



ABOUT THE IDB

The Inter-American Development Bank (IDB) is the main source of multilateral financing for Latin America and the Caribbean. Since it began operations in 1961, the IDB has provided almost US\$232 billion in loans and guarantees to countries in the region for projects to reduce poverty, raise standards of living, spur economic growth, protect natural resources, foster integration and trade, and reach other agreed goals. Approvals of loans, guarantees, and operations of the IDB Grant Facility in 2013 totaled US\$14.0 billion and Bank disbursements on approved loans amounted to US\$11.2 billion.

HOW WE ARE GOVERNED

The IDB is a global partnership of 48 member countries in which the 26 borrowing countries of Latin America and the Caribbean hold the majority of shares. The Bank's 22 non-borrowing members in North America, Europe, the Middle East, and East Asia provide resources and technical expertise. The voting authority of each member corresponds to its subscriptions to shares in the Bank's ordinary capital. The IDB holds a credit rating of AAA/aaa, the highest available.

The IDB's highest authority is its Board of Governors. Each member country is represented on the IDB Board of Governors. Most of its members are finance ministers or central bank presidents. The Board holds an annual meeting to approve the Bank's financial statements and review major policy decisions. The Board delegates oversight of day-to-day Bank operations to the Board of Executive Directors—14 individuals representing the 48 member countries—which approves country and sector strategies, operational policies, and loans.

The Board also sets conditions for Bank loans, authorizes borrowings in the capital markets, and approves the institution's administrative budget. The IDB president, elected by the Board of Governors for a five-year term, manages the Bank's operations and administration together with an executive vice president and four vice presidents.

Other IDB affiliates are the Multilateral Investment Fund, which fosters private sector growth through grants and investments, and the Inter-American Investment Corporation, which supports small and medium-sized businesses.

IDB PEOPLE AND LOCATIONS

The IDB's 1,956 employees are located at its Washington, D.C., headquarters, in country offices throughout Latin America and the Caribbean, and in offices in Tokyo and Madrid. Approximately 67 percent of IDB staff are nationals of the Bank's borrowing countries. Women account for nearly 51 percent of the Bank's total staff. The IDB promotes diversity and inclusion via a series of progressive human resources policies and practices.

ABOUT THIS REPORT

This Sustainability Report details sustainability progress and performance of the IDB against our commitments throughout the 2013 fiscal year. The document is available on our website at www.iadb.org/sustainability

GLOBAL REPORTING INITIATIVE

The Sustainability Report is accompanied by a Global Reporting Initiative (GRI) report. The goal of the IDB GRI report is to capture and disclose valuable environmental, social, and economic information and data from this Sustainability Report—as well as from other flagship Bank reports (The Annual Report, Development Effectiveness Report), the IDB website, and the Bank's Corporate Environmental and Social Program—in a comprehensive manner. See more at www.iadb.org/sustainability/gri.

A SUSTAINABLE INVESTMENT OPTION

The IDB uses the resources it raises in capital markets to support programs that promote development and economic growth while respecting and protecting the natural and social capital of our region. As a result, the Bank's bonds are a smart choice for institutions with sustainable and socially responsible investment strategies. We have an Oekom Research sustainable investment rating of "Prime" and Sustainalytics responsible investment rating of 73 (third out of 80 in the Financial Sector). Both agencies' ratings consider environmental, social, and governance aspects of our work.



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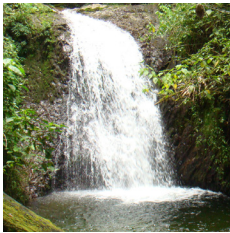
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In 2013, Latin America and the Caribbean continued to make progress, as it did during much of this century, but at a slower pace. We saw the rate of unemployment and poverty continue to decline, while the 2.7 percent average growth in the region's GDP reflects a steady but slow global economic recovery. The challenge going forward will be to accelerate the region's growth with less dependence on the external conditions that favored us in the past decade. Therefore, reforms to address the bottlenecks restricting growth in productivity, internal savings, and investment will be critical to increase potential output in the medium term. These challenges that the region faces set the framework for our work at the IDB.

Infrastructure that is environmentally and socially sustainable is a signature aspect of the required efforts and features prominently in the IDB's Infrastructure Strategy, *Sustainable Infrastructure for Competitiveness and Inclusive Growth*, which was approved by the Board of Directors in 2013.

A sound infrastructure strategy, which is a key pillar of development, spurs economic growth and competitiveness while improving quality of life. We also know, however, that if infrastructure contributes to environmental degradation and to climate change—or if its design and construction threaten natural habitats—it can have a negative impact on the quality of life and future growth opportunities. To that end, the Bank is focusing on infrastructure projects that take advantage of modern technologies, by designing target solutions that increase the supply of services while contributing to environmental sustainability.

Such improvements include expansion of low-carbon transportation to reduce commute times and traffic congestion, renewable energy sources that lessen dependence on fossil fuels, and better wastewater management and sanitary solid waste disposal.

As we look at the anticipated pattern of growth for the Bank and the region over the next decade, the expansion of the middle class and continued urbanization are key considerations. Our strategic approach therefore includes a special focus on addressing environmental challenges unique to urban areas and emerging cities.



This year's report includes a case study of Mar del Plata, Argentina, one of 26 cities participating in our Emerging and Sustainable Cities Initiative. From improving urban walkability to a better plan for solid waste separation, the city is an excellent example of how a new approach to city planning can improve quality of life by protecting the natural environment.

In Brazil, where the IDB is excited to be holding its 2014 annual meeting, the case of Serra do Mar inspires us with its community spirit and commitment to a wide-ranging project to restore that country's rich Atlantic forest, while improving living conditions for the area's residents. In Haiti, the IDB worked closely with the government, university scholars, local residents, and global development counterparts to help develop a plan to protect a 75,000-hectare marine park near an IDB-financed industrial facility.

Throughout the pages that follow, we detail our progress on investing in and safeguarding sustainability through our project portfolio. We also detail the Bank's commitment to social responsibility in its home operations—from reducing our carbon footprint and promoting diversity and inclusion in the workplace to fostering a volunteer spirit.

Finally, I would like to continue the tradition of recognizing those people whose contributions enable the progress we describe in this report. Our member countries have shown agility and ingenuity as we strive to meet regional growth and sustainability goals. The many people we are fortunate to partner with provide critical insight and support. And, of course, I commend the IDB staff for their professional and personal commitment to ensure that our investments support growth and poverty reduction that is socially inclusive and environmentally sustainable for the long term.

Luis Alberto Moreno
President

	2011	2012	2013
The Bank's Operations			
Number of projects in portfolio	669	712	744
Volume of projects approved (US\$ billion)	10.9	11.4	14.0
Total number of projects approved	167	169	168
Total disbursements (US\$ billion)	8.4	7.4	11.2
Lending Program Priority: Sustainability Investments			
Value of approved loans that target environmental sustainability, climate change mitigation and adaptation, and sustainable energy (US\$ billion, %)	4.97 (46%)	3.75 (33%)	2.8 (20%)
Measuring Project Outputs: Climate Change and Sustainability			
Percentage of power generation capacity from low-carbon sources over total generation capacity funded by IDB	100%	73%	60%
Number of people given access to improved public low-carbon transportation	0.84 million	1.6 million	1.0 million
Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing	5	5	3
National frameworks for climate change mitigation supported	7	2	3
Number of projects with components contributing to improved management of terrestrial and marine protected areas	3	5	15
Farmers given access to agricultural services and investments	2.5 million	2.4 million	1.1 million
Environmental and Social Safeguards			
Approved loan by environmental and social safeguard category (number)			
Category A	7	8	3
Category B	56	72	51
Category C	35	29	30
Other (B.13)	67	59	84
No Category	2	1	0
Non-sovereign guaranteed projects in supervision			
Projects with high environmental and social risks rated satisfactory in the implementation of safeguard mitigation measures	79%	98%	88%
Sovereign guaranteed projects in supervision			
Projects with high environmental and social risks rated satisfactory in the implementation of safeguard mitigation measures	73%	75%	86%

Sustainability at the IDB



At the IDB, we know that investing in and protecting our natural and social capital improves the quality of life for Latin America and the Caribbean. From financing clean energy and wastewater infrastructure to avoiding emissions by providing people with reliable low-carbon transportation or integrating biodiversity values into a road or dam project, we have made sustainability integral to our work.

Our Region's Challenges

+FIFTEEN

percent increase in rate of urbanization, from 64% to 79%, in 20 years



TWENTY-TWO

percent of CO² emissions from transport



US\$3.6 BILLION

reported annual economic damages from natural disasters



xTWO

demand for electricity expected by 2030



TWENTY-FIVE

percent increased demand for water anticipated by 2030



0.4 PERCENT

annual forest loss, a driver of biodiversity loss and increased carbon emissions



Our Approach

STRATEGIES

New Infrastructure Strategy that balances environmental, social, and fiscal concerns, and new guidance on agriculture, natural resources, urban development, and housing, consistent with existing Bank strategies, including the Climate Change and Clean Energy Strategy

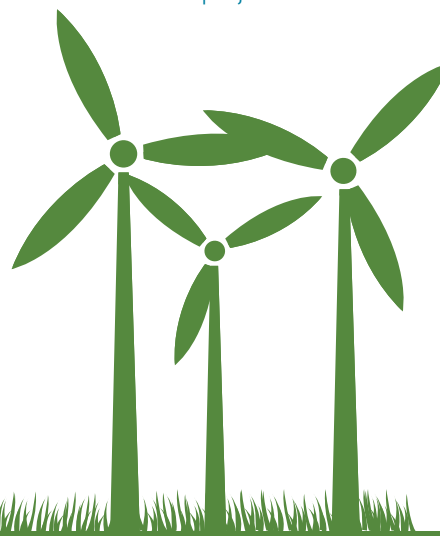
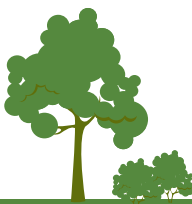
INVESTMENTS

Projects focused on climate change mitigation and adaptation, clean energy, natural resource management, sustainable infrastructure, gender and social inclusion, as well as special programs, partnerships, and funds, including:

- The Biodiversity and Ecosystem Services Program
- The Emerging and Sustainable Cities Initiative
- Climate Investment Funds

POLICIES

Robust suite of environmental and social safeguard standards applied to all Bank projects



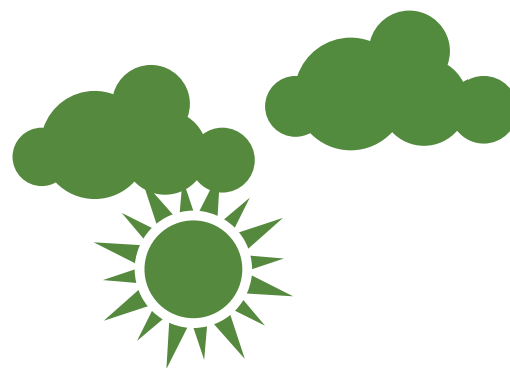
Our Results

TWENTY

percent total lending for environmental sustainability and climate change-related projects, putting us on target to meet our goal of 25% by 2015

EIGHTY-SEVEN

percent of projects with high environmental and social risks rated satisfactory, exceeding our goal of 85% by 2015



