

# CETEX

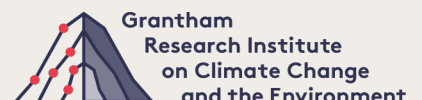
Centre for Economic  
Transition Expertise

Research and Policy at LSE ■

# Nature loss and the economy in Latin America

Call for Research & Policy Project Proposal

December 2024



## Call for Research & Policy Project Proposals: Nature loss and the economy in Latin America

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The degradation of nature, and actions aimed to preserve and restore it, has direct implications for economies and financial systems. Based on the findings of a joint NGFS-INSPIRE study group, and the acknowledgement by the NGFS that nature-related risks could have significant financial stability and macroeconomic implications, the NGFS Nature Task Force has since published a Conceptual Framework, outlining in greater detail how the failure to account for these broader environmental risks, mitigate, and adapt to these implications, is a source of risk.

To further support this work and advance research and policy analysis in the regional context of Latin America, CETEx is launching this Call for Proposals to advance the understanding of the interlinkages between nature degradation (such as deforestation), and its implications for the macroeconomic, prudential and development policy.

CETEx invites submissions that strengthen the evidence base around the conceptual framework and assessment methodologies of the economic and financial stability implications of the degradation of nature. Importantly, we encourage submissions that aim to be policy-relevant and establish applied technical and implementation-ready policy guidance for monetary and financial market authorities, particularly those relevant for Latin America.

CETEx invites submissions on the following areas to address relevant gaps and produce gold standard research, policy analysis and convenings which (i) monitor the latest global developments on nature-related risks and its impacts on (but not limited to) prices, growth, labour productivity, employment, interest rates and exchange rates (ii) quantify and integrate ecosystem services into existing frameworks and tools to assess nature-related risks and their impact on the economy and financial system (iii) contribute to the academic literature that provides central banks and supervisors with the evidence base for considering the implications of nature degradation in undertaking macroeconomic, prudential and development policy.

## Key topics that proposals can address include, but are not limited to, analysing:

### The economics of environmental degradation in Latin America:

- **Real-Economy Impacts of Ecosystem Changes:** How do ecosystem changes (e.g. deforestation, biodiversity loss) impact economic stability? What are the economic consequences, including effects on livelihoods, employment, migration, supply chains, commodity prices, and production costs?
- **Evidence of Price Changes from Nature Loss:** What empirical evidence exists linking nature loss events (e.g., deforestation, biodiversity decline) to changes in prices?
- **Monitoring, Quantifying and Integrating Ecosystems into Economic Models:** How can existing environmental data (e.g. on deforestation rates, water availability and soil quality) be integrated into existing frameworks and tools to assess nature-related risks? What are ways to assess the economic impacts of the degradation of multiple interlinked ecosystem services? What are effective methods for including such variables in macroeconomic models and forecasting?
- **Impact of Nature Degradation on Economic Growth Trajectories:** How can economic growth trajectories be modelled to better capture the long-term impacts of nature degradation (e.g. deforestation, biodiversity loss, disease outbreak and resource depletion) on productivity, resource availability, overall economic output and development?
- **Monitoring Impacts of Economic Activities on Nature:** How should the impacts of industries such as agriculture, forestry, and mining on land use, biodiversity, soil, and water resources be effectively monitored? What tools (e.g. satellite imagery and remote sensing technologies) and metrics are available for tracking nature degradation? How can this information be utilised for economic and financial policy making?
- **Interlinkages between Nature Degradation and Trade:** What are the impacts of nature degradation on trade dynamics, particularly when accounting for supply chain effects? What are the cross-border implications of environmental policies, such as restrictions on the export of deforestation-linked commodities?

### The monetary and financial market policy implications in Latin America:

- **Effects on Monetary Policy and Price Stability:** How does nature degradation (e.g., water shortages, biodiversity loss, pollination shocks) impact price stability and inflation? How can central banks and monetary authorities respond to such inflationary pressures and adapt policy instruments to account for nature-related risks?
- **Financial Stability and Prudential Regulation:** How can prudential policies and regulatory tools be adjusted to mitigate risks arising from deforestation and land use changes?
- **Fiscal and Budgetary Impacts of Nature Degradation:** What are the fiscal implications of government spending on nature conservation, hazard response, and disaster recovery? How can budgetary frameworks accommodate the financial demands of post-disaster repair and resilience building?
- **Cross-Border Implications of Nature-related Risks:** What is the relationship between high dependence on natural resources and exchange rates? How do environmental physical and transition risks impact global trade, exchange rates, and commodity prices?
- **Financial Inclusion and Resilience:** How does nature degradation affect financial inclusion, and what role can inclusive financial systems play in enhancing resilience against nature-related risks?

## Details of submission

In this targeted call, CETEx aims to support several projects with an individual budget of approximately \$15,000 to \$35,000.

We encourage interdisciplinary teams and the use of quantitative or qualitative approaches. To further build collaboration, joint projects between policy institutions and academia are strongly encouraged. Submissions focused on Latin America or participation from the region are particularly encouraged. For proposals originating outside Latin America, we highly encourage collaboration with Latin American research or policy institutions to foster stronger partnerships and regional expertise.

The research proposals should be submitted through this Microsoft Form. The submission period will span 8 weeks and ends on **12 February 2025**.