv) creation of "island categories" based on governance, economic, social and environmental criteria in order to select a representative sample of islands for which the Blue and Circular Economy framework can be piloted. Expected Results: a clearly defined Blue Circular Economy Framework to be applied to the specific context of island territories and the identification of a representative sample of islands within CCB and CID where the framework will be piloted.
- 3.2 Component 2. Piloting of the Blue and Circular Economy Framework and generation of project ideas (US\$240,000).** This component will identify a programmatic pipeline of projects in line with the blue circular economy approach. Activities: (i) identification of ongoing initiatives (either IDB funded or not) that have potential to be adjusted to fit within the blue circular economy principles, inclusive of proposed project adjustments in the pilot islands identified in Component 1; (ii) identification of new project ideas to support the Blue Circular Growth model defined in Component 1; and (iii) development of a funding proposal to access financing to fully develop (technical designs, full feasibility studies, etc.) and implement at least 3 projects in the previously identified pipeline that will support the blue growth model for the selected islands.¹⁴ Expected results: pipeline of bankable projects to support the transition to a Blue and Circular growth pathway for the pilot islands identified in Component 1.
- 3.3 Component 3. Design and creation of a Caribbean Basin Sustainable Islands Facility (SIF) to mobilize public and private sector investment (US\$250,000).** This component will finance activities to design and establish an operational facility to

¹² An assessment of governance status is particularly important to distinguishing island nations and islands part of nations which will have different mandates in the maritime territories. There are many aspects of the blue economy (such as fisheries and maritime transport) that are managed at a national level.

¹³ Targeted islands will be assessed from an economic perspective to be able to create categories that would allow classification of "types of island" for which different blue circular economy elements should be applied in order to reach sustainability. The economic criteria to be used to create such island categories will be defined as part of the activities under this component.

¹⁴ The exact number of projects will be defined at the time of proposal preparation, as it will depend on the type of fund being accessed and the maximum resources that can be requested (examples of funds are GCF, IKI-BMU, NDC Invest, etc.), but never less than 3 to be able to pilot a blue/circular pipeline of projects.

finance blue circular economy projects in island territories, namely: (i) assessment of the demand for a SIF among donors and potential users of the facility (public and private); (ii) analysis of the types of instruments available (loans, non-reimbursable grants, risk sharing facilities, guarantees, etc.) for this type of facility (SIF), and proposed combination of such instruments; (iii) design of the governance and operational structure of the SIF (*inter alia*: charter and organogram, administration agreement, operations manual, grievance redress mechanism, steering committee, monitoring and reporting procedures); (iv) definition of a results framework at the facility level in order to measure success, including a roadmap for implementation; (v) design of a financial sustainability strategy for the SIF considering potential future funding sources; and (vi) preparation of a funding proposal for the capitalization of the SIF. Expected Results: A SIF with an institutional structure and framework that allows for continued, effective and efficient interventions on island resiliency, particularly given the tight fiscal situation of most of the countries involved in the Platform

- 3.4 **Component 4. Outreach and Dissemination (US\$150,000).** This component will develop and implement an effective communications and knowledge strategy to promote the Caribbean Basin Sustainable Islands Platform. Activities to be financed are: (i) development and implementation of a communications strategy for the Platform; (ii) development of a website to enable the processing of proposals, information and knowledge sharing, etc.; and (iii) creation of a permanent regional roundtable to inform the operation of the Platform. Expected results: information on the Platform reaches a wide audience, and a system is in place to submit and process proposals. A critical segment of the targeted audience will be that of governments (country and local) in order to ensure ownership and buy-in of the Platform. Also, a guidance mechanism is established to inform the Platform and its operation given this innovative approach based on a Blue and Circular Economy for growth.
- 3.5 The project will be financed with non-reimbursable resources of the IDB. The expected total cost is US\$995,000, of which USD\$695,000 come from the Sustainable Energy and Climate Change Multi-Donor Fund (MSC), and US\$300,000 from the Ordinary Capital Strategic Development Program for Sustainability (SUS).