THREE

climate change pilot projects in key economic sectors



ONE million+

people given access to improved public low-carbon transportation



SIXTY

percent of IDB-supported power generation capacity from low carbon sources



ONE million+

farmers given access to agricultural services and investments



FIFTEEN

loans contributing to improved management of terrestrial and marine protected areas



THREE

national frameworks for climate change mitigation supported

Our Region's Progress

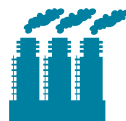
UP

countries with planning capacity for climate change mitigation and adaptation



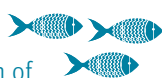
DOWN

CO₂ emissions per US\$ GDP



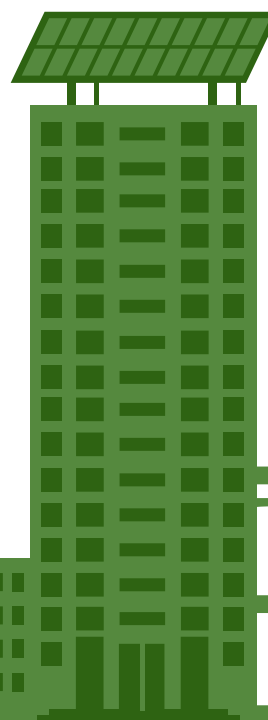
UP

proportion of terrestrial and marine areas protected



DOWN

annual reported economic damages from natural disasters





Our Framework





for Sustainability

Long-term economic growth and the reduction of poverty and inequality in Latin America and the Caribbean depend on development that is both socially inclusive and environmentally sustainable. The IDB's Sustainability Framework stems from its charter and funding mandates. To meet these mandates, we have put in place sector strategies and aligned lending priorities to guide our support and lending portfolio, and we are continuously working to strengthen and report on the effectiveness of IDB's safeguards system. Safeguards are the measures the IDB puts in place to protect against environmental and social harm and to uphold best international practices and standards, thereby improving the value of projects.

In addition, the Bank tracks measurable results, adherence to priority lending targets, and the effectiveness of its safeguards in implementation for the most complex projects. We also emphasize knowledge and capacity building—essential components to ensure that we capitalize on our efforts in the region. Together these elements provide the context for our sustainability work, allowing us to maximize the positive environmental and social outcomes while minimizing the risks and negative impacts.

Sustainability at the IDB:

*Maximizing positive environmental
and social outcomes while
minimizing risks and negative
impacts to natural and
human capital*



MANDATE

The mandate of the Bank is to foster the economic and social development of the IDB's borrowing member countries in Latin America and the Caribbean. In 2010, the IDB Board of Governors agreed to terms and conditions for an increase in the Bank's ordinary capital. This Ninth General Capital Increase (GCI-9) set out two overarching objectives: reducing poverty and inequality and achieving sustainable growth. Alongside these objectives are two strategic goals: addressing the special needs of less-developed and smaller countries and fostering development through the private sector.

SECTOR PRIORITIES

The overarching objectives of reducing poverty and inequality and achieving sustainable growth are broken into five sector priorities for the Bank:

- Social policy for equity and productivity.
- Infrastructure for competitiveness and social welfare.
- Institutions for growth and social welfare.
- Competitive regional and global international integration.
- Protect the environment, respond to climate change, promote renewable energy, and ensure food security.

These five priorities are broad enough to reflect the needs of the Bank's borrowing members yet narrow enough to ensure effective engagement based on comparative advantages and development of deep sector expertise. To complement these priorities, guide our work, and help achieve our mandate, objectives, and goals, the Bank has developed five corresponding sector strategies.

Critical to our Framework for Sustainability is *IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth*, which was approved in 2013. This new sector strategy acts as a guide to future Bank support for countries in their adoption of a vision for long-term sustainable infrastructure. According to this, infrastructure is planned, built, and maintained in order to support the provision of adequate quality services that promote sustainable and inclusive growth. This new vision of infrastructure rests on the key pillars of environmental, social, and fiscal sustainability. Also integral to the Bank's sustainability framework is the *Integrated Strategy for Climate Change Adaptation and Mitigation and for Sustainable Renewable Energy*, approved in 2010.

Critical to our Framework for Sustainability is IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth, which was approved in 2013.

In addition, the Bank is developing a series of Sector Framework Documents (SFDs), as part of a process to revise outdated sector policies; these provide additional guidance and direction in the context of specific subsectors of IDB intervention. The relationship between multisectoral challenges and emerging and priority issues in each subsector is being developed in these documents. In 2013 we approved SFDs in seven sectors, including agricultural and natural resources management, urban development and housing, and labor. In 2014 the Bank will develop new SFDs on water and sanitation, tourism, and energy, among others, and in 2015 in the areas of food security, gender and diversity, climate change and environment, and biodiversity.

Taken together, the overarching sector strategies and the SFDs for subsectors help us maximize the opportunities for environmental and social sustainability in our investments. In practice, this means a focus on more projects that increase the climate resilience of water systems, coastal and marine ecosystems, forests, and agriculture and that have the largest potential for reducing greenhouse gases (GHGs), such as the promotion of smart and sustainable infrastructure.

It also involves ensuring that projects benefit women and men equally, as well as groups that may historically have been marginalized. This requires both financial and technical investments in new and efficient renewable energy solutions, the expansion of mass transit and environmentally sustainable road infrastructure systems, new wastewater infrastructure, resilience projects for urban and rural settlements in vulnerable coastal areas, cleaner and more-efficient industrial and agricultural production, and progressive policies and governance structures that will help ensure long-term environmental and social sustainability.

A Sustainability Vision for the Private Sector

Environmental and social sustainability within the IDB's private sector is mainstreamed, opportunity-driven, and forward-looking. As the region makes gains in productivity, job creation, and economic growth, demand for private sector financing widens. The Bank supports private sector projects through its Structured and Corporate Finance Department, in charge of large-scale projects, and its Opportunities for Majority sector, which invests in business models that can be scaled and benefit the Base of the Pyramid.¹ Together these fill a critical void by targeting projects at the nexus of profitable growth and developmental benefits. To achieve sustainability, the private sector has made a strategic decision to focus on financially viable opportunities that proactively promote social inclusion and/or mitigate or adapt to the effects of climate change.

This focus on environmental sustainability is rooted in the *Private Sector Development Strategy*.[■] Approved in 2011, its principal objective is to increase the development impact of private sector activities. This includes setting priorities for areas of intervention, including sustainable infrastructure, renewable energy, and the development and adoption of energy efficiency or cleaner production

technologies in agriculture and manufacturing. Within this context we have carved out a clear mission: to create opportunities for current and future generations in Latin America and the Caribbean through sustainable private sector investments. And it is this vision that guides us. Each of our private sector areas of intervention has clear targets. More specifically, in the Structured and Corporate Finance Department, we expect our investments and capacity building products will enable our clients to improve the living standards for 15 million people, make climate and environmentally friendly investments of US\$12 billion, and meet the funding needs of 700,000 small to medium-sized enterprises by 2015.

We will achieve this through greater strategic selectivity, systemic interventions that ensure impacts greater than those achieved by the sum of the individual projects, and enhanced development effectiveness. This approach—combined with an array of loan, equity, and guarantee instruments, of technical assistance, and of knowledge creation—will foster viable and effective new products, technologies, and strategies and will ensure that IDB-supported private sector projects integrate environmental and social sustainability values.

¹The IDB Group also supports private sector projects through the Inter-American Investment Corporation[■] and the Multilateral Investment Fund,[■] which complement the Bank's products and services by focusing their operations on supporting the development of micro, small, and medium-sized enterprises. The IIC and MIF are not included in this report.

SAFEGUARDS POLICIES AND PROCESSES

Seeking environmentally sustainable solutions to infrastructure development and financing climate change adaptation and mitigation initiatives is only part of the sustainability equation. Biodiversity impacts, involuntary resettlement, health and safety concerns, gender equality, and a range of other variables—many of which may not appear on a traditional spreadsheet but which can radically alter the long-term cost-effectiveness of development efforts—are inextricably linked with the long-term environmental and social viability of sustainability and inform the overall efficacy of any project. The Bank assesses and monitors projects

across its portfolio to identify and mitigate potential environmental and/or associated social risks and impacts and to ensure maximum economic value. The IDB's suite of safeguard policies and guidelines support sustainability through a two-pronged approach:

- **Mainstream environmental and social concerns.** Encourage borrowing members and developers to include environmental and social aspects as central considerations in all project activities.
- **Minimize negative impacts by applying safeguards.** Identify, monitor, and mitigate issues that arise throughout a project's lifecycle.

KNOWLEDGE AND CAPACITY BUILDING

The Bank integrates state-of-the-art knowledge and best practices in sustainability into its operations. In addition to internal training, the Bank develops training and learning activities for strategic partners and clients in Latin America and the Caribbean. We also promote knowledge alliances and exchanges within the Bank and with development partners throughout the region.

The IDB is committed to strengthening its clients' national systems for safeguards, with the intent of using these systems when designing, executing, and evaluating Bank-financed operations. This is in line with the Bank's Operational Framework as well as a collaborative effort among the multilateral financial institutions (MFIs) to help the countries of the region strengthen their environmental and social management processes and systems.

MEASURING RESULTS

The IDB Corporate Results Framework, established as part of GCI-9, tracks performance from 2012 through 2015 on a broad set of indicators, including sustainability and safeguard performance, lending volumes, and efficiency.

More specifically, the Bank has the following levels of indicators:

Regional Goals and Bank Output Contributions to Goals

The IDB tracks how its projects contribute to regional development outcomes (the impact of our work) and monitors the region's progress in addressing long-term development challenges (the bigger picture) through a series of indicators corresponding to each of its sector priorities. These include indicators related to the share of IDB-funded power generation capacity from low-carbon sources (60 percent), 10 climate change pilot projects, and 30 projects with components contributing to improved management of terrestrial and marine protected areas. Indicators are also disaggregated by sex, race, and/or ethnicity. **See the Scorecard. Page 16.**

Who is Responsible for Sustainability?

In short, achieving the sustainability objectives and targets set out under the GCI-9 requires shared commitment and responsibility across the Bank. Responsibility for achieving the Bank's sustainability mission lies with the president, supported by the executive vice president, four vice presidents, and managers and specialists in the different programming, operational, and technical areas of the institution. The Bank's Independent Consultation and Investigation Mechanism (ICIM) and the oversight body, the Office of Evaluation—both of which report to the Board—play important roles in ensuring that sustainability is given due consideration. Further information on the Bank's structure, roles, and responsibilities is available online. ■

Lending Program Targets

The Bank gives priority to lending that supports small and vulnerable countries, poverty reduction and equity enhancement, regional cooperation and integration, and initiatives on climate change, sustainable energy, and environmental sustainability. The latter focuses on projects that address climate change adaptation in priority sectors such as water, agriculture, and energy, that promote development and use of sustainable (including renewable) energy sources, energy-efficient technologies and practices, and carbon finance, and that support risk management for natural disasters. To measure this commitment, the Bank in GCI-9 set a lending target for 2015 of 25 percent of its portfolio going toward environmental sustainability and climate change-related projects. **See the Scorecard. Page 14.**

Operational Effectiveness and Efficiency

This set of indicators includes the satisfactory implementation of environmental and social management and mitigation measures by our borrowers in Bank-financed projects, particularly those with high environmental and social risks. The IDB has set a goal for 85 percent of high-risk projects rating satisfactory for safeguards performance by 2015. **See the Scorecard. Page 42.**

Investing in Sustainability

168

Number of loans approved
(US\$14.0 Billion)



40

Number of loans approved that support climate change initiatives, sustainable energy (including hydro), and environmental sustainability

US\$2.8
BILLION

20% of total bank lending



THESE ARE LOANS THAT...

