

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Developing PES Guidelines for the Amazon Region through the experiences of the Bolsa Floresta PES Program
▪ TC Number:	RG-T2545
▪ Team Leader/Members:	Team leader: Claudia Perazza (INE/RND), Team members: Michele Lemay (INE/RND), Enrique Ibarra (INE/RND), Yolanda Valle Porrúa (INE/RND)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research & Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	June 6, 2014
▪ Beneficiary:	REGIONAL
▪ Executing Agency and contact name	IDB; Claudia Perazza (INE/RND)
▪ IDB Funding Requested:	US\$ 400,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	February 20, 2015
▪ Types of consultants (firm or individual consultants):	Firm and consultants
▪ Prepared by Unit:	INE/RND
▪ Unit of Disbursement Responsibility:	INE/RND
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	N/A
▪ GCI-9 Sector Priority:	Poverty reduction and equity enhancement; and environmental sustainability

II. Objective and Justification

2.1 The Latin America and Caribbean (LAC) Region has been deemed the superpower of biodiversity because it is the Region with the most natural capital in the world.¹ It possesses a vast array of terrestrial, freshwater, coastal, and marine ecosystems representing many of the earth's biomes. This natural capital supports ecosystem services that serve as the base for livelihoods, economies, and society at large. Ecosystem services, such as soil fertility, pollination, pest control and scenic beauty, are the primary inputs for productive sectors key to LAC economies.

¹ Bovarnick, A., F. Alpizar, C. Schnell (eds.). 2010. Latin America and the Caribbean: A biodiversity superpower. United Nations Development Program (UNDP) and United Nations Environment Program (UNEP). 2010. Atlas of Our Changing Environment: Latin America and the Caribbean, UNEP.

- 2.2 The market failure to recognize and compensate landowners for the environmental services that forests in their lands provide to society has been – since at least the mid-90s – considered a significant underlying cause of forest loss.² Payments for environmental services (PES) are envisioned as a market mechanism through which this market failure could be addressed.³ In its most simple form, PES are defined as a voluntary transaction in which a well-defined environmental service (or land use likely to deliver that service) is bought by at least one buyer from at least one provider of the environmental service under the condition that the provider secures the provision of the environmental service or desired land use.⁴
- 2.3 Monitoring the effectiveness of PES schemes to ascertain the provision of environmental services has proven to be anything but simple. Many PES schemes – particularly public payment schemes for private landowners and communities in developing countries – have been implemented without the establishment of well-defined baselines and monitoring mechanisms that could have enabled sound performance assessments over time.^{5,6} The establishment of baselines and monitoring mechanisms of PES schemes to determine additionality and enforce conditionality has been inconsistent in many cases. This inconsistency is attributed partly to a lack of – financial and human – resources as well as political will, but also to lack of proper guidance on how to design, establish and monitor PES schemes.⁷
- 2.4 Few guidelines have been developed to conduct the establishment of PES schemes.⁸ Nevertheless, they are generic, and do not give deep insights into the process and issues relevant for the design, establishment and monitoring of public-private-financed PES schemes; e.g. definition of the environmental service(s), defining baselines, policy processes, negotiation strategies, conflict resolution, etc.
- 2.5 The objective of the proposed TC is to produce guidelines – tailored to the Amazon region – for the design, implementation and monitoring of public-private PES schemes. The work will build on the experiences and lessons learned from a large-scale and fully implemented public-private PES scheme in the Amazon region: The Bolsa Floresta PES Program. A recent study suggests the Bolsa Floresta Program may have reduced deforestation in its target areas as

² Pearce, D. 1996. Global Environmental Value and the Tropical Forests: Demonstration and Capture. In: W. L. Adamowicz, P. Boxall, M. K. Luckert, W. E. Phillips and W. A. White. *Forestry, Economics and the Environment*, pp. 11-48. CAB International. Wallingford.

³ Gómez-Baggethun, E., R. de Groot, P. L. Lomas and C. Montes. 2010. "The history of ecosystem services in economic theory and practice: From early notions to markets and payment schemes." *Ecological Economics* 69(6): 1209-1218.

⁴ Wunder, S. 2005. Payments for environmental services: Some nuts and bolts. Occasional Paper No. 42. CIFOR. Bogor.

⁵ Tacconi, L. 2012. "Redefining payments for environmental services." *Ecological Economics* 73: 29-36.

⁶ Ferraro, P. J. and S. K. Pattanayak. 2006. "Money for nothing? A call for empirical evaluation of biodiversity conservation investments" *PLOS Biology* 4(4): e105.

⁷ Wunder, S., S. Engel and S. Pagiola. 2008. "Taking stock: A comparative analysis of payments for environmental services programs in developed and developing countries." *Ecological Economics* 65(4): 834-852.

⁸ See for example: Waage, S., C. Bracer and M. Inbar. 2008. Payments for Ecosystem Services. Getting Started: A Primer. Forest Trends, The Katoomba Group, UNEP. Nairobi. Available from: http://www.unep.org/pdf/PaymentsForEcosystemServices_en.pdf.

well as maintained livelihood strategies of local communities. Nonetheless, the same study admits that its findings are preliminary and non-conclusive since the sample size is not representative.⁹ However, the study lays out the foundation to undertake an in-depth analysis of the Bolsa Floresta Program.

