

TC ABSTRACT

I. Basic project data

- Country/Region: Regional
- TC Name: Performance Fund for the Protection and Recovery of Climate Services
- TC Number: RG-T2158
- Team Leader/Members: Gloria Visconti (team leader), Elizabeth Cushion, Luis Martin Uribe, Laura Gaensly, Juan Chang, Angelo Angel Gomez (INE/CCS), Sebastian Miller (RES/RES), Sebastian Hack (VPS/ESG)
- Indicate if: Knowledge generation & dissemination
- Reference to Request: IDB Docs #36197773
- Date of TC Abstract: January 27, 2012
- Beneficiary: Regional
- Executing Agency and contact name: IDB - Gloria Visconti
- IDB Funding Requested: \$500,000
- Disbursement period (which includes execution period): March 2012 until March 2014
- Required start date: March 2012
- Types of consultants (firm or individual consultants): Firms and individual consultants
- Prepared by Unit: INE/CCS
- Unit of Disbursement Responsibility: INE/CCS
- GCI-9 Sector Priority: Support to promotion of Sustainable Energy, Environment and Climate Change

II. Objective and justification

According to the United Nations Environment Program, the Latin-America and Caribbean region (LAC) is among the richest regions in biodiversity worldwide. Various studies have also indicated that South America, alone, accounts for half of the terrestrial biodiversity in the world, and the region includes some of the world's most biodiverse countries including Brazil, Colombia, Ecuador, Mexico, Peru and Venezuela and the most biologically diverse area (the eastern slope of the Andes). Twenty percent of the protected areas worldwide are located in LAC and 54% of the Caribbean flora cannot be found anywhere else on the globe. Additionally, the region contains close to 800 million hectares of forested areas, 570 million hectares of wild savannas, 700 million hectares of productive lands and 27% of the planet's available drinking water. Biodiversity is one of the region's most valuable assets and of strategic importance for overcoming poverty and attaining a long-term sustainable development model for LAC.

Despite its global importance and the importance to the economy and to livelihoods in LAC, the region's biodiversity is increasingly threatened. Key threats to biodiversity loss include, but are not limited to: land use change, fragmentation of ecosystems, insufficient valuation of biodiversity goods and services, weak and ineffective institutions and governance, climate change, and invasive

species. LAC is a major agricultural exporter and agriculture is a key component of many of the region's countries, if not the major economic driver. Land conversion to agriculture has led to the degradation and deforestation of ecosystems across the region. Growth of cities and other infrastructure growth (such as roads and coastal urban and tourism development) as well as sectors, such as mining further and commercial fishing, degrade the region's natural environments. Large-scale conversion, over exploitation of resources, climate change, and weak governance, among other threats, is leading to an exponential rate of loss of biodiversity.

The richness of biodiversity in LAC presents an opportunity for economic development and for maintaining livelihoods, however, there are no suitable tools and mechanisms that can be used to value natural capital (in particular biodiversity) in financial markets so that its protection can be supported using economic reasoning.

The objective of this TC is to develop the necessary knowledge and information in order to define and test a mechanism that can be deployed using a biodiversity proxy to capture the market potential for biodiversity-based products and services, thereby maintaining and enhancing the richness of the regions' biodiversity.

III. Description of activities

Component 1: Design of a regional biodiversity-rich carbon instrument

This component will help to identify the major requirements and constraints needed in order to develop biodiversity-rich carbon instruments. This will include activities such as: (i) evaluating existing regulatory barriers at a country level; (ii) identifying existing market based approaches to biodiversity conservation; (iii) evaluating existing and emerging approaches to biodiversity conservation in the carbon market, and; (iv) identifying successful projects and programs which use carbon as a proxy. The products of this component will be several studies and analyses that outline the issues described here.

Component 2: Field-testing a biodiversity-rich carbon instrument in Peru

This component seeks to develop the background information in order to develop a mechanism that can be applied to the biodiversity rich area around the inter-oceanic highway, in Madre de Dios Peru which is under imminent threat of deforestation. This component will finance studies which may include issues such as the identification of land uses and property rights in the region, stakeholder surveys, identifying appropriate pricing mechanisms, and calculating the opportunity costs associated with protecting biodiversity in the region.

Component 3: Field-testing a biodiversity-rich carbon instrument in Brazil

This component seeks to identify baselines for field interventions and analysis of alternative instruments for recovery of climate services of the Atlantic Forest in Southeast Brazil. This component will finance studies such as capacity building needs to ensure Atlantic Forest's climate

change mitigation and biodiversity services continuity, geographic definitions, and feasibility analysis for alternative market-based instruments for climate and biodiversity services. The product of this component will be several reports and studies which describe these issues.

IV. Budget

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1	Design of a regional biodiversity-rich carbon instrument	\$250,000	\$250,000
Component 2	Field-testing a biodiversity-rich carbon instrument in Peru	\$150,000	\$150,000
Component 3	Field-testing a biodiversity-rich carbon instrument in Brazil	\$100,000	\$100,000
Total			\$500,000

V. Executing agency and execution structure

The IDB will be the executing agency on this TC as a response to the findings of the Independent Advisory Group on Sustainability, which was formed to review the Bank's Environmental and Safeguards Compliance Policy (OP703) and to identify ways by which the IDB could better achieve its goal of sustainable development. In January 2011, a report based on the group's findings underlined the need to protect critical biodiversity and promote ecosystem restoration and assisted regeneration in the region. This TC will strengthen the IDB's knowledge on the use of biodiversity proxies for biodiversity-based products and services, thereby helping to achieve the goals outlined in the IAG report. The Climate Change and Sustainability Division (INE/CCS) will have the principal technical and fiduciary responsibility.

VI. Project risks and issues

The risks associated with these activities are low. The main risks relating to the execution could relate to the quality of deliverables to be developed. This will be mitigated by peer review and close supervision of the activities by CCS.

VII. Environmental and social classification

The Environmental and Social Classification for this project is Category C. There are no negative environmental impacts associated with these activities.