

## Technical Cooperation Document

### I. Basic Information for TC

▪ Country/Region:	CHILE
▪ TC Name:	Support to Chile's efforts to promote innovation in the biodiversity agenda
▪ TC Number:	CH-T1247
▪ Team Leader/Members:	Watson, Gregory (CSD/CSD) Team Leader; Brusa, Federico (CSD/CCS) Alternate Team Leader; Acosta Stevenson, Keyla Yaritzel (CSD/CSD); Bucaram Villacis, Santiago Junior (CSD/RND); Celeste Marzo, Cristina (LEG/SGO); Colonna Urdaneta, Maurizio (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Marinho, Isabella (CSD/CSD); Moreda Mora, Adela (CSD/RND); Salas Parra, Cristian (CSD/CCS); Santa Pena, Camilo Andres (CSD/CCS), Keyla (CSD/CCS); Bucaram, Santiago (CSD/RND); Celeste, Cristina (LEG/SGO); Marinho, Isabella (CSD/CCS); Moreda, Adela (CSD/RND); Salas, Cristian (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); Santa, Camilo (CSD/CCS)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	04 Aug 2020.
▪ Beneficiary:	The Republic of Chile, through its Ministry of Environment
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Sustainability(SUS)
▪ IDB Funding Requested:	US\$250,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	
▪ Types of consultants:	Individual consultants; Consulting firms
▪ Prepared by Unit:	CSD/CCS-Climate Change
▪ Unit of Disbursement Responsibility:	CSD/CCS-Climate Change
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Environmental sustainability

### II. Objectives and Justification of the TC

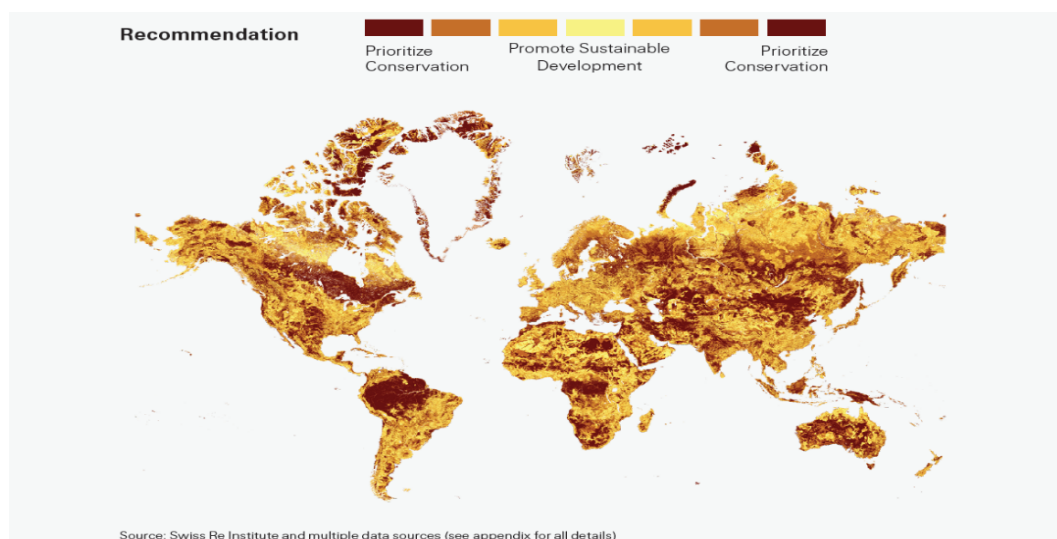
- 2.1 To develop relevant instruments and to provide institutional strengthening advisory to support the conservation goals established by Chile in its Nationally Determined Contribution (NDC) its National Biodiversity Strategy and Action Plan (NBSAP) and other initiatives led by the Ministry of the Environment and the Under secretariat for Tourism.
- 2.2 Chile's updated NDC, released in April 2020, contains several commitments related to conservation of biodiversity, such as: (i) favoring nature based solutions in the

implementation of measures to comply with the NDC; (ii) updating the climate change adaptation plan to include biodiversity; (iii) increasing marine protected areas (MPAs) (from the existing baseline of 42% of the exclusive marine economic area); (iv) implementing management plans in all MPAs created before 2020 by 2030; (v) protecting 20 coastal wetlands by 2025, and 10 additional coastal wetlands by 2030; (vi) creating a national peatland inventory by 2025, and the development of indicators for evaluating peatland adaptation and mitigation capacity by 2030; (vii) reforesting 200,000 hectares of forests by 2030, and managing sustainably and restoring 200,000 hectares of native forests by 2030.

