

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Honduras
▪ TC Name:	Agalta Valley Payment for Ecosystem Services Scheme
▪ TC Number:	HO-T1196
▪ Team Leader/Members:	Team leader: Seth Factor (VPS/ESG); Team members: Graham Watkins (VPS/ESG); Ernesto Monter Flores (VPS/ESG); Ashley Camhi (INE/RND); Rodrigo Martinez (INE/CCS)
▪ 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:	
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	July 23, 2013
▪ Beneficiary:	Honduras and IDB
▪ Executing Agency and contact name	American Bird Conservancy Dan Lebbin
▪ IDB Funding Requested:	US\$150,000
▪ Local counterpart funding, if any:	US\$15,000
▪ Disbursement period (which includes execution period):	12 months
▪ Required start date:	August, 2013
▪ Types of consultants (firm or individual consultants):	Firm and individual
▪ Prepared by Unit:	VPS/ESG
▪ Unit of Disbursement Responsibility:	VPS/ESG
▪ Included in Country Strategy (y/n);	Y
▪ TC included in CPD (y/n):	Y
▪ GCI-9 Sector Priority:	Poverty reduction and equity enhancement; climate change, sustainable (including renewable) energy, and environmental sustainability

II. Objective and Justification

The Inter-American Development Bank (IDB) is currently financing a road paving project (HO-L1033) in the Agalta Valley of Honduras. A portion of the Valley through which the road passes is one of only four areas in the world known to be occupied by the globally endangered Honduran Emerald Hummingbird — the only bird species endemic to Honduras.¹

¹ IUCN Red List species account can be accessed here: <http://www.iucnredlist.org/details/106001934/0>

One of the activities financed under HO-L1033 was the development of a Honduran Emerald Hummingbird conservation strategy paper for the Agalta Valley. In the area of influence of project HO-L1003, the strategy paper identifies twenty remaining fragments of suitable Emerald habitat. All but one of these fragments is located on private land.

The paper recommends the development of a payments for ecosystem services scheme (PES scheme) as the most viable conservation option. PES schemes are cash transfers from users of environmental services to providers of these services conditional on continued provision. PES schemes have become well known and well established in the LAC Region (LAC leads the developing world in PES implementation) as a financing mechanism to support the protection of biodiversity and maintenance of ecosystem services (RFF, 2012). The PES scheme for Agalta Valley would compensate landowners for conserving or restoring Emerald habitat found on their land.

The objective of this Technical Cooperation (TC) would be to design the PES scheme. The scheme will be composed of an incentive structure, statutes with responsibilities and obligations, contract arrangements, and financial and administration provisions for sustainable PES financing. This TC will also support the establishment of the local institutions and governance structure of the PES scheme. The process of designing the PES scheme would be informed by a similar experience at the World Bank, which is currently overseeing the implementation of a successful conservation program, including a functioning PES component, for the same species in the Aguán Valley of Honduras.

The proposed TC will contribute to the following GCI-9 lending program priority targets: (i) poverty reduction and equity enhancement, as the TC will create a new source of income for local landowners in the Agalta Valley of Honduras and (ii) climate change, sustainable (including renewable) energy, and environmental sustainability, as the TC will protect habitat of a species critical to the Region and the ecosystem services that support it. In addition, the proposed TC will contribute to the sector priority, “Protect the environment, respond to climate change, promote renewable energy, and ensure food security.” Lastly, the proposed TC supports the Biodiversity and Ecosystem Services Program, as the TC will contribute to one of the main activities of the Program, to design and implement market-based mechanisms (e.g., payments for ecosystem service schemes) aimed at sustaining the biodiversity and ecosystem services utilized by productive sectors.

III. Description of activities

The proposed activities are described in the following table. Expected outputs and results are fully consistent with the Honduras country strategy and the IDB’s Biodiversity and Ecosystem Services Program².