2.6 The proposed TC will contribute to the following GCI-9 lending program priority targets: (i) poverty reduction and equity enhancement, as the TC will provide guidance on the establishment of PES schemes in environmentally and socially sensitive areas, and (ii) environmental sustainability, as the TC will focus on the provision of guidance for the establishment of effective PES schemes in the Amazon region. The proposed TC is also aligned with the Biodiversity and Ecosystem Services Program, as it will contribute to three of its four components: (i) Assessing and integrating the economic value and importance of biodiversity and ecosystem services into strategic economic sectors; (ii) Investing in priority regional ecosystem conservation and (iii) Strengthening and fostering environmental governance.

III. Description of activities

3.1 The proposed activities are described in the following table. Expected outputs and results are fully consistent with the IDB's Biodiversity and Ecosystem Services Program¹⁰.

ACTIVITY	DESCRIPTION	EXPECTED OUTPUTS	EXPECTED RESULTS
1. Assessment of Bolsa Floresta's Program performance	Organize, systematize and evaluate Bolsa Floresta's program experiences and results to provide evidence of effective (and ineffective) strategies, and lessons learned	1. Peer-reviewed paper: Assessment of Bolsa Floresta's PES scheme performance	Increased awareness – among policy makers, academia and civil society – for the effective design and implementation of public PES schemes in the Amazon region
2. Development of toolbox for the design, implementation and monitoring of public PES schemes	Develop guidelines (building on Bolsa Floresta's assessment as well as a revision of other PES schemes in the region) for the design, implementation and monitoring of public PES schemes	2. Toolbox: Practical guidance for the design, establishment and monitoring of public PES schemes in the Amazon region	
3. Dissemination	Results made available to the public through the internet	3. Availability of products to the public through the internet platform SDSN-Amazonia as well as the IDB/BES web page	

IV. Budget

4.1 The total budget for this technical cooperation has been estimated in US \$ 400,000 as shown in the following table.

Indicative Budget

Activity/Component	Description	IDB/Fund	Counterpart	Total
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⁹ Börner, J., S. Wunder, F. Reimer, R. K. Bakkegaard, V. Viana, J. Tezza, T. Pinto, L. Lima and S. Marostica. 2013. Promoting forest stewardship in the Bolsa Floresta Programme: Local livelihood strategies and preliminary impacts. Center for International Forestry Research (CIFOR). Manaus, Brazil: Fundação Amazonas Sustentável (FAS). Bonn, Germany: Zentrum für Entwicklungsforschung (ZEF), University of Bonn. Rio de Janeiro, Brazil. Available from: http://www.cifor.org/publications/pdf_files/Books/BBorner1301.pdf.

¹⁰ <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37444118>

		Funding US\$	Funding	Funding US\$
Activities				
1. Assessment of Bolsa Floresta's Program performance	Organize, systematize and evaluate Bolsa Floresta's program experiences and results to provide evidence of effective (and ineffective) strategies, and lessons learned.	167,480		167,480
2. Development of toolbox for the design, implementation and monitoring of public PES schemes	Develop guidelines (building on the experience of Bolsa Floresta as well as a revision of other PES schemes in the region) for the design, implementation and monitoring of public PES schemes	232,520		232,520
3. Dissemination	Results made available to the public through the internet			
TOTAL		US\$400,000		US\$400,000

V. Executing agency and execution structure

- 5.1 Given the strategic objectives of the TC and its regional nature, the TC will be executed by the Bank. Additionally, the Bank is able to create capacity, serve as a fomenter of knowledge and innovation, and impact policy on multiple scales within the Region, thus making the regional coordination of the IDB a necessary aspect of this TC.
- 5.2 The procurement of firm consulting services will be carried out by the IDB in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9).
- 5.3 The project team recommends the sole source selection method (SSS) to contract the Fundação Amazonas Sustentável based on: 1- The fact that it is an independent non-profit organization collaborating with the Amazonas State in the implementation of the Bolsa Floresta Program, 2- It participated in the aforementioned study of the Bolsa Floresta Program, therefore it has the elements to undertake an in-depth – and representative – evaluation of the Bolsa Floresta Program and 3- It has the capacity to develop PES guidelines tailored to the Amazon region.

VI. Project Risks and issues

- 6.1 The only risk is a low uptake of distributed products. In order to mitigate this risk, the products will be advertised through printed and social media targeting relevant audiences including; national policy makers, executing agencies, researchers, NGOs and civil society in general.

VII. Environmental and Social Classification

- 7.1 It is not anticipated that the activities to be financed in this TC will have negative direct or indirect social or environmental effects. Therefore the team considers that, according to the Bank's Safeguards Screening Toolkit, this operation should be given a classification of "C": (i) no environmental or social risks; (ii) direct contribution to solve an environmental issue.