- 2.3 Chile's NBSAP, adopted in 2018, also seeks to: (i) promote the sustainable use of biodiversity for human wellbeing, reducing threats to ecosystems and species; (ii) increase awareness, participation, information and knowledge regarding biodiversity, as the basis for human wellbeing; (iii) establish robust institutions, good governance and the equitable sharing of benefits derived from biodiversity; (iv) include biodiversity objectives in public- and private-sector policies, plans and programs; and (v) protect and restore biodiversity and its ecosystem services.
- 2.4 As in the rest of the world, the COVID-19 pandemic is currently affecting Chile, and its long-lasting impacts are yet to be fully understood. As national revenues shrink, funding biodiversity and conservation activities with solely public funds will be challenging, and innovative models to crowd-in investment will be needed to reach national environmental goals and protect the natural capital that drives up to 17.4% of GDP and over a half of Chile's exports.<sup>1</sup> Indeed, BIOFIN has found that the annual average finance needed to reach Chile's goals under its NBSAP is \$72,614,894, which is equivalent to approximately 0.025 of the GDP for the year 2019. This quantity is additional to the State's current expenditure, which means that in a time of budget scarcity and possible reduced expenditure, the needs for alternative sources of funding is even more important. The IMF forecasts a GDP growth of negative 6.0% for Chile in 2020, in line with government scenarios. In the region, CEPAL estimates that tourism sector will lose at least 290,000 companies and up to one million jobs. The IMF has highlighted the need for alignment with the sustainable development goals in the recovery to help developing nations build resilience toward future similar crises, and CEPAL has recommended sustainable policies as pillars for development strategies. The Ministry of Environment of Chile states that the recovery from this health and economic crisis must have an environmental and a social component and is designing policies to promote a green recovery. SwissRe recently published an [analysis](https://www.biodiversityfinance.net/knowledge-product/policy-brief-biodiversity-chile-suggestions-finance-its-conservation) which shows that, based on ecosystem conditions, risk, contribution to economy, and other factors, in Chile the best solution for conserving natural capital to ensure growth is to be found in sustainable development.

---

<sup>1</sup> <https://www.biodiversityfinance.net/knowledge-product/policy-brief-biodiversity-chile-suggestions-finance-its-conservation>.



- 2.5 In this context, this Technical Cooperation will help to develop innovative instruments to support the conservation goals of the government of Chile (as presented in the NDC and NBSAP), while helping to address both the social and economic consequences of CoViD by leveraging private capital to create jobs, maintain the natural resource base critical for growth, and generate employment. Specifically, the activities of this TC will be designed to (i) carry-out relevant studies and communications to support the Ministry of Environment in the design of innovative instruments for the conservation of biodiversity in Chile, in the context of the creation of the country's first Conservation Trust Fund; and (ii) to design a business model for the *Cabo de Hornos* Sub-Antarctic Center.
- 2.6 The proposed TC seeks to support client efforts tied to the multisectoral challenge of climate change as it is identified in section 2b of the Update to the Institutional Strategy 2010-2020 (AB-3008). It supports the creation of a trust fund that will eventually support the IDB Corporate Results Framework (GN-2727-12), Indicator 2.21 (Habitat that is sustainably managed using ecosystem-based approaches (hectares)). The project supports goals of the Update to the IDB Institutional Strategy (AB-3190-2) in sections 4.2(iii) Developing instruments that support innovation, 4.7(i), (ii) and (iii), which deal with supporting mobilization of resources, and 4.17, which seeks to support countries in implementing their climate change programs by creating innovative financing mechanisms to crowd-in investment into sustainability programs. It supports section 1.3 of the IDB Group Country Strategy with Chile (GN-2946) which seeks to facilitate investment in less-served segments. It is aligned with the IDB's Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable Renewable Energy (GN-2609-3) and particularly with paragraphs 2.4, 3.26, and 3.30 of the IDBG Climate Change Action Plan 2021-2025 (GN-2848-8.). It is further aligned with paragraph 2.75 of the CSD/CCS Sector Framework Document (GN-2835-7). It supports the recently approved decision of the Board to drive the mainstreaming of Natural Capital and Biodiversity as well. The project is aligned with the IDB's [Environment and Biodiversity Sector Framework Document](#) (GN-2827-8) which sets as one action item to: Promote systematic mainstreaming of the environment in productive sectors, including opportunities for public and private investment by, inter alia, promoting private investment, creating alliances among key

public and private actors, and identifying missing markets for ecosystem services. TC activities are funded and aligned with objective (i) of the OC-SDP for Sustainability SUS fund, as described under paragraph 7.1 of document GN-2819-1.

