

## SUMMARY OF THE PROJECT IN DESIGN \* (\*)

### UPSCALING BIODIVERSITY CREDITS SCHEMES BY ENGAGING FOREST-DEPENDENT COMMUNITIES IN THE CONSERVATION AND SUSTAINABLE USE

<b>PITCH ELIGIBILITY DATE</b>		<b>COUNTRY(IES)</b>
09/18/2024		Brazil
<b>ALIGNED WITH COUNTRY STRATEGY?</b>		
Yes		
<b>PARTNER(S)</b>		
Terrasos		
<b>PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT</b>		
C (**)		
<b>TOTAL BUDGET</b>	<b>IDB Lab</b>	<b>LOCAL COUNTERPART AND COFINANCING</b>
US 630,000	US 530,000	US 100,000
<b>DESCRIPTION</b>		

**The problem** The signs of biodiversity loss are perceivable around the world, and ecosystems such as the Amazon Forest, a great reservoir of biodiversity and carbon, are being depleted at almost twice the rate of their recovery. Although some phenomena are intrinsic to nature dynamics, scientists estimate that our planet is now losing species at 1,000 times the natural rate of one to five per year. If we continue this path, we face a future in which 30–50% of all species could disappear by the middle of the 21st century.

Overall, climate change is exacerbating loss in biodiversity, causing coral reef bleaching and rampant growth of insect disease in forests. It is a vicious circle—biodiversity loss also aggravates climate change. The Amazon region is highly vulnerable to climate change and has a low adaptive capacity. In addition, hydrological changes caused by deforestation may permanently dry out millions of acres of rainforest and alter the entire Amazon climate.

On top of these challenges and negative impacts, lies the compounded effects of climate change and biodiversity loss on vulnerable groups. For instance, under informal economic activities, where gender inequality appears, women’s vulnerability increases. A large portion of women’s livelihoods depend on those natural resources, as climate change keeps exacerbating ecosystems deterioration. IPLCs are also among the first to face the direct consequences of ecosystems deterioration, due to their dependence upon, and close relationship with, the environment and its resources. These circumstances increase the difficulties already faced by indigenous communities, including political and economic marginalization, loss of land and resources, human rights violations, discrimination, and unemployment.

**The solution** The project objective is to operationalize and scale up a biocredits project in the Amazon region of Brazil, prioritizing the State of Pará. The biocredits project will be underpinned by a payment for environmental success structure, creating results-oriented, long-term programs that will increase the likelihood of nature-positive outcomes and improved livelihoods for local communities and corporate entities willing to invest in it.

\*The information mentioned in this document is indicative and may be altered throughout the project cycle prior to approval. This document does not guarantee approval of the project.

\*\*The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)’s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI’s portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI’s portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

The Project will prioritize areas in the Amazon region of Brazil where there are enabling conditions for the development of this market (i.e. partners, governance, institutional frameworks, possibility for scaling up and replication, among others). Currently, the State of Pará is the second state that contributes the most to deforestation and greenhouse gasses (GHG) emissions in Brazil (15.6% in total and 53% from land use change emissions in Brazil). In addition, private mid-size lands in the state comprise more than 40% of the forest coverage; these lands have been under threat by extensive agriculture, logging, and infrastructure, as well as illegal gold mining.

This initiative aims to create a robust framework for scaling biodiversity conservation by transforming traditional financial instruments and evidencing the economic case for the voluntary biodiversity credit market. The biocredits project builds on a high-integrity protocol, which has been elaborated considering the lessons learned from the voluntary carbon markets. Pursuing this purpose, the project will combine the pay-for-success mechanism with the protocol in reference. The latter has been designed following principles to mitigate the observed problems of the voluntary carbon markets and with the objective to promote effective biodiversity gains, in addition to providing the necessary financial and legal safeguards to assure its transparency, additionality, sustainability and longevity.

**The beneficiaries** The project will be fundamental in halting deforestation and increasing forest conservation and restoration. By targeting between 1,500 and 3,000 hectares, this TC will address the deforestation and enhancement of forest conservation and restoration objectives. In addition, it will assist Brazil to fulfil the national Biodiversity Policy and Strategy (PNBio), and the Pará state targets, by complementing the efforts towards the Sustainable Territories Program (STP), which aims to reduce 80% of deforestation by 2030, restore 3 million Ha and double the protected areas in the state.

The exact number of beneficiaries will depend on the overall structure of the biocredits scheme that will support the project. However, the project aims to benefit not only those who provide land for conservation and restoration activities (who will receive compensation throughout the project's duration), but also local families engaged in conservation and restoration activities.

**The partner** Terrasos will be the Executing Agency for this project and will sign the agreement with the IDB Lab. Terrasos is a company specialized in the structuring and operation of environmental investments, based in Bogotá, Colombia. Their work is focused in four main areas: offset and environmental investments, impact analysis, development of the intervention strategies and data management. This experience has allowed them to create biocredits schemes that have attracted several corporations to invest in conservation and restoration projects.

**The IDB Lab's contribution** The project has a total cost of US\$630,000, of which US\$530,000 will be provided through a Non-reimbursable Technical Cooperation by the IDB Lab (with GCF core mobilization) and US\$100,000 will be provided by Terrasos as in-kind counterpart.

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