▼ **Reduce** the vulnerability or increase the resilience of human or natural systems in the face of climate change and increased climate variability.

+ **Contribute** to stabilizing GHG emissions and that protect or enhance GHG sinks.

+ **Focus** on the conservation and sustainable use of biodiversity.

▼ **Reduce** pollution.

+ **Contribute** to increasing access to renewable energy, supporting long-term renewable energy supply and reducing price risks, and ensuring quality and economic efficiency of renewable energy services.



WASTEWATER
TREATMENT PLANTS



ENERGY
EFFICIENCY



CLIMATE CHANGE
POLICY LOANS



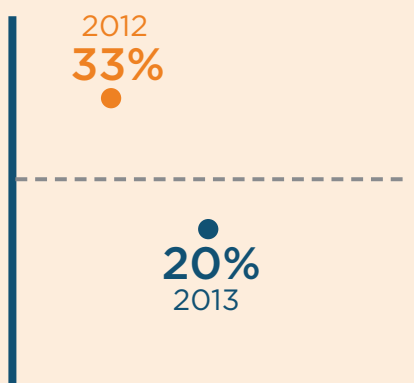
WINDFARMS



SOLAR
PROJECTS



URBAN
REGENERATION



WE HAVE SET A 25% TARGET FOR TOTAL LENDING FOR ENVIRONMENTAL SUSTAINABILITY AND CLIMATE-RELATED PROJECTS. OUR 2012 INVESTMENTS COMBINED WITH OUR PROGRESS IN 2013 PUT US ON TRACK TO MEET OUR TARGET IN 2015.

**US\$218
million**

Additional investments through small grants, loans, and special funding for **climate change mitigation and adaptation.**

+64%
over 2012



**US\$44.5
million**

Emphasis on mitigation in **energy efficiency**

**US\$54.3
million**

Emphasis on mitigation in **renewable energy**

**US\$74.3
million**

Emphasis on mitigation in **agriculture, forestry, and land use**

**INVESTMENTS IN
GENDER EQUALITY,
INDIGENOUS
PEOPLES, AND
AFRO-DESCENDANTS
APPROVED IN 2013**

31

grants

(US\$19.5 million) for gender equality or women's empowerment.

51








grants

(US\$49.4 million) promoting the development of indigenous peoples and Afro-descendants.

Percentage of sovereign guarantee loans including measurable gender-related results.

37%

Measuring Our Contribution to Sustainability

PROJECT RESULTS OUTPUTS				REGIONAL DEVELOPMENT OUTCOME	
Project Outputs (Expected Results)	Expected Results Output (2012-2015)	Progress 2012-2013	Progress 2013	Indicators of Bank Contribution to RGG	Progress (Year)
Percentage of power generation capacity from low-carbon sources over total generation capacity funded by IDB 	93%	68%	60%	 Carbon dioxide emissions per US\$1 GDP (PPP) (baseline 0.29 kilograms, 2006)	0.28 (2010)
Number of people given access to improved public low-carbon transportation system 	8.5 million	2,638,917	1,039,900		
Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing	10	8	3		
National frameworks for climate change mitigation supported 	5	5	3	Countries with planning capacity in mitigation and adaptation of climate change (baseline: 3, 2009)	15 (2013)
				Annual reported economic damages from natural disasters (baseline: \$7.7 billion, 2007) 	US\$3.6 billion (2012)
Number of projects with components contributing to improved management of terrestrial and marine protected areas 	30	20	15	Proportion of terrestrial and marine areas protected to total territorial area (baseline: 19.3%, 2009)	20.3% (2012)
Farmers given access to agricultural services and investments 	5 million	3,467,791	1,085,858	Annual growth rate of agricultural GDP (baseline: 3.66%, 2005-2007)	1.41% (2009-2011)

Source: Development Effectiveness Overview Report (2013) 

TRACKING OUR SUSTAINABILITY PROGRESS

The IDB tracks regional goals in order to monitor long-term development progress in the region and provide information on what our contributions and priorities should be. Tracking these goals helps identify gaps or areas where institutional priorities may need to be revised. Since meeting regional goals cannot be solely due to the Bank's interventions, we have defined a series of output indicators at the project and country level.

As outputs are direct products and services due to a project's activities, they are a better measure of the

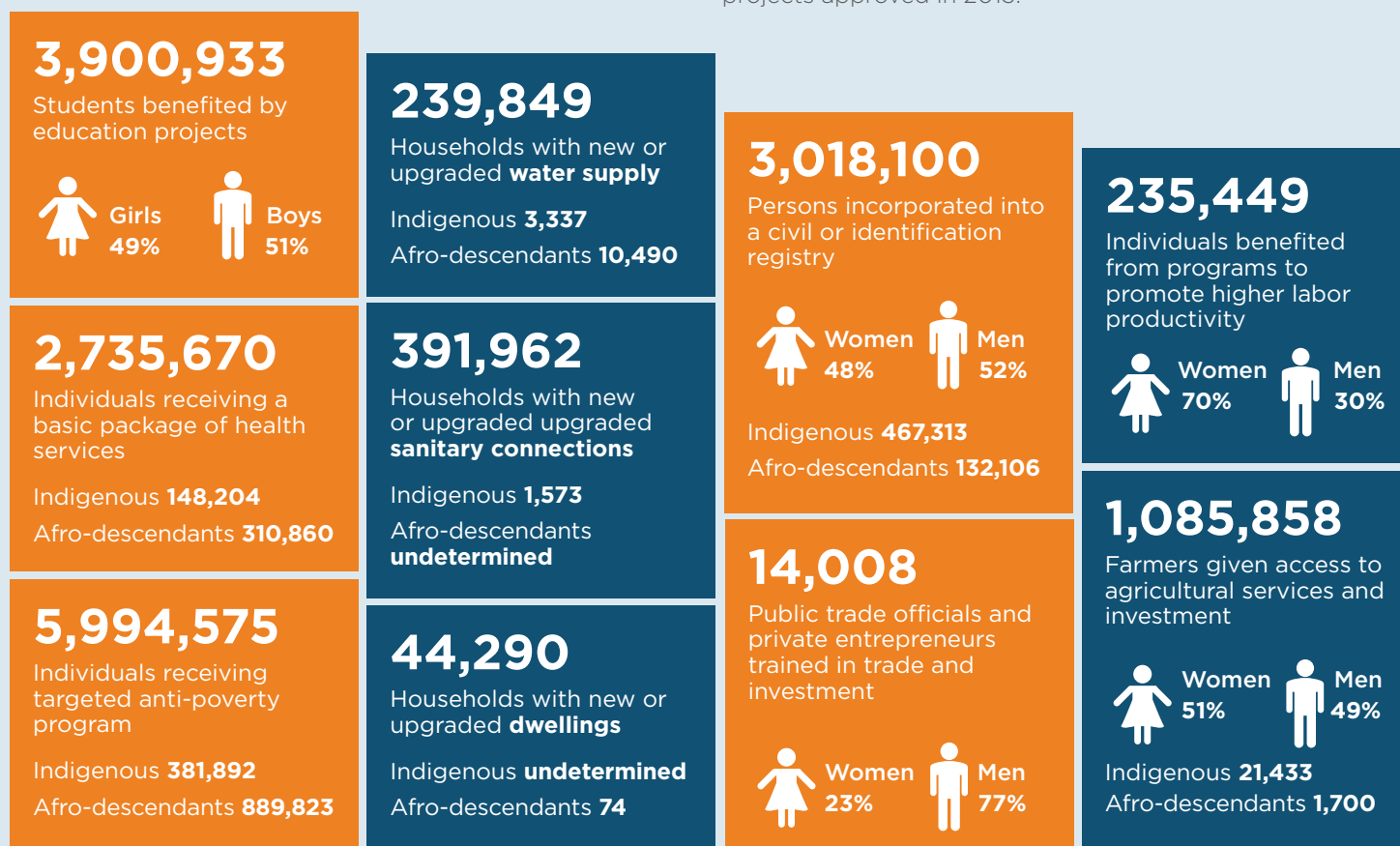
Bank's direct contribution and will promote transparency and accountability for the Bank's resources. More specifically, we are tracking our outputs in each of the GCI-9's five sector priorities. For *protecting the environment, responding to climate change, and ensuring food security*, there are six specific indicators.

Our reporting shows the IDB is well on its way to meeting—and in some instances exceeding—the 2015 goals established as part of the General Capital Increase.

SHARING THE BENEFITS OF DEVELOPMENT

One key to ensuring the long-term sustainability of our investments is to make sure that our projects' contributions benefit women and men equally as well as groups that may

have historically been marginalized. To that end, the IDB takes separate note by gender, race, and ethnicity of its progress toward some of its most important development targets in various areas in which it works. As a result of IDB projects approved in 2013:



Source: Development Effectiveness Overview Report (2013)



Investing





In 2013 the IDB provided support to the region through a balanced combination of investment loans, policy-based loans, grants, special programs and initiatives, and knowledge products that target or incorporate environmental and social sustainability outcomes.

in Sustainability



We are finding increasingly innovative ways to better integrate sustainability values into traditional economic sectors, toward a portfolio of projects with a greater contribution to the achievement of environmental and social developmental goals, including meeting the joint commitments of the multilateral development banks made during Rio+20. As we advance in these objectives, the connections between our investment programs and our priorities become both more evident and more complex.

Transportation for a growing population and sustainable energy for all are key components of this. We are also striving to integrate biodiversity and ecosystem values in our work, while continuing to innovate. And the Bank's portfolio includes support to ensure food security and water for all—critical elements of future sustainability across the region. The Bank's

accomplishments during the year in supporting the region can be summarized in three broad but interlinked areas (see graphic below).

Our efforts to adapt to and mitigate the effects of a rapidly changing climate and protect against the risks of natural disasters, which are critical priority actions in the Bank's work program, are found in each of these areas of work. Similarly, the associated social sustainability implications and opportunities of our work program feature in every area.

Our clients' sustainability successes in the application of proven methods, as well as new and existing creative solutions, demonstrate the Bank's advances toward its sustainability agenda during 2013 through its investments and knowledge products in both the public and the private sector.



MEETING THE SUSTAINABLE INFRASTRUCTURE CHALLENGE

The urbanization rate in Latin America and the Caribbean has rapidly expanded over the past two decades—from 64 percent in 1980 to 79 percent in 2010—creating daunting challenges for municipalities. At the same time, more than 73 percent of people in the region today live in low-altitude coastal areas, making them vulnerable to the expected effects of climate change, such as sea level rise and extreme hydro-climatic events.