### III. Description of Activities/Components and Budget

- 3.1 **Component 1: To evaluate and recommend improvements in governance and biodiversity conservation measures in Chile.** The activities carried under this component will support the pre-feasibility studies to evaluate the relevance and possibilities of designing a conservation trust fund in Chile, primary linked to marine protected areas. These will include institutional, governance, and legal considerations to recommend a specific model and approach for the possible establishment of a conservation trust fund for Chile. Activities will also include feasibility studies, structures, and investment strategies for innovative financial products, as well as mechanisms to generate funds for conservation and support the sustainability of the trust fund and support the analysis of the economic and social benefits of conservation (in terms of employment, jobs, health and other social goods.) This will help develop a national value case for biodiversity. At the 25<sup>th</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change, which was hosted by Chile, Chile presented its new Nationally Determined Contribution (NDC) which became the first NDC to recognize existing interlinkages between the climate, the oceans and the biodiversity agendas. This workstream on nature-based solutions is expected to be a focus of the next COP as well and is fundamental to the work of countries in meeting their commitments to the existing Aichi targets of the Convention on Biological Diversity (CBD) and the targets to be set at the Fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity in 2021.
- 3.2 **Component 2: Strengthening of natural laboratories in Chile by integrating tourism, local benefits, and the conservation of biodiversity and sustainability by creating a business and management model for the *Cabo de Hornos* Sub-Antarctic Center.** This component includes activities to generate an innovative, scalable, and long-term business model that includes the fields of conservation, scientific research, education, and scientific tourism. By creating a business model to support the sustainability of the *Cabo de Hornos* Sub-Antarctic Center, linking conservation objectives of the Ministry of Environment with economic objectives of the Sub-ministry for Tourism and the Ministry of Science, this component seeks to demonstrate how scientific research centers in areas of great biodiversity importance can become hubs of a national scientific tourism model that can provide revenue to protect biodiversity. The specific activity will be the engagement of a multi-stakeholder process to develop a written business model for the center that capitalizes on the Center's unique biodiversity and ecosystem services, tourism, and technologies being studied and developed at the center, which can be commercialized. The model developed here can be expanded to other natural laboratories in Chile.
- 3.3 The total cost of the operation is US\$250,000, which will be financed with resources from the Ordinary Capital Strategic Development Program for Sustainability (SUS).

**Indicative Budget (US\$)**

<b>Activity/Component</b>	<b>IDB/Fund</b>	<b>Counterpart</b>	<b>Total</b>
Component 1.1. Prefeasibility studies to propose legal and financial characteristics of a conservation trust fund in Chile	100,000	0	100,000
Component 1.2. Awareness raising campaigns to promote sustainable livelihoods around protected areas	60,000	0	60,000
Component 1.3. Design of governance model proposed for a conservation trust fund in Chile	40,000	0	40,000
Component 2. Strengthening of scientific platforms in Chile by integrating the conservation of biodiversity	50,000	0	50,000
<b>Total</b>	<b>250,000</b>	<b>0</b>	<b>250,000</b>

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

- 4.1 In accordance with the applicable policies and procedures (GN-2470-2 and GN-2629-1), the IDB, through the Climate Change Division (CSD/CCS), will be the executing agency of this TC. The project will be supervised by CSD/CCS, with the involvement of local specialists, in order to link with the country's Long-Term Strategy for Climate Action (LTS) as well as the nationally coordinated efforts to implement the country's new NDC which recognizes and highlights the need to work the oceans, biodiversity, and climate agendas in a coordinated fashion. Activities will be developed by CSD/CCS' Natural Capital Lab program, which seeks to develop projects that support financial innovation in biodiversity conservation and to mainstream biodiversity across national sectors in order to take advantage of experiences and inputs from business and financing models being developed in other contexts. The project will also count with the important participation of CSD/RND to guarantee the identification of the most viable tourism development opportunities under the framework of natural laboratories. All conversations and technical dialogue will be done with counterparts from the Ministry of the Environment, but will include staff from the subsecretariat for Tourism as well as the *Centro Cabo de Hornos*
- 4.2 Given the multi-sectoral nature of the work, the need to collaborate across ministries and to bring in specialized knowledge outside the traditional base of the Ministry of Environment, and a lack of capacity and inter-governmental institutional arrangements that make it difficult for the Ministry to execute a cross-cutting TC, the Ministry of Environment has requested that the IDB execute this project. This request falls within the categories of Institutional Capacity and Procedural Constraints indicated in Annex 10 of GN-2629 which specify conditions under which IDB may execute TCs. The request from the client for the IDB to execute this program can be found in [this link](#).
- 4.3 The Bank will follow its procurement policies and guidelines related to contracting processes: (i) individual consultants will be hired according to the guidelines established in policy AM-650; (ii) consulting firms of an intellectual nature will be hired according to the "Policy for the selection and contracting of consulting firms for operational work carried out by the Bank" (GN-2765-4) and its Operational Guides (OP-1155-4); and (iii) other non-consulting services in accordance with the "IDB Institutional Procurement Policy" (GN-2303-28).

## **V. Major Issues**

- 5.1 The COVID-19 crisis would continue affecting the health and economic situation in Chile. The activities considered in the TC could help to catalyze a green and sustainable recovery. Coordination between different institutions involved in the TC activities is also a challenge, but the previous experience of the IDB in similar projects and several previous cooperation in Chile will help to mitigate these risks.

## **VI. Exceptions to Bank Policy**

- 6.1 No exceptions to Bank policies are envisioned for this TC.

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

- 7.1 Given the nature of the project, there are no associated environmental or social risks. According to the Environment and Safeguards Compliance Policy of the Bank (OP-703), the operation has been classified as category “C”, meaning that no environmental assessment studies or consultations are required for this category (see the [Safeguard Screening Form](#) and the [Safeguard Policy Filter Report](#)).

### **Required Annexes**

[Request from the Client - CH-T1247](#)

[Results Matrix - CH-T1247](#)

[Terms of Reference - CH-T1247](#)

[Procurement Plan - CH-T1247](#)