Indicative Budget (US\$)

Component	Source	IDB/Fund	Counterpart	Total
Component 1. Define elements for circular growth for island sustainability	MSC	190,000	0	190,000
Component 2. Piloting the Blue and Circular Economy Framework and generation of project ideas	MSC	240,000	0	240,000
Component 3. Design of a Caribbean Basin Sustainable Islands Facility	SUS	250,000	0	250,000
Component 4. Outreach and dissemination	MSC	150,000	0	150,000
Monitoring and evaluation	MSC	25,000	0	25,000
	SUS	50,000	0	50,000
Project Administration and coordination	MSC	90,000	0	90,000
Total		995,000	0	995,000

- 3.6 **Technical and basic responsibility:** The Climate Change Division of the IDB (CSD/CCS) will have technical and supervisory responsibility for the execution of the operation. CSD/CCS will cooperate with the other participating divisions and departments of the IDB during implementation. There will be coordination with the IDB Country Offices in the participating CCB and CID countries as it relates to basic administrative and coordination activities (such as missions, meetings, etc.), since the Unit of Disbursement Responsibility will remain at the IDB headquarters. The

main contacts in the relevant Country Offices will be the assigned Operations Analysts and/or other designated focal points with physical presence in the region.

- 3.7 Monitoring and evaluation: The work of the consultants and their compliance with the Terms of Reference (TOR) defined for this project will be monitored by CSD/CCS. This project will be evaluated on the basis of the deliverables established in the TOR, which will specify the contents expected in the reports.

IV. Executing Agency and Execution Structure

- 4.1 This operation will be executed by the IDB through CSD/CCS in collaboration with CCB and CID given the regional coverage of the activities to be performed, and possible synergies and complementarities with ongoing IDB operations/research. CSD/CCS will coordinate with other relevant departments and divisions within the IDB Group and with international donors to create partnerships with key stakeholders including academia and governments and ensure synergies where applicable. A Technical Advisory Committee (TAC) will be established comprising experts from related fields such as the Blue and Circular Economy, climate change, small islands, sustainable development, etc., to provide expert knowledge in targeted areas, which are intrinsic to island territories and in line with the objectives of the Caribbean Basin Sustainable Islands Platform. Furthermore, a technical specialist will be hired to support the core team throughout the implementation of this technical cooperation. All consulting services will be carried out by consulting firms and/or individual consultants depending on the nature of the work required.
- 4.2 CSD/CCS will carry out the hiring of relevant firms and consultants, as well as the procurement of goods in accordance with the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1), the Operational Guidelines for the Selection and Contracting of Consulting Firms in Bank-executed Operational work (OP-1155-4) and the Regulations for Complementary Workforce (AM-650) with the provisions of the Technical Cooperation Agreement, the procurement plan and the indicative budget.

V. Major Issues

- 5.1 Operational risks involve the donor's lack of interest to participate in the type of multi-contributor facility being proposed, as well as from governments to allocate resources specifically for investment in island territories. Mitigation measures include putting in place an adequate SWOT Analysis and undertake the necessary due diligence during the design phase of the facility, including outreach to donors to ensure interest in the initiative.

VI. Exceptions to Bank Policy

- 6.1 No exceptions to Bank's policies are foreseen.

VII. Environmental and Social Strategy

- 7.1 Per the Environment and Safeguards Compliance Policy of the IDB (OP-703), the project has been classified as category "C" (see the [Safeguard Screening Report](#) and the [Safeguard Policy Filter](#)).

VIII. Required Annexes

- Annex I: [Results Matrix](#)
Annex II: [Terms of Reference](#)
Annex III: [Procurement Plan](#)

DEVELOPMENT OF SUSTAINABLE ISLANDS INITIATIVE

RG-T2960

MSC	\$695,000
SUS	\$300,000

CERTIFICATION

I hereby certify that this operation was approved for financing under **Sustainable Energy and Climate Change Multi-Donor Fund (MSC)** and **Ordinary Capital Strategic Development Program for Sustainability (SUS)** through a communication dated April 19, 2017 and signed by Felipe Caicedo (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$995,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Original signed

Sonia M. Rivera

Chief

Grants and Co-Financing Management Unit
ORP/GCM

07/19/2017

Date

Approved:

Original Signed

Juan Pablo Bonilla

Manager

Climate Change and Sustainable Development Sector
CSD/CSD

07/20/2017

Date