Under modest GDP growth assumptions, the demand for electricity in Latin America and the Caribbean will more than double by 2030. Meeting these growing demands will require, among other efforts, increased investment in non-hydro renewable infrastructure and supportive policies to develop renewable energy technologies and promote energy efficiency.


Urbanization-related increases in vehicle use have created new environmental challenges, including air pollution and climate change, and pose one of the greatest health threats in cities. The International Energy Agency reported that in 2010 the transport sector worldwide was responsible for about 22 percent of all carbon dioxide emissions. As countries and cities in the region take action to reduce these emissions, one challenge is to replicate and scale up successful low and no-carbon transportation modes, including mass transit and bike- and pedestrian-friendly options.

Sustainable infrastructure is about providing quality services that promote inclusive and sustainable growth.

In addition, the region faces significant environmental degradation related to untreated water and waste. Less than 15 percent of wastewater is treated prior to disposal, less than half of total waste is disposed of in

sanitary landfills, and only 2.2 percent of the generated solid waste is recycled. An estimated US\$50 billion alone is needed to achieve universal coverage of water and sanitation in the region.

Sustainable and efficient infrastructure—the buildings, roads, and services necessary for modern society to operate smoothly, particularly in cities—is essential for meeting these challenges and improving the quality of life in the region.

In 2013, the Bank introduced a new strategy, *Sustainable Infrastructure for Competitiveness and Inclusive Growth* , to address underinvestment in the region's infrastructure. Although estimates vary, the region must increase its investment in infrastructure by at least 2 percent of its GDP over an extended period, from US\$150 billion to US\$250 billion per year. This is clearly a challenge for countries and for us at the IDB.

The new strategy builds on our extensive infrastructure experience and lending portfolio—our “core business” in both public and private sectors. This has increasingly evolved its focus to ensuring sustainable infrastructure, which balances environmental, social, and fiscal concerns.

IDB's loan investments in sustainable infrastructure in 2013:

six

water and wastewater projects approved (US\$775 million)



three

mass transit projects approved (US\$418 million)



three

renewable energy (including hydro) projects approved (US\$374 million)



This strategy is complementary to the Bank's *Integrated Strategy for Climate Change Adaptation and Mitigation and for Sustainable Renewable Energy* and to a series of new Strategic Framework documents, which provide additional guidance and direction to specific subsectors of IDB intervention. In particular, the Urban Development and Housing SFD, approved in 2013, recognizes the need to ensure adequate planning to reduce vulnerability to natural disasters, particularly in our cities, through selective and sustainable urban interventions. This means ensuring maximum positive impact on the largest number of poor households and minimizing impacts on the constructed and natural environment.

Complementing the Bank's infrastructure strategy, we are focusing on building more-sustainable cities and encouraging environmentally responsible transportation through two flagship Bank programs, the *Emerging and Sustainable Cities Initiative* [▶](#) and the *Regional Environmentally Sustainable Transport Action Plan*. [▶](#) And we are increasing our investments in renewable energy, particularly through our private sector windows. These initiatives build on the Bank's experience in infrastructure development—energy, transport, urban development, water and sanitation—and featured strongly in our support in 2013.

A 360° View: Promoting Sustainability in the Private Sector

In 2013, the IDB launched the first-ever regional Infrastructure 360° Awards in partnership with the Harvard Zofnass Program for Sustainable Infrastructure. The awards recognize outstanding sustainability practices in the private sector and in public-private partnership infrastructure investments in energy, transport, water production, wastewater and solid waste, and telecommunications, with an emphasis on climate and the environment. The awards will also distinguish leading practices in social impact, governance, and innovation. In the first year, 12 projects were shortlisted, including two IDB-financed projects: the Pozo Almonte and Calama Solar photovoltaic project in Chile and the Mariscal international airport in Quito, Ecuador. [▶](#)

NEW IN 2013 **Harnessing the Power of the Sun in the Chilean Desert.** The IDB and the Canadian Climate Fund for the Private Sector in the Americas are providing financing to build Chile's first large-scale solar power plants in the Atacama Desert—a significant step toward helping Chile use solar power to diversify its energy matrix and improve the environmental status of the country's thriving mining industry. The project includes two photovoltaic power plants with a combined peak output capacity of 26.5 megawatts. Watch the Video or read the full story. [▶](#)

ONGOING IN 2013 **Belize Revamps Its Solid Waste Management.** The turnaround at a dumpsite in Belize has positioned the country at the forefront of solid waste management in the region. For years, Belize City disposed of solid waste in an unstable, low-lying mangrove area. In 2013, the government completed the first phase of a sanitary landfill, financed by an IDB loan, at a safer and more appropriate location. A new modern facility is used to collect and sort trash before it is transferred to the landfill or recycling plants. Learn more in the IDB's 2013 Development Effectiveness Report. [▶](#)

Mainstreaming Biodiversity and Ecosystem Services in Infrastructure

As part of the capacity building program of the Bank's new Biodiversity and Ecosystem Services (BES) Program, and in collaboration with the Conservation Strategy Fund, we held a series of capacity building workshops during 2013 to train more than 90 transport, water, and sanitation specialists both from the Bank and from government agencies on the economics of biodiversity and ecosystem services. In addition, through the BES we are working with the Latin American Conservation Council on a smart infrastructure workshop to bring together governments, private companies, and nongovernmental organizations (NGOs) to have a constructive and meaningful conversation regarding hydropower and aquatic offsets.

Emerging and Sustainable Cities Initiative:

5

number of cities added to the Emerging and Sustainable Cities Initiative in 2013



26

number of participating cities



28 million

number of beneficiaries from the Initiative



4

Number of regional capacity building seminars held in 2013



Financing Environmental Sustainability for More-Resilient Cities

In 2013, the IDB added five cities to the Emerging and Sustainable Cities Initiative (ESCI), bringing to 26 the number of participating cities. The IDB launched this initiative in 2011 to collaborate with growing intermediate cities and partners to make informed planning decisions and take immediate action related to the challenges of rapid urbanization, including environmental sustainability and climate change. This means helping cities minimize their overall environmental impact through assessing water quality indicators, wastewater treatment, solid waste management, air quality, and greenhouse gas emissions.

This initiative builds on the Bank's experience developing comprehensive urban development programs, as well as a long history of supporting water and sanitation infrastructure projects. It is also consistent with the Bank's work to develop sustainable energy solutions and to ensure development resilience to the impacts of natural disasters.

Under the initiative, the IDB works closely with each city. The program begins with a participatory process to evaluate cities and to identify priority areas for development action plans. In 2013, the cities beginning this process were Cuenca, Xalapa, Quetzaltenango, Cap-Haitien, and Asuncion, as well as five additional cities through strategic partnerships. Based on

each plan's objectives, the second phase focuses on implementation of actions and specific urban interventions, along with the establishment of programs that encourage residents to participate in monitoring environmental impacts.

These action plans are based on the premise that urban development strategies must be well-planned, integrated, and cross-sectoral and that they will ensure improvements in the quality of life for citizens. In doing so, we help create a more sustainable, resilient, and inclusive future for emerging cities in Latin America and the Caribbean.

In Port of Spain, Trinidad—one of ESCI's pilot projects—and in Mar del Plata, Argentina, which joined the Initiative in 2012, priority actions identified in the action plans led to the preparation of IDB-financed infrastructure projects to address long-term sustainability needs. In Port of Spain the action plan described the impacts of high rain events on the urban drainage infrastructure, which led to planning for new storm water works integrating new green spaces that will significantly reduce flooding to the city. And in Mar de Plata, sanitation urban improvements and municipal wastewater and solid waste programs were identified as priorities for city planning. **(Read More: Urban Model for Sustainability, Mar del Plata. Page 24).**

In an effort to strengthen its impact and replicability across the region, the ESCI has developed strong partnerships with Financiera de Desarrollo Territorial in Colombia and Caixa Econômica Federal in Brazil. These institutions provide financing to municipalities and states and have adopted the initiative's methodology to design sustainable development plans (action plans) for cities in those two countries. Both banks have incorporated the program as a public policy tool that helps them identify,

CONCLUDED IN 2013 Protecting Valparaiso's

Cultural Heritage. Over the last decade, a US\$25 million investment by the Bank to the city of Valparaiso in Chile—a UNESCO World Heritage Site—has resulted in the restoration and preservation of the cultural heritage of the city. The project set out a comprehensive strategy to reclaim areas with historical value and economic potential through investments in roads, public spaces, and both public and private real estate.

Urban Model for Sustainability: Mar del Plata, Argentina

prioritize, and structure public sector investments.

Home to 615,000 people, Mar del Plata in Argentina is the ideal representative of an emerging city in Latin America and the Caribbean. During 2013, the IDB's Emerging and Sustainable Cities Initiative addressed three key challenges in the city related to environmental sustainability: lack of wastewater treatment, a need for improvements in solid waste separation, and a high reliance on carbon-intensive transportation.

To reduce dependence on car ridership and the associated carbon emissions, the city hired Denmark-based Gehl Architects to improve walkability in three commercial and civic city centers. The pilot project in Güemes neighborhood created a colorful, pedestrian-friendly gathering spot and path that improves the flow of public transportation. The other neighborhoods targeted for improvement are Microcentro and 12 de Octubre.

The city had constructed and inaugurated a new sanitary landfill just before the launch of the ESCI. During the analysis process, however, the initiative identified a need for a source separation program, which the city has now begun to implement. The project will contribute positive environmental and social benefits while maximizing the lifetime of the sanitary landfill.

Sanitation also surfaced as a priority area in the sustainability assessment. Along with the ongoing construction of an outfall, a discharge point for wastewater that the IDB is financing, the city now plans to build a wastewater treatment plant in order to treat the sewage stream to higher environmental standards. Responding to this need, part of the existing financing package will be used to enable this project to move forward in 2014.

Follow the progress in Mar del Plata and other emerging cities via the Emerging and Sustainable Cities blog. [►](#)



Paving the Way for Healthier People and Planet

The IDB provides technical and financial loan and grant resources to Latin American countries and cities to support transport development. We support projects that range from technologies for more-efficient mass transit to large-scale infrastructure improvements with strong environmental and social safeguards. Complementary activities include building knowledge and capacity through international seminars and workshops, developing studies, and training IDB staff and clients in the best practices for sustainable urban passenger and freight transport.

three

mass transit
projects approved
(US\$418 million)



Part of a broader
transportation
portfolio of 97
projects
(US\$10.8 billion)

The Bank's Regional Environmentally Sustainable Transport action plan, launched in 2010, aims to help guide client countries to:

- Avoid or reduce travel needs.
- Shift to more-efficient, less polluting modes of transportation.
- Improve vehicle and fuel technologies and environmental quality.

An Action Plan for Sustainable Transport

- Promote a regional forum of countries and cities on environmentally sustainable transportation.
- Support the development of integrated strategies and action plans for sustainable transport in Latin American and Caribbean countries and cities that include harmonization of transport with land use planning and measures.
- Provide technical and financial support for the development of sustainable urban transport systems and projects and for sustainable freight and logistics transport systems.
- Support institution strengthening and training for public agencies responsible for promoting sustainable transport systems.
- Develop methodologies and instruments that support the design and financing of sustainable transport policies, plans, and projects.
- Promote the dissemination of information and training on the use of existing technical instruments and financing mechanisms for low-carbon-emission transport projects.

