

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	PANAMA/CID - Isthmus & DR
▪ TC Name:	Valuing, Protecting and Enhancing Coastal Natural Capital
▪ TC Number:	PN-T1233
▪ Team Leader/Members:	WATSON, GREGORY (CSD/CSD) Team Leader; ESQUIVEL GALLEGOS, MARICARMEN (CSD/CCS) Alternate Team Leader; ALLENG, GERARD P. (CSD/CCS); ACOSTA STEVENSON, KEYLA YARITZEL (CSD/CSD); BUCARAM VILLACIS, SANTIAGO JUNIOR (CSD/RND); LE POMMELLE, MARION (CSD/RND); DEQUECH NETO, NAPOLEAO (CSD/CSD); SANMARTIN BAEZ, ALVARO LUIS (LEG/SGO); GOMEZ, JUAN CARLOS (CSD/CCS); LOPEZ SALAZAR, ALVARO (VPC/FMP); ESMAEILI CHINCHILLA, MARYAM (CSD/CCS); PIEDRAFITA, CAROLINA MARCELA (CSD/CSD)
▪ Taxonomy:	Client Support
▪ Date of TC Abstract:	12 Sep 2019
▪ Beneficiary:	Panama
▪ Executing Agency:	NATIONAL AUDUBON SOCIETY
▪ IDB funding requested:	US\$2,307,408.00
▪ Local counterpart funding:	US\$672,432.00 (Cash)
▪ Disbursement period:	36 months
▪ Types of consultants:	Not applicable
▪ Prepared by Unit:	Climate Change and Sustainable Development Sector
▪ UDR:	Climate Change and Sustainable Development Sector
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability

II. Objective and Justification

- 2.1 The objective of this project is to elevate the importance of Panama's coastal natural capital (mangrove ecosystems and related wetlands), the carbon they sequester, and the biodiversity they support by shifting perceptions on their value and importance through a multi-pronged approach: (i) Delivering robust science that establishes a blue carbon baseline; (ii) Establishing economic valuation of the ecosystem services provided by mangroves and related wetlands; (iii) Building knowledge, awareness and engagement with key stakeholders to drive action that increases protection of these ecosystems; and (iv) Supporting and strengthening policies that will promote mangrove conservation and reforestation.
- 2.2 The Pacific Coast of Panama contains nearly 90% of the country's mangroves; however, the coastline is experiencing rapid urban expansion and development which has contributed to a 68% loss of mangrove cover since 1980. The expansion of Panama City east (population 880,000) has caused the greatest proportion of mangrove loss in the country. In addition to the urban expansion problem, the mangroves of the west area of the Pacific coast (Bay of Parita) are being affected by two productive sectors: shrimp farming and salt production. The ecosystem services provided by these mangroves and its related wetlands (salt marshes and seagrasses) are rarely quantified in economic terms and are not disseminated among decision makers or the public, resulting in lack of

awareness and appreciation and little impact on decision-making. Thus, the value of Panama's mangroves is often reduced to conversion for commercial development. This project will help Panama include blue carbon associated with mangrove ecosystems into the country's Nationally Determined Contributions (NDCs) under the Paris Agreement, support stronger climate adaptation efforts, reduce degradation and deforestation of mangrove forests and related wetlands, and build mechanisms that drive funding toward mangrove conservation. It will also leverage and complement IDB Group activities in Panama, including the Nationally Determined Contributions (NDC) Accelerator and the loan PN-L1150.

III. Description of Activities and Outputs

- 3.1 Component 1. Component I: Deliver Robust Science to Establish a Blue Carbon Baseline in Panama's Mangroves.** This component will (i) analyze current mangrove coverage at the two project sites—the Bay of Panama and the Bay of Parita --. Findings, in the form of an online map and report, will be used to (i) prioritize sites for mangrove restoration; (ii) develop a baseline on existing carbon storage, and (iii) establish a methodology to monitor carbon accumulation. With these results, the project will explore voluntary and regulatory carbon market options for Panama's mangroves.
- 3.2 Component 2. Component II: Establish Economic Valuation of Coastal Natural Capital.** The project team will work with Stanford University's Natural Capital team to perform a Natural Capital analysis and valuation of three target ecosystem services: carbon sequestration, fisheries, and storm protection. The project will also work with key partners to identify sustainable financing mechanisms that can support mangrove conservation and restoration into the future.
- 3.3 Component 3. Build knowledge, awareness, and engagement with key stakeholders to drive action that increases protection of coastal Natural Capital.** This component will: (i) design and execute a national communication strategy to engage key stakeholders on the value of coastal natural capital, and to raise awareness on stresses to the environment, such as plastic pollution. It will also (ii) strengthen an existing coalition of public and private sector stakeholders to advocate for coastal natural capital, by using the economic valuation data in their defense of mangrove and coastal wetlands restoration.
- 3.4 Component 4. Support and strengthen policies that incentivize mangrove conservation and restoration.** The component will work with stakeholders and Panamanian authorities to (i) support a formal recognition by the Panamanian government to include mangroves in their NDC; (ii) enact policies to ban single-use plastic and incentivize recycling; and (iii) conduct a strategic environmental assessment on the Bay of Panama, which will be used to inform the creation of a management plan for the protected area.
- 3.5 Component 5. Coordination and Staffing.** This component includes activities related to the coordination of the project, project management, and travel.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund	Counterpart	Total
Component I: Establish a Blue Carbon Baseline in Panama's Mangroves.	1,050,000	100,000	1,150,000
Component II: Establish Economic Valuation of Coastal Natural Capital.	341,000	31,000	372,000
Component III: Build knowledge and engage stakeholders to protect coastal Natural Capital.	338,400	280,488	618,888
Component IV: Support and strengthen policies that incentivize mangrove conservation and restoration	345,500	177,332	522,832
Coordination and Staffing	232,508	83,612	316,120
Total	2,307,408	672,432	2,979,840

V. Executing Agency and Execution Structure

- 5.1 This project will be executed by the National Audubon Society (Audubon), a USA-based NGO dedicated to protecting birds and the habitat that supports them. It will hire individual consultants and/or firms in accordance with the Bank's procurement policies and procedures for the implementation of activities under the project. A project management unit will be established to help manage the program. In addition, Audubon will actively collaborate with local partner the Panama Audubon Society for implementation of project activities.
- 5.2 Audubon has been working with local conservation NGOs, government agencies and community groups in Panama for over a decade. Audubon has a long trajectory in supporting mangrove and related wetlands conservation because mangroves support a range of biodiversity, and the Bay of Panama mangroves are the most important site for migratory shorebirds in the Americas. Over 2.5 million birds utilize the area annually alongside over 200 resident bird species (8 IUCN Endangered), 177 fish species, 50 mammals, 21 amphibians and 28 reptiles. Letters of support for the project have been received from the *Secretaria Nacional de Ciencia, Tecnologia e Innovacion*, the Municipality of Panama City, and the *Autoridad de los Recursos Acuaticos de Panama*.

VI. Project Risks and Issues

- 6.1 Project risks are low, since the project has earned the full endorsement of the Minister of the Environment in Panama, who was recently elected (May 2019) (see endorsement letter attached). There is still a low risk of lack of other key stakeholder buy-in (civil society, private sector, local authorities) for the shifts in policy and local perception that the project hopes to drive. To mitigate this risk, component III will actively work in raising awareness and generating the public and private engagement needed.

VII. Environmental and Social Classification

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