TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Assessing the Business Case for Investments in Biodiversity, Ecosystem Services and Climate Resilience
▪ TC Number:	RG-T2651 and RG-T2655
▪ Team Leader/Members:	Co-team leaders: Duncan Gromko (SCF/SMU); Katalin Solymosi (SCF/SMU); and Patrick Doyle; (SCF/SMU); Elee Muslin (SCF/SMU); Vanessa Matos (SCF/SMU); Ana Rios (INE/CCS); Carlos Jacome (ENE/CHO); under the supervision of Kelle Bevine (Chief, SCF/SMU)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ 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:	May 28, 2015
▪ Beneficiary:	Private sector clients
▪ Executing Agency and contact name	IDB
▪ IDB Funding Requested:	US$500,000
▪ Local counterpart funding, if any:	US$90,000
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	August 1, 2015
▪ Types of consultants (firm or individual consultants):	Firms and individual consultants
▪ Prepared by Unit:	SCF/SMU
▪ Unit of Disbursement Responsibility:	SCF/SMU
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	N/A
▪ GCI-9 Sector Priority:	Climate change (mitigation and adaptation; biodiversity and ecosystem services)

II. Objective and Justification

The Latin America and the Caribbean region is highly vulnerable to the impacts of climate change due to its geographic location, socio-economic conditions and dependence on natural resources. The region is also one of the most mega diverse regions in the world and possesses over 30% of the world's freshwater resources. Private sector actors, particularly in infrastructure and productive sectors (e.g. agriculture, forestry, and fisheries), are crucial partners for improving the provision of ecosystem services in Latin America and the Caribbean, especially in the face of climate change related threats. The

private sector both impacts and depends on ecosystem services, meaning that businesses have an incentive to responsibly manage ecosystems. Slow onset climate change as well as extreme weather events and sea level rise increase operational risk for many corporates and stakeholders along their productive value chains. IDB studies, supported by the Biodiversity and Ecosystem Services Program, have identified investment opportunities in these sectors that will decrease private sector costs or increase revenues while producing positive environmental outcomes and climate risk adjusted returns. [1] This TC is designed to develop the business and environmental rationales for such investments through Ecosystem Services Appraisals. Appraisals supported under previous TCs (Expanding Private Sector Investment in Biodiversity and Ecosystem Services and Developing Opportunities for Private Sector Investment in Biodiversity and Ecosystem Services, RG-T2330 and RG-T2444) have demonstrated the value of this approach in projects in Uruguay, Honduras, and Ecuador.

This TC is also linked to improving outcomes relating to mitigation and adaptation of climate change in the region. SMU is developing a Climate-Smart Agriculture Fund for Latin America and the Caribbean (RG-X1227) that will allow the IDB to provide concessional financing for innovative projects that increase carbon stocks through improved land use or improve the climate resiliency of businesses. Ecosystem Services Appraisals, supported by this TC, will be used to develop projects under this Fund.

The objective of the TC is to enable the Structured and Corporate Finance Department to increase lending for projects that enhance biodiversity and ecosystem services and/or are climate-smart through the execution of these Appraisals. The project team is already evaluating investments for appraisals. For example, the team is in discussion with Aguas Andinas, a private water supplier in Santiago, Chile to assess the costs and benefits of watershed restoration to reduce water turbidity.

III. Description of activities

The proposed activities are described in the following table. Expected outputs and results are fully consistent with the IDB's Climate Change Action Plan (2012-2015), specifically its strategic line to strengthen institutional capacity through the economic assessment of climate change vulnerabilities to the Region and benefits of alternative adaptation measures[2] and the Biodiversity and Ecosystem Services Program.[3]

ACTIVITY	DESCRIPTION	EXPECTED OUTPUTS	EXPECTED RESULTS
1.1 Ecosystem services appraisals	Apply a defined Ecosystem Services Appraisal methodology to prospective and current clients in order to identify high potential investment opportunities, which clients will implement with IDB financing when practical.	-3-5 appraisals	Increase private-sector investment in biodiversity and ecosystem services and climate-smart activities
2.1 Project execution unit	Operating expenses and Monitoring and Evaluation	-	

[1] http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37434157
[2] http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36938123
[3] http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37250949

IV. Budget

The total budget for this technical cooperation has been estimated in US $590,000 as shown in the following table.

Activity/Component	Description	IDB/Fund Funding US$	Counterpart Funding (in kind from private sector beneficiaries)	Total Funding US$
COMPONENT 1 : Identify biodiversity investments				
1.1 Ecosystem services appraisals	Apply a defined "ecosystem services appraisal" methodology to potential CFI or other corporate clients in order to identify potential investment opportunities.[4]	450,000	90,000	540,000
COMPONENT 2: Implementation support				
2.1 Project execution unit	Operating expenses and Monitoring and Evaluation	50,000	-	50,000
TOTAL		**500,000**	**90,000**	**590,000**

V. Executing agency and execution structure

Given the strategic objectives of the TC and its regional nature, the Executing Agency for the TC will be the IDB, managed by SCF, with leadership provided by SMU.

Consulting firms with relevant demonstrated experience in environmental economics, project assessment, market studies, capacity building, sustainable finance, and ecosystem services appraisals will be hired to advance and support this TC.

VI. Project Risks and issues

Analysis of impacts on biodiversity and ecosystem services and opportunities to generate value from the environment are relatively new fields, and many potential IDB private sector clients lack familiarity with their dependencies on biodiversity and ecosystem services. Thus there is a risk that for there could be a lack of client demand for this product. However, the activities of the TC are specifically designed to address this risk by providing SCF with tools to demonstrate the economic value of BES investments and to identify new clients. Additionally, experience with other similar TCs suggests that there is adequate demand for this product.

VII. Environmental and Social Classification

[4] This methodology takes the "Guide to Corporate Ecosystem Valuation" –developed by the World Business Council for Sustainable Development (WBCSD)- as a basis for corporate ecosystem valuation. That is, to quantify and value both ecosystem degradation and the benefits provided by ecosystem services from a company's perspective. This information will enable decision makers to identify opportunities to increase revenue, minimize costs in order to boost their performance.

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.