In addition to the approval of new projects, in 2013 the Bank convened a Regional Policy Dialogues Transport

Network, where one of the focus areas for discussion was GHG emission control. Participants discussed global tendencies for the control of vehicle emissions, emissions standards and policies for low-carbon fuels, and different models to calculate and monitor vehicle emissions. A second workshop during the year discussed economic tools for integrating biodiversity and ecosystem services into transport sector investments.

The Bank also produced a guide in 2013 to help planners in the region understand how to assess the GHG emissions reduction benefits of sustainable transport projects, policies, and strategies. ▲

NEW IN 2013 Reducing Pollution, Increasing Quality of Life.

The first loan (US\$300 million) under a conditional credit line with Argentina will help upgrade and improve the Buenos Aires metropolitan railroad system, increasing urban transport services and improving quality of life. In the first year of electrified operation, the Plaza Constitución-La Plata branch will carry an estimated 55 million passengers. Nine million people using buses and automobiles are expected to switch to the railroad, which will help reduce traffic congestion and pollution, including GHG emissions.

NEW IN 2013 Cutting Emissions with Mass Transit.

A US\$18 million supplemental investment will support Uruguay in the design and implementation of a public transportation system in Montevideo. The new system, once in place, is expected to cut greenhouse gas emissions from passenger vehicles by 30 percent.

NEW IN 2013 Getting Savvy about Smart Transportation.

A new IDB grant will develop guidance to mainstream biodiversity and ecosystem services into the preparation of road projects. Smart transportation planning requires recognizing and managing long-term risks, including maintenance costs for roads, which are often significant. These costs can be reduced through actions such as avoiding environmentally sensitive areas, protecting critical water sources, protecting slopes with vegetation and other erosion control measures, and increasing the resilience of protected areas near transportation projects.

Building Community Along a Road in Nicaragua

In southeastern Nicaragua, more than 2,200 people across five municipalities have united behind an environmental and social management plan related to a road rehabilitation project, increasing the positive impacts of the project and creating a model of community collaboration.

Rehabilitation of the Acoyapa–San Carlos road is expected to cut travel times at least in half for cars, trucks, and buses, creating new opportunities for commerce, especially for farmers in the Chontales and San Juan River regions. But along with the socioeconomic benefits, the project had potential negative impacts on natural habitats and protected areas, as well as the need for population resettlement. The San Miguelito area along the route, for example, has been designated a Ramsar site, meaning it has international significance as a wetlands area.

To address the impacts, in 2009 the IDB requested the development and implementation of a comprehensive social and environment management plan as a requirement for financing the project. The plan brought together government institutions such as the Ministry of Transport and Infrastructure (MTI), local municipalities, farmers, and affected families throughout the project's area of influence. Over the past three years the positive outcome has gone well beyond compliance, making real contributions to rural development and improving the return on initial investment.

Across the affected area, stakeholders took part in the planning and implementation—from community workshops and land use planning to road safety education. Forty municipal delegates received training to help implement the land use plan, while 17 local university professors joined the effort to help monitor the main parameters of the project, including how the road affects the surrounding areas.

Agricultural Improvements

Eighty-five farmers helped plant approximately 170 hectares of forest on land the municipal government donated in San Miguelito. The Nicaraguan national forest institute (INAFOR) entered a three-year agreement to provide technical assistance to the farmers. The reforestation plan has been so successful that INAFOR is now working with the European Union to promote the plan as a global model of best practices.

Better Housing Conditions

More than 200 families had been living in poor conditions within the right-of-way of the project. The plan financed new, improved housing with electricity, heating, and bath facilities, benefiting 1,272 people.

“The implementation of the environmental directive plan for the rehabilitation and improvement of the Acoyapa–San Carlos road transcends the environmental infrastructure, giving us a lot of experience on how to use the best socio-environmental practices during the execution of project,” said Fabio Guerrero, the environmental management director for MTI. “We will replicate this in other projects selected by the Ministry of Transport and Infrastructure.”





Over the past three years the positive outcomes of this project have gone well beyond compliance, making real contributions to rural development and improving the return on initial investment.



See it in MapAmericas online

STRENGTHENING OUR SUPPORT FOR NATURAL RESOURCES MANAGEMENT

As the region grows, it faces new challenges related to balancing increasing developmental demands for resources with the need to protect and manage its natural resources within the context of a changing climate. Critical in this equation is understanding that sustainable land and forest management contributes to mitigating climate change while at the same time improving the livelihoods of rural populations, particularly indigenous groups and ethnic minorities.

We have a long history of financing activities that improve the management of protected areas, support environmental institutional strengthening, generate income opportunities for communities that depend on ecosystem services, manage coastal and marine resources, and support climate change and disaster risk management initiatives in critical watersheds.

The year 2013 was no exception. We approved US\$178 million through six new loans for environmental and disaster risk management projects. We provided additional resources during the year through grants, special programs, initiatives (such as the Biodiversity and Ecosystems Services Program and the Forest Investment Program), partnerships (such as with the Global Environment Facility, or GEF), and knowledge programs to support our program of work and to mainstream biodiversity, ecosystem services values, and integrated water resource management approaches and values into key economic sectors.

IDB's investments in Natural Resource Management in 2013:

six

(US\$178 million)
environmental and disaster risk management loans, three of which will strengthen and foster environmental governance and climate change policy



four

(US\$22.3 million)
IDB-GEF grants

nine

(US\$5.0 million)
Biodiversity and Ecosystem Services Program grants



three

(US\$2.8 million)
Integrated Water Resource Management grants



NEW IN 2013 Creating a New Carbon Strategy.

A US\$3.8 million grant to Guatemala as part of the Readiness Phase of the Forest Carbon Partnership Facility for Guatemala, Guyana, and Peru will support the development of a national strategy for reducing emissions from deforestation and forest degradation as well as enhancement of carbon stocks.

NEW IN 2013 Harvesting Sustainably in the Amazon.

The Brazilian Amazon state of Acre will benefit from a US\$73 million loan to finance the second phase of its sustainable development program. The program will boost the contribution of the forestry and agroforestry sectors to economic growth and poverty reduction while keeping deforestation under control. (Learn more: "The forest is my ATM machine" in the DEO 2013)

NEW IN 2013 Managing Water for Better Agriculture Returns.

A US\$25 million grant for a water management program in Haiti's Artibonite Basin will help the country lower flood-related crop, livestock, and infrastructure losses while increasing its agricultural productivity.

In addition to our new approvals in 2013, we also continued to monitor and supervise our existing portfolio of natural resource management projects, which includes more than 20 projects approved over the last 10 years, with an active portfolio totaling US\$1,060 million. Exemplary among these projects is Serra do Mar, a US\$470 million project approved in 2010 to promote the conservation, sustainable use, and socio-environmental recovery of Brazil's Atlantic Forest (**Read more: Brazil Answers the Question: What's in a Mosaic? Page 30**).

Biodiversity and Ecosystem Services Program

In addition to its ongoing work program, the Bank made strides in 2013 to establish new mechanisms that address the importance of maintaining key ecosystem services, which the rural poor of the region are overwhelmingly dependent on. These mechanisms also increase our efforts to secure the natural capital necessary to support future economic growth in productive sectors and infrastructure.

The Biodiversity and Ecosystems Services Program, together with a new Multidonor Fund, both approved in 2013, will expand technical and financial assistance to member countries and integrate biodiversity and

The Biodiversity and Ecosystem Service Program is focused on four lines of action:

- Assessing and integrating the economic value of biodiversity and ecosystem services into infrastructure and productive sectors.
- Increasing awareness of and protecting critical and large-scale ecosystems of regional significance.
- Supporting countries in the implementation of directed and effective environmental policies, governance, frameworks, and public investments.
- Creating new economic, financial, and business opportunities that contribute to sustainable development and include innovative techniques for the protection of biodiversity and maintenance of ecosystem services.

ecosystem services into key economic sectors in both sovereign and non-sovereign IDB-financed operations. An initial US\$3 million in IDB financing established the Fund. Colombia's Presidential Agency for Cooperation became the fund's first contributor for grants, loan preparations, knowledge products, and capacity building.

In its first year, the program has financed operations and engaged with 19 of the Bank's member countries and has established strategic partnerships throughout the region. A total of US\$5 million for nine grants was approved during 2013.

The BES program's main expected impact is to increase the contribution of biodiversity and ecosystem services to the sustainable and inclusive development of the region. To measure its progress, a results matrix with quantitative indicators and targets has been developed.

fifteen

Number of loan projects with components contributing to improved management of terrestrial and marine protected areas



Collaboration Supports Innovation in Generating Environmental Benefits

Over a little more than 10 years, the Global Environment Facility's collaboration with the Bank has helped

NEW IN 2013 Building Resilience to Coastal hazards.

A US\$500,000 BES grant will help establish a climate risk-resilient Integrated Coastal Zone Management Program in the Bahamas. The program will highlight the contributions of the rich natural environment to the country's sustainable economic development effort and help build resilience to coastal hazards, including the impacts of climate change. It will also assist the country in meeting the development target of 20 percent conservation of the near-shore environment by 2020.

NEW IN 2013 Low-Carbon Agriculture in Brazil.

A US\$40 million grant project through the United Kingdom's International Climate Fund will help promote low-carbon agriculture and conservation in seven states critical to Brazil's biomass. The project benefits small and medium-sized farms. Activities include training, capacity building, and knowledge transfer, and the project encourages farmers to undertake projects that result in low carbon emissions and forest restoration. ▲

promote sustainable management of natural resources for improving biodiversity conservation, has tested and implemented innovative investment and incentive mechanisms for energy efficiency, and has encouraged the broader adoption of renewable energy sources.

Since 2002, the IDB has approved over 30 projects (for a value of US\$126.5 million). These projects have included:

- Pilots of innovative financial mechanisms and complementary wastewater management reforms to provide sustainable financing for the implementation of environmentally sound and cost-effective wastewater management measures in the Caribbean.
- Development of a public-private partnership forum that brings together investors and business opportunities to promote increased private investment in renewable energy, energy efficiency, and biodiversity.
- Support for the conservation of biodiversity and the sustainable management of palm-production systems in Colombia through better planning and adoption of agro-ecological practices in the expansion of production areas.

Brazil Answers a Question: What's in a Mosaic?

Serra do Mar—the Atlantic coastal rainforest of Brazil—is one of the most endangered ecosystems in the world. Only about 7.6 percent of the original forest remains intact, with some of the largest contiguous areas found in the state of São Paulo. Economically, the Serra do Mar is an 800m-high “logistical barrier” between the coast—with the Port of Santos, innumerable beach properties, and the city of Cubatão—and the high plateau, with the state’s booming capital and interior.

Environmentally, the Serra do Mar is a 1,500km-long vital link between the hydrological and ecological systems along its ridge and the coastal and marine systems at its base. Separating the two is a narrow strip of human-dominated coastline. The environmental systems here provide economically important ecosystem services, such as freshwater for São Paulo. To preserve these services, the state has created several protected areas, including:

- Serra do Mar State Park, a band of Atlantic Forest that protects part of the mountain slopes.
- Jureia-Itatins Mosaic, contiguous protected areas of different conservation categories that harbor the only remaining area where the Serra connects to the sea.
- Marine Protected Areas that cover the often-neglected portion of the land-sea interface.