ACTIVITY	DESCRIPTION	EXPECTED OUTPUTS	EXPECTED RESULTS
1. Rapid Rural Evaluation	The Rapid Rural Evaluation will address the following areas:	Background studies needed to establish	

² <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37444118>

	<ul style="list-style-type: none"> - Socio-economic characteristics of landowners: number of owners, income generating activities, social norms towards the use of the habitat - Type of land tenure: land-use, opportunity costs of land, agricultural practices - Risks and tradeoffs for farmers for setting aside areas for conservation. - Carbon sequestration potential - Identification of support organizations and local institutions that have the capacity to create the necessary enabling environment and monitor and evaluate contract agreements between landowners and the PES scheme - Survey of farmers willingness to accept payments for conservation and/or restoration 	PES scheme	A PES scheme to protect the Honduras Emerald Hummingbird
2. Ecosystem Services Baseline Analysis	Identification of existing ecosystem services to establish a baseline for monitoring	Ecosystem services baseline report	
3. Establishment of Governance Structure	<p>The establishment of a governance structure will include the following areas:</p> <ul style="list-style-type: none"> - Legal: what legislation is required - Institutional: administrative mechanism that enforces and monitors PES scheme Financial: types of payments, payment levels based on land uses, opportunity costs, and transaction costs 	PES scheme	
4. PES Instruction Manual	<p>The PES Instruction Manual will include:</p> <ul style="list-style-type: none"> - Contract arrangements between landowners and the PES administrator - M&E plan including indicators - Analysis of potential donors and financial risks 	Operational Manual for PES scheme	

IV. Budget

The total budget for this technical cooperation has been estimated in US \$ 150,000 as shown in the following table.

Indicative Budget

Activity	Description	IDB/Fund Funding US\$	Counterpart Funding	Total Funding US\$
Activities				
1. Rapid Rural Evaluation	<p>The Rapid Rural Evaluation will address the following areas:</p> <ul style="list-style-type: none"> - Socio-economic characteristics of landowners: number of owners, income generating activities, social norms towards the use of the habitat 	40,000		40,000

	<ul style="list-style-type: none"> - Type of land tenure: Land-use, opportunity costs of land, agricultural practices - Risks and tradeoffs for farmers for setting aside areas for conservation. - Carbon sequestration potential - Identification of support organizations and local institutions that have the capacity to create the necessary enabling environment and monitor and evaluate contract agreements, between landowners and the PES scheme - Survey of farmers willingness to accept payments for conservation 			
2. Ecosystem Services Baseline Analysis	Identification of existing ecosystem services to establish a baseline for monitoring	30,000		30,000
3. Establishment of Governance Structure	<p>The establishment of a governance structure will include the following areas:</p> <ul style="list-style-type: none"> - Legal: what legislation is required - Institutional: administrative mechanism that enforces and monitors PES scheme Financial: types of payments, payment levels based on land uses, opportunity costs, and transaction costs 	50,000	15,000	65,000
4. PES Instruction Manual	<p>The PES Instruction Manual will include:</p> <ul style="list-style-type: none"> - Contract arrangements between landowners and the PES administrator - M&E plan including indicators - Analysis of potential donors and financial risks 	30,000		30,000
TOTAL		US\$150,000	15,000	US\$165,000

V. Executing agency and execution structure

The Executing Agency for the TC will be the American Bird Conservancy (ABC). ABC is an internationally recognized institution for bird habitat conservation and community capacity building. ABC works on an Americas-wide landscape where diverse interests collaborate to ensure that native bird species and their habitats are protected, where their protection is valued by society, and they are routinely considered in all land-use and policy decision-making.

ABC operates the most comprehensive and effective threatened bird conservation program in the Americas. Working closely with in-country partners and government agencies, ABC's international team is leading efforts to develop and implement conservation actions for the most threatened bird species,

such as protecting and restoring their habitat, establishing monitoring programs to ensure conservation goals are met, and helping in-country partners develop long-term, sustainable, financial independence and organizational strength.

VI. Project Risks and issues

The risk exists that local landowners will not want to participate in the PES scheme. This risk will be mitigated by providing appropriate incentives based on community feedback and sound studies of existing land use activities and opportunity costs of the land.

VII. Environmental and Social Classification

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.