Technical Cooperation Abstract

I. Basic Project Data

▪ Country/Region:	CHILE/CSC - Southern Cone
▪ 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, KEYLA (CSD/CSD); SANTA, CAMILO (CSD/CCS); BUCARAM, SANTIAGO (CSD/RND); MOREDA, ADELA (CSD/RND); SALAS, CRISTIAN (CSD/CCS); CELESTE, CRISTINA (LEG/SGO); MARINHO, ISABELLA (CSD/CSD)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	04 Aug 2020
▪ Beneficiary:	Ministry of Environment, Chile
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US$250,000.00
▪ Local counterpart funding:	US$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individual consultants; Consulting 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: ▪ TC included in CPD:	Yes No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Environmental sustainability

II. Objective and Justification

2.1 To develop innovative financial instruments to support the implementation of conservation trust funds in Chile, linked to new marine protected areas; to create business models around natural laboratories in Chile; and to link the *Cabo de Hornos Natural* Laboratory business model to marine protected areas.

2.2 Chile´s updated NDC, released in April 2020, contains several commitments related to conservation of the 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 in 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 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. The IMF forecasts a GDP growth of -7.5% for Chile in 2020, in line with government scenarios. In the region, Government funding for conservation will be scarce and innovative approaches to attract private capital will be important to ensuring sustainability. CEPAL estimates that tourism sector will lose at least 290,000 companies and one million jobs. As recovery policies are put in place, the IMF has highlighted the need for alignment with the sustainable development goals (SDGs) to help developing nations build resilience toward future similar crises, IDB has urged a green recovery, and CEPAL has recommended sustainable policies as a pillar for development strategies. The Ministry of Environment of Chile has taken this narrative on board, and 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. In this context, this Technical Cooperation will help to develop innovative financial and institutional instruments to support the conservation goals of the government of Chile, while helping to address both the social and economic consequences of COVID-19.

III. Description of Activities and Outputs

3.1 **Component 1. To develop innovative financial instruments to support the implementation of conservation trust funds in Chile.** Design a conservation trust fund linked to marine protected areas to include governance, legal and financial considerations. Develop feasibility studies, structures, and investment strategies for innovative financial products and mechanisms to generate funds for conservation and support the sustainability of the trust fund, and analyze the economic and social benefits of conservation (in terms of employment, jobs, health and other social goods) to develop a value case for biodiversity.

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 will generate an innovative, scalable, and long-term business model that links the fields of scientific research, education, conservation, and tourism. The model will support the sustainability of the Cabo de Hornos Sub-Antarctic Center and include objectives of the Min. of Environment with economic objectives of the Sub-min. of Tourism and the Min. of Science. The model developed here can be expanded to other natural laboratories in Chile.

Indicative Budget (US$)

Activity/Component	IDB/Fund	Counterpart	Total
Component 1. Financial instruments to support conservation trust funds in Chile	200,000	0	200,000
Component 2. Strengthening of natural labs in Chile integrating tourism, local benefits, biodiversity	50,000	0	50,000
Total	**250,000**	**0**	**250,000**

IV. Executing Agency and Execution Structure

4.1 The Climate Change and Sustainability (CSD/CSD) sector of the IDB will act as the unit of basic responsibility for the execution of this T.C. The activities will be overseen by the Sector's Natural Capital Lab, which seeks to develop projects that support financial innovation in biodiversity conservation and to mainstream biodiversity across national sectors. The project will be co-led by CSD/CCS, 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. The project will also count with the important participation of CSD/RND in order to guarantee the identification of the most viable tourism development opportunities under the framework of natural laboratories.

4.2 All hired consultancies and other procurement activities relevant for the execution of the operation will be in accordance with the Bank's procedures and policies.

4.3 The Ministry has requested that the IDB execute this TC as it requires coordinating activities across the Ministry of Environment, Sub-ministry of Tourism, private sector (including conservation organizations, financial experts, potential donors to conservation trust funds, scientific organizations, and tourism operators), and community organizations, and also requires an integrated holistic approach to maximize the potential benefits of the various activities. In addition, the Bank may be able to utilize the products of this TC to advance conversations with the government on a potential sustainability policy-based-loan to target climate and sustainability topics.

V. Project Risks and Issues

5.1 The COVID-19 crisis may continue affecting the health and economic situation in Chile. The activities considered in the TC are designed to help to catalyze a green and sustainable recovery and therefore should support COVID response —in addition, they are mainly desk-research and convenings that are able to be held remotely so activities should not be substantially affected in terms of timing.

5.2 Coordination between different institutions involved in the TC activities will also a challenge. For this reason, the IDB is the executor and the previous experience of the IDB in similar projects and several previous cooperation in Chile will help to mitigate these risks. The Natural Capital Lab is also designed to bring different internal and external actors together to work on biodiversity solutions in a holistic manner, as it has done with WSA, IDB Lab, IDB Invest, CAN, KIC and others in the plastics space, and this knowledge will be leveraged in this project.

VI. Environmental and Social Classification

6.1 The ESG classification for this operation is "C".