Challenges of Recovery

Over the years, human settlements have encroached on these parks, especially in the section of the state park that borders Cubatão and is crossed by the Via Anchieta highway. Elevated housing pressure on the coast has resulted in dense, illegal occupation of spaces that were staging areas for the highway construction. These settlements, although home to many families for decades, have all the characteristics of favelas: poverty, lack of security, lack of public services, and structural problems that put residents’ lives at risk.

Collaborative Solutions

The IDB and the State of São Paulo have together invested US\$470 million in an ambitious project to promote the social and environmental recovery of the Serra do Mar. Instead of the usual one-size-fits-all approach, a diversified urban housing model has been developed that offers 15 different options in various locations and always near public services, employment, and commercial areas. The housing areas also offer social and open spaces, as well as security features. At the heart of the program is close, personal attention at



the family level and a collaborative spirit that prioritizes community participation and cohesion. So far the project has resettled more than 4,500 families into better housing.

The project is also promoting environmental recovery of cleared areas through removal of rubble, elimination of invasive species, and reforestation activities; consolidated and stronger management of both marine and terrestrial protected areas; law enforcement activities that prevent re-encroachment and new settlements; and public outreach as well as dissemination of results.

Measurable Improvements

As a result of these efforts, overall environmental quality in the region has already improved. The São Paulo state environmental agency has measured an improvement in water quality for the Cubatão River downstream of resettled and consolidated areas. The river provides drinking water for 957,000 permanent residents of the Baixada Santista as well as for its fluctuating population of tourists. Furthermore, an additional 17,290 hectares of Atlantic Forest with high environmental value, in uninhabited parcels contiguous with the state park but previously outside its boundary, were protected as a result of program activities.

Strong inter-institutional collaboration made these results possible. The project forged a partnership among three key organizations: São Paulo's Housing and Urban Development Company, the protected areas agency, and the state's Military Environmental Police. The cooperative atmosphere enabled the program to provide the integrated socio-environmental approach that was needed for success.



See it in MapAmericas online



ComCom: A Youth-Powered Social and Environmental Movement

The IDB and other partners have provided financial support to the ComCom project, a youth-led communication effort aimed at engaging and integrating neighborhoods involved in the social and environmental program in Serra do Mar. ComCom has established a media center in Cubatão from which it produces a blog, videos, radio, newsletters, and an active social media program. ComCom uses its multimedia platform to provide a voice for the area's artistic and cultural community as well as to foster discussions on conservation awareness and social issues. ▲

Hydro-BID: Tapping into the Data Flow in Peru

In June 2013, the IDB hosted a roundtable of experts on integrated water resources management to discuss water resource challenges and opportunities throughout Latin America and the Caribbean.

Attendees and panelists all raised the issue of data scarcity in the region. In 2013, the IDB launched a new simulation tool that could help fill the data gap. Hydro-BID is a simulation system that models regional water resources. Developed using web-based architecture, it runs from a browser-like interface.

Hydro-BID projects water availability in more than 230,000 basins that cover the entire region. It calculates the basin-by-basin balance under different scenarios, such as climate change, new infrastructure, and other changes due to urbanization, as well as changes in land use and population.

Unlike existing water resource models, Hydro-BID allows the Bank and clients to customize the system to their needs. The platform is flexible, which means it interfaces easily with a variety of other hydro models, as well as with mapping, visualization, geostatistical, and decision-making tools.

Applications include predicting infrastructure impacts on water resources related to dams, urbanization, agriculture, and roads. It could also be used for location and dimensioning of hydroelectric projects, management of irrigation programs, and water allocation and budgeting.

IDB water specialists have begun to use the platform to analyze water resources in our operations. In Peru, the IDB is supporting the national water agency (Autoridad Nacional del Agua, or ANA) using Hydro-BID for water resources planning in management in two major watersheds in the northern part of the country (Chira and Piura). Both of these watersheds suffer water scarcity in the dry season, are growing and developing rapidly, and are vulnerable to climate variability and change (increasing drought potential). The outcome of this work is a series of projections of water availability under different development and climate scenarios in both watersheds. ANA will also integrate Hydro-BID as an operational tool for ongoing watershed planning.

In 2014, the Bank will expand its use of Hydro-BID for projects in the state of Pernambuco in Brazil and in northern Haiti. The Hydro-BID system will be available for free to all users within and outside the Bank.



Transboundary Cooperation in Guatemala, El Salvador, and Honduras

From a more environmentally friendly cup of coffee to environmental education at local schools, a joint GEF-IDB project has worked steadily over the past eight years to improve the quality of life for people in the Montecristo Trinational Protected Area (MTPA), the transboundary area in the Trifinio Region of Guatemala, El Salvador, and Honduras.

A US\$3.5 million GEF-IDB grant approved in 2006 aimed to protect and conserve the globally important biodiversity, natural processes, and environmental services of the MTPA, which includes a mixture of cloud forest and transitional mixed pine and broadleaf forests that boast at least 3,000 species of plants and animals. Among the project's notable achievements:

- Approximately 180 families working in coffee production, 10 coffee production organizations, and three coffee processing industries have benefited from the grant financing. The program included promotion of coffee production linked to environmentally responsible practices, social equity, and economic efficiency. At least 200 farmers were involved in project-supported activities in sustainable agricultural production, conservation of land and water, and agro-forestry management in the MTPA and its buffer zone.
- Private landowners control about 40 percent of the MTPA. To improve integration and participation, the project supported establishment of a trinational private landowners association. The association now has 150 members and 160 natural reserves.
- Pilot projects of conservation easements and ecological restoration were established in at least three biological corridors (one per country) within the buffer zone and the influence area of the MTPA as it connects with the Mesoamerican Biological Corridor.



- Environmental education has been a significant aspect of the project's success. In addition to environmental education for at least 500 families in the MTPA and its buffer zone, the project supported promotional information about environmental management and protection through local schools and ecological advocacy groups.

This project was part of a larger suite of investments the Bank has made over the last decade in the Trifinio Region, which has included loans to support the protection of the Lempa River Basin in all three countries and a water resource management project funded by the IDB's Regional Public Goods Initiative. ▶

INNOVATING FOR RESOURCE EFFICIENCY AND CLEANER PRODUCTION

The inefficient and at times wasteful use of natural resources, including energy, water, and materials, lies at the heart of key environmental challenges, including climate change. Thus we need to put a greater emphasis on the linkages between consumption and production. As Latin America and the Caribbean makes gains in productivity, job creation, and economic growth, demand for solutions that recognize these linkages is increasing. New investments are needed by suppliers, service providers, and other firms in the clean energy value chain and across the full spectrum of productive sectors.

Reflecting this need, and as part of the Bank's sustainability efforts, energy efficiency and cleaner production are a growing component in the IDB portfolio. In particular, through our private sector investments we seek to strengthen corporate environmental practices, support the adoption of internationally accepted best practice, and take the lead in the deployment of cleaner production and energy-efficient methods throughout our portfolio. We identify clients and projects, specifically in the agricultural and manufacturing sectors, that are willing to pilot new technologies, products, or processes to "green" their business.

Innovation and technology have the potential to upgrade existing firms and launch new ones at the cutting edge of environmental responsiveness and financial profitability. While financing for research and development in industrial and productive sectors in the region is concentrated in the public sector, there is a growing demand and interest from the private sector to participate in new and innovative ways. To that end the IDB makes direct investments through market-based loans and guarantees to support cleaner production and resource-efficient projects.

In addition, we work with financial intermediaries to develop green financial products that have a multiplier effect of environmentally sustainable on-lending, frequently financing energy-efficient and cleaner production sub-borrowers. In 2013 the Bank began a review of the impact of these investments, starting with the success of a bank in Panama, one of the first green-line investments. **(Read more: Investment Strategies That Multiply Environmental Benefits in Panama. Page 36).**

ONGOING IN 2013 Modernizing a Textile

Tradition. In 2010, one of the oldest traditional Ecuadorian textile companies, La Internacional, benefited from US\$25 million of IDB financing to help refurbish a small self-supply hydroelectric plant, improve its energy efficiency, and install an industrial residual waste treatment facility, improving the water quality of the surrounding community. ▲

NEW IN 2013 Building a Greener Campus.

With the support of the Canadian Climate Fund, a project for the expansion of the Universidad San Ignacio in Peru will receive additional concessional financing to upgrade its infrastructure using green technology that will help reduce water and energy consumption. ▲

Innovation and technology have the potential to upgrade existing firms and launch new ones at the cutting edge of environmental responsiveness and financial profitability.

To date the IDB has financed 15 “green lines” throughout the region for a total investment of US\$503 million.

While much of our work in this area is focused on private sector investment, the Bank’s support for clean production and energy efficiency is growing in its public sector portfolio too. An innovative financing program of the Mexican government, supported by the IDB, is demonstrating the environmental advantages and long-lasting benefits of energy efficiency in the Mexican housing sector. **(Read more: ECOCASA: Houses that Help Both the Planet and People’s Budgets. Page 37).**

COMPLETED IN 2013 **A New Energy Service Market.** A 2011 IDB-GEF project for a Partial Credit Guarantee facility is contributing to the reduction of financial barriers faced by the energy efficiency market in Chile. The facility promotes active participation of engineering firms and energy services companies (ESCOs) as intermediaries in the development of energy savings and efficiency projects.


NEW IN 2013 **Guaranteeing Energy Efficiency.** The first guarantees were issued under the IDB-GEF Energy Efficiency Guarantee Mechanism for a Brazilian ESCO to secure financing for three energy solution projects. Through this program, our objective is to support innovative business models that will attract Brazilian private sector investors to energy efficiency projects and accelerate reductions in greenhouse gas emissions.



Investment Strategies That Multiply Environmental Benefits in Panama

In 2009, the IDB provided its first “green” credit line in Central America to Banco General in Panama.

Through a US\$20 million loan, the Bank supported the inception and growth of Banco General’s portfolio of low-carbon investments, which includes projects related to energy savings and efficiency, integrated waste management, water and wastewater treatment, and other carbon-mitigating investments, including the construction of energy-efficient buildings.

To date, Banco General  has generated a green-line portfolio of US\$75 million, which consists of 14 projects that together contribute to the equivalent reduction of 68,723 tons of carbon dioxide emissions per year. Beneficiaries of the portfolio include six small-

medium enterprises, several small-scale renewable energy projects, five construction projects certified by Leadership in Energy and Environmental Design, and a project to purchase energy-efficient manufacturing machinery.

To complement the loan, the IDB collaborated with Banco General to develop eligibility criteria to facilitate origination and credit assessment in this growing market. The IDB is working with 15 banks in the region to implement green lines to scale up “green” investments in the economy.



See it in MapAmericas online



ECOCASA: Houses that Help Both the Planet and People's Budgets

In November 2013, the United Nations selected the IDB-financed Mexican sustainable housing program ECOCASA as a Lighthouse Activity—a “shining example that serves to inspire and increase momentum for further action on climate change.”

ECOCASA was one of a small group of projects highlighted at the UN Climate Change Conference in Warsaw, Poland.

ECOCASA is an innovative financing program, supported by a US\$100 million IDB investment in 2012, that is helping Mexico tackle climate change by unlocking financing to build sustainable housing and increasing the amount of mortgages for low-carbon residences. In addition to its many climate and environmental advantages, the activity is bringing long-lasting benefits to Mexico's housing sector and to its sustainable development in general.

The program provides financial incentives and technical assistance to housing developers so that they adhere to new energy efficiency standards, which are aimed at transforming the Mexican residential housing sector in line with the national climate change strategy. These houses, built mostly for low-income families, incorporate technologies to reduce their carbon footprint primarily from lower energy consumption. Among these modern technologies is the insulation of roof and walls, the use of reflective paint, efficient gas boilers, efficient refrigerators, and energy-saving windows.

Providing financing to build more low-carbon houses will help decrease energy consumption, thus reducing costs to home owners. In its first seven years, ECOCASA will help build 27,600 energy-efficient houses and help finance an additional 1,700 “green” mortgages. As of December 2013, approximately 750 ECOCASAs have been built and about 4,400 are under construction. The estimated emission reductions in the houses average 35 percent; measurements of the actual GHG emission reductions in selected



As of December 2013, 750 ECOCASAs have been built and 4,400 are under construction.

developments will begin in 2014, as part of the monitoring and evaluation plan.

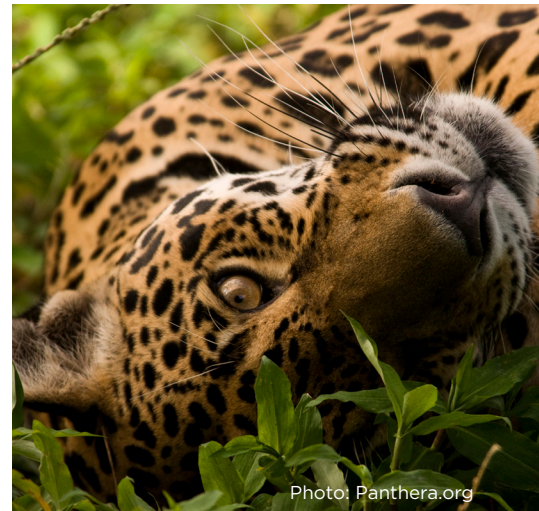
The Mexican government has introduced the program in its search for new ways to curb GHG emissions and to increase energy efficiency in the residential construction sector. Currently Mexico's housing sector accounts for about 16 percent of total energy use and 26 percent of total electricity use. The energy demand, however, is expected to increase even further with rapidly expanding cities and inefficient transport patterns. Several studies have been commissioned or are in development to explore further benefits of ECOCASA sites, including a technical study to determine the GHG footprint of water consumption in Mexico and a study to determine the reduction of transport-related GHG emissions as a function of the location of a house. ▲



See it in MapAmericas online



Safeguarding for





Sustainability

We know that investing in and protecting our natural and social capital improves the quality of life for residents. Therefore it is incumbent on the Bank and our partners to understand and mitigate potential negative environmental and social impacts and risks associated with our investments. We do this through the application of a suite of safeguard and sustainability policies and guidelines. We model these after the best international practices; they are essential to our mission to reduce poverty and inequality in Latin America and the Caribbean.

Safeguards are the measures the IDB puts in place to minimize environmental and social harm. The value of safeguards goes beyond mitigating risks to enhancing the value of the project to local communities, governments, and investors alike, as well as contributing to the development of best practices in the region as a whole.

To minimize harm to the existing environmental and social structure and to ensure compliance with Bank policies and guidelines, the IDB closely monitors and supervises projects—from initial preparation through implementation to completion.

SAFEGUARDS IN PLANNING

At the earliest stages of design, the Bank classifies projects according to potential environmental and

associated social impacts, which determines the depth and breadth of environmental and social assessment required and identifies key potential environmental, social, health, safety, labor, and other safeguard issues. The impact classification, together with the risk assessment, helps determine whether a project requires specialized safeguards support.

For projects identified as high-risk, the Bank evaluates the adequacy of environmental and social assessments, plans, and procedures and the institutional arrangements to mitigate and manage impacts and risks related to a wide range of concerns. These include natural habitats, climate change, inclusion of indigenous peoples, resettlement, gender equality, and health and safety.

Classification of Impact

All IDB Projects are screened and classified as A, B, C, or B13 (uncategorized),* according to their potential environmental and social **impacts**. The most complex projects—classified as Category A—are the ones most likely to present significant negative environmental and associated social **impacts** or to have profound impacts affecting natural resources. Category B projects are likely to have moderate impacts, whereas Category C are the projects that will have no or low impacts.

CATEGORY A	projects most likely to present significant negative environmental and associated social impacts
CATEGORY B	projects are likely to have moderate impacts
CATEGORY C	projects that will have no or low impacts
CATEGORY B13	projects that are uncategorized

Determination of Risk

We also recognize the importance of addressing environmental and social **risks** in the projects we finance—risks, that is, that a project could have serious impacts or not succeed. Our analysis incorporates several factors, such as:

- Likelihood and severity of potential issues related to lack of environmental and social management capacity.
- Environmental and social sensitivities.
- A poor track record of the borrower or relevant third party.
- Significant reputational risks.

Category A operations are always deemed high-risk operations because of the significance of their potential impacts, but we can also distinguish Category B, C, and B13 operations that may pose high risks due to the significance of one or more of these factors.

What do IDB safeguards policies cover?

Natural habitats and cultural sites
Pollution prevention and abatement (including GHG emissions)
Hazardous materials

Consultation
Transboundary impacts
Resettlement
Indigenous peoples

Disaster risk management
Gender equality
Access to information

*Flexible instruments and financial intermediaries that cannot be categorized ex-ante, referred to by the Directive Number B13 in the Environment and Safeguards Compliance Policy. ➤

If a project fails to meet national environmental and local legislation or IDB safeguards standards, or both, the Bank works with the borrower to develop a course of action that may include a modification of the design and/or the inclusion of mitigation measures in the legal agreements. If our review reveals serious problems without reasonable remedies, IDB puts financing on hold until an acceptable plan is agreed to resolve the issues.

The Bank summarizes and makes public its analysis, including any requirements that will become part of the contractual agreement once the Bank grants approval. There are also disclosure requirements incumbent on the borrower, particularly with respect to the environmental assessment and other documents throughout the preparatory phase. ■

SUPERVISION AND OVERSIGHT

The Bank's safeguards supervision and support activities are designed to help ensure that borrowers implement projects in accordance with our environment and social safeguards policies and with other national and international standards specific to the project. IDB environmental and social safeguard specialists work closely with project stakeholders to identify and solve challenges on projects deemed high-risk from the environmental and/or social standpoint. Supervision site visits are conducted, with the frequency in accordance with the status of the project and assessed risks and impacts, to enable the Bank to track the effectiveness of safeguard mitigation measures.

Under GCI-9, the IDB reports against a series of indicators on operational effectiveness and efficiency as part of its results-based monitoring to show the results on the ground. Significant among these is the Bank's target of a satisfactory rating for implementation of mitigation measures for 85 percent of projects with high environmental and social risks across sovereign and non-sovereign guaranteed operations.

Harmonizing Standards

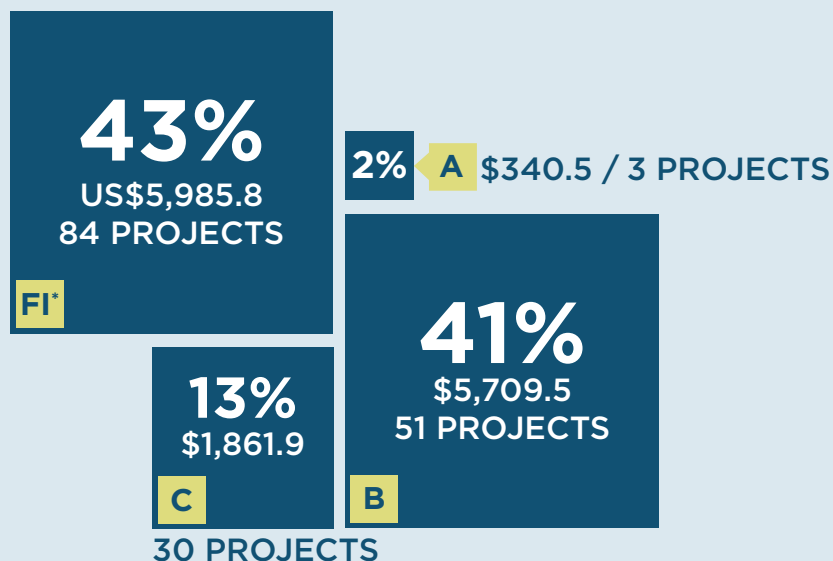
In 2013, the GEF reviewed its "Minimum Standards on Environmental and Social Safeguards" and "Gender Mainstreaming" ■ in comparison with the safeguard policies and practices of its implementing agencies, including IDB. An IDB working group mapped out our safeguards policies to show how each element of the GEF policy was complied with; this included various examples of successful and consistent safeguards policy application in infrastructure projects. The GEF found that IDB's policies were consistent with its own in all areas except pest management. GEF standards in this area defer to the FAO International Code of Conduct on the Distribution and Use of Pesticides. As a result, the IDB committed to prepare guidance in 2014 on the application of our Environmental and Safeguards Compliance Policy directive covering the distribution and use of pesticides, including the requirements of the FAO International Code.

Implementing Our Gender Policy

In 2010 the IDB approved the operational Policy on Gender Equality in Development, ■ the first multilateral financial institution to include gender safeguards. To implement the policy we developed a Gender Action Plan to guide our actions in 2011-2013. During this time IDB loans with gender-related results increased threefold (from 12 to 37 percent), and we invested more than US\$63 million through grants that directly promote gender equality or women's empowerment. In addition, the Bank approved the innovative, US\$20 million Ciudad Mujer loan in El Salvador, which provides quality integrated services for women under one roof (including sexual and reproductive health, services for female victims of violence, business skills and job training, labor intermediation services, and child care).

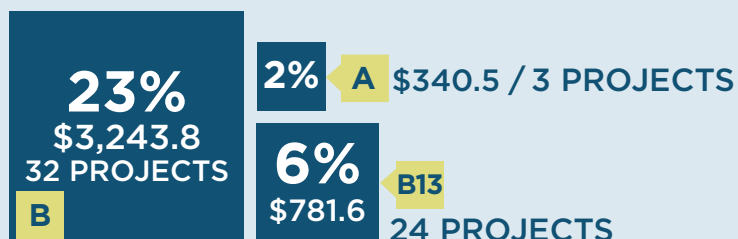
Safeguarding Sustainability

**LOANS APPROVED,
BY ENVIRONMENTAL
AND SOCIAL IMPACT
CATEGORY, 2013**
(% OF TOTAL LENDING
AND US\$ MILLIONS)

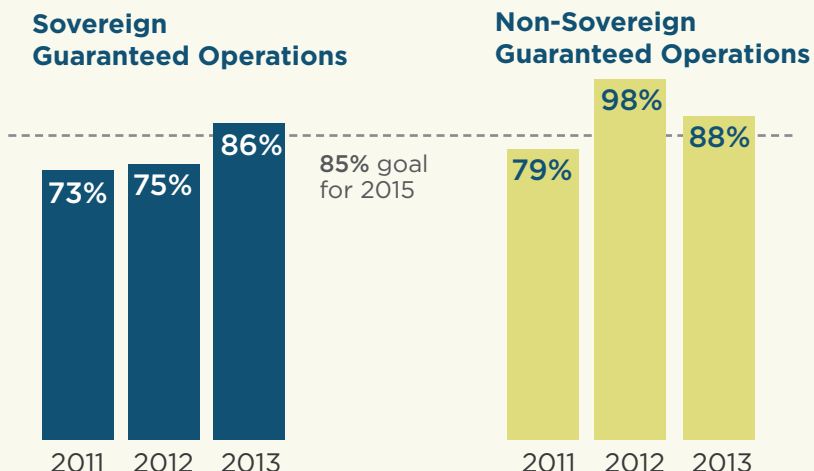


*B13 operations are those for which an ex-ante impact classification may not be feasible.

**LOANS APPROVED
AND CLASSIFIED
AS HIGH-RISK, 2013**
(% OF TOTAL LENDING
AND US\$ MILLIONS)



**SAFEGUARD
PERFORMANCE
OF PROJECTS
WITH HIGH
ENVIRONMENTAL
AND SOCIAL
RISKS RATED
SATISFACTORY IN
IMPLEMENTATION
OF SAFEGUARD
MITIGATION
MEASURES**



KEY SAFEGUARD ISSUES IDENTIFIED IN HIGH-RISK PROJECTS APPROVED IN 2013

Disaster Risk Management

62

Projects

triggered the Disaster Risk Management Policy

Indigenous Peoples

18

Projects

triggered the Indigenous Peoples Policy, including the projects that had positive impacts on indigenous peoples

Natural Habitats and Cultural Sites

19

Projects

5 projects had conversion of 6,615 hectares of natural habitats**1 project** had non-significant conversion of 780 hectares of critical natural habitat**12,172** hectares offset or conserved**6 projects** conserved or improved the management of 800,927 hectares

Resettlement (physical and economic)

20

Projects

5 of these will result in the resettlement of 3,245 families

Pollution Prevention and Abatement/GHG Emissions

47

Projects

35 projects produced 0.55 million tons of CO₂eq**2 projects** accounted for three-fourths of emissions**3 projects** reduced 0.88 million tons of CO₂eq of emissions

Gender

28

Projects

triggered the Gender Equality in Mainstreaming Policy

Environmental Assessment

38

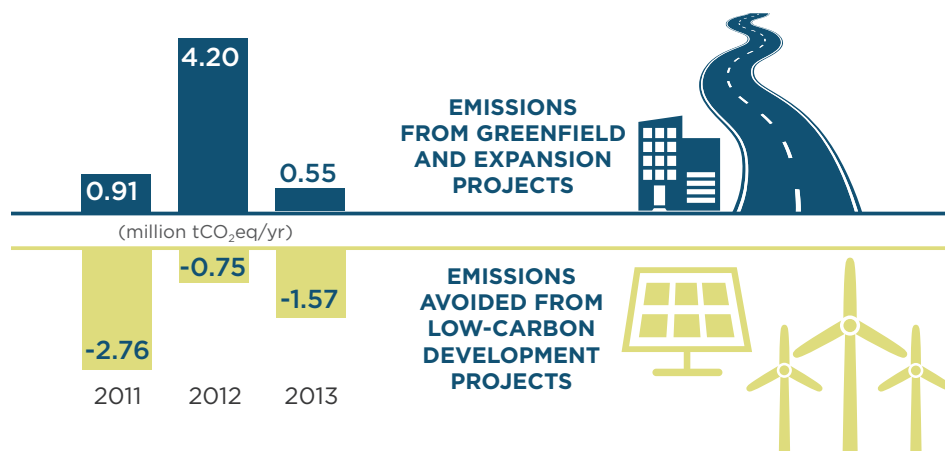
Projects

3 out of 3 projects' EIAs made public 120 days before IDB approval (Category As)**35 Project Environmental Assessments** (in the form of EIA, EA, or SEAs) were made public for Category Bs approved in 2013

GHG EMISSIONS IN IDB-FINANCED PROJECTS APPROVED IN 2013

- 52 projects screened.
- 35 projects underwent detailed assessment.
- 3 projects reported overall emissions savings (renewable energy projects) (totaling -1.57 million tCO₂eq).
- 1 of the 3 projects accounted for 90 percent of emissions savings (hydroelectric project in Chile).
- All 35 projects reported gross emissions (construction of greenfield and expansion) (totaling 0.55 million tCO₂eq).
- 2 of the 35 projects accounted for more than two-thirds of 2013 emissions (a transportation logistics project in Brazil and a road rehabilitation in Paraguay).

The IDB annually calculates the greenhouse gas gross emissions and the emissions avoided associated with the most complex projects in its portfolio. In 2013, we saw a positive reversal over 2012 numbers. Investments in three renewable energy projects will result in greater reduction in GHG emissions than total aggregated gross emissions from greenfield and expansion projects. These investments will deliver clean energy, displacing GHG emissions otherwise produced by the combustion of fossil fuels.





OUR SAFEGUARD SUCCESSES IN 2013

A dedicated environmental and social safeguard unit within the IDB works closely with project teams and clients to ensure the consistent application of safeguard policies to projects, technical assistance to support this process, and the development of knowledge and capacity building products. Through this the IDB is able to bring additional value to some of the most complex projects in its portfolio and to augment its developmental impact and effectiveness. In 2013, some of our successes included these projects.

1 In December, the Haitian government declared the 75,000 hectare Tres Baies et des Lagons Boeufs, Northern Haiti, a protected area as a result of Bank cooperation and support from the government, local stakeholders, the UN Development Programme (UNDP), and the GEF. The protected area features a large mangrove system and is part of the mitigation measures required by the Bank for development of the IDB-financed Caracol Industrial Park. **(Read more: Protecting Haiti's Marine Resources. Page 49).**

2 As part of the Bank's involvement in the Reventazón Hydroelectric project, approved for financing in 2012, an agreement has been put into place with the large-cat conservation group Panthera to support the Costa Rican energy regulator's management of a biological corridor, including independent monitoring. Improvements in this corridor include reforestation of priority areas, informal and formal education to improve agricultural practices, and institutional strengthening. The monitoring system includes camera traps, which enable the tracking of jaguars and other endangered species. 🐾

3 The IDB's fourth annual Haiti resettlement workshop familiarized resettlement practitioners in the Haitian government and NGOs with global international policies and established a Community of Practice in the country. Read the blog "A road, a market, a challenge" 🐾

Photo: Panthera.org



Photo: Dominic Sherony

The Bank's robust environmental and social safeguards add value to project outcomes.

4 In Nicaragua, in order to address negative impacts related to a road rehabilitation project, the IDB supported the development and implementation of a comprehensive environmental and social management plan. **(Read More and Watch the Video: Building Community along a Road in Nicaragua. Page 26).**

7 In the first Bank-supported wind power investment in Uruguay, our safeguard interventions are helping the government establish new environmental standards for wind power development for the country's energy regulator and environmental agency. Uruguay is currently developing over 30 new wind projects.

5 The first IDB-financed LEED certified hotel opened for business in Costa Rica. The project developer implemented a sustainability management system, at the request of the IDB, to manage the environmental and social impacts and risks and the opportunities associated with hotel's construction and operation. The developer is now implementing the management system in new projects in its portfolio of developments throughout Central America and the Caribbean. ▶

8 As a result of the IDB's involvement in a US\$100 million corporate investment loan for renewable energy and energy infrastructure projects, the client agreed to implement a resettlement plan that applied not only to two projects financed with IDB funds but to its entire portfolio of projects in Latin America. IDB's involvement also led to the completion of robust public consultation that had not previously been undertaken, as well as the addition of social programs targeting the inclusion of local women's groups.

6 As part of the preparatory work for a road rehabilitation project in Honduras, the IDB identified a potential risk to the habitat of the Honduran Emerald hummingbird. The Bank leveraged grant financing through its Biodiversity and Ecosystem Services initiative and worked with the local government, landowners, and international conservation groups to map out a payment for ecosystem services plan that will provide incentives to farmers who preserve the Emerald's habitat.

9 As part of an IDB-financed grant, the Bank is tracking the flight paths and altitude of flamingos near Laguna Colorada, Bolivia, to assist with future developments in that region. **(Read More and Watch the Video: Flamingo Tracking in Bolivia. Page 48).**

MANAGING OUR MOST COMPLEX PROJECTS

Large-scale infrastructure development is necessary to foster growth and competition in a demanding economy. These projects are often the most complex from an environmental and social perspective, but the IDB offers our member countries a comparative advantage. The IDB's collective expertise and support—combined with robust safeguards and structured mitigation and management measures—aim at ensuring that complex projects are developed with resilience and long-term sustainability in mind.

In 2013, the IDB approved three Category A projects.* Our most complex projects are those that have the most significant environmental and social impacts and risks, which by definition require additional input and evaluation. The IDB works closely with clients from beginning to end on Category A and high-risk Category B projects to implement and monitor necessary environmental and social safeguard mitigation measures.

*Two of these provided additional financing for projects approved in 2012.

CATEGORY A

Haiti Productive Infrastructure

Program: The IDB approved a US\$40 million grant for Phase II of the Caracol Industrial Park (PIC), which

will provide infrastructure, industrial facilities, and management support for the expansion and sustainable operation of the PIC. The Bank and the client developed environmental, social, and health and safety management plans to address potentially significant impacts on natural resources, as well as those related to an increased housing demand and drain on natural resources related to an influx of workers. The project will foster community awareness to promote protection of the Caracol Bay, including supporting the recently declared protected area, the Parc des Trois Baies et des Lagon aux Boeufs. ▀

CATEGORY A

Alto Maipo Hydroelectric Power Project, Chile:

A US\$200 million IDB loan will support the design, construction, operation, and

maintenance of two run-of-the-river hydroelectric plants in the Maipo River Basin. A robust environmental and social review by the IDB, including consultation with affected stakeholders, identified potentially significant impacts on natural habitats and reputational risks related to strong project opposition. At the request of the IDB, additional assessment of cumulative impacts, alternatives analysis, and impacts on other water uses and on riverbed sediments, ecological flow, and protected areas were undertaken and disclosed for local public consultations.

Comprehensive environmental and social management and monitoring plans, including participatory monitoring by the communities, as well as a program for adaptive management, are being developed to address impacts. In addition, the client will work with specialists in conflict management to address the reputational risks and concerns raised by stakeholders opposed to the project. The Alto Maipo project expands generation capacity without GHG emissions. This contributes to the increased “negative” annual emissions from low-carbon development projects ▀

CATEGORY A

Quito Metropolitan Urban Transport System, Ecuador:

A second approval of US\$100 million will finance the construction of 22 km of

railway, 15 stations, rolling stock, and equipment for the metro system in Quito. This underground metro will be part of the Metropolitan Transport Integrated System, together with four bus rapid transit lines and other bus routes with which tariffs are to be integrated. The Environmental Impact Assessment is available on the IDB website, along with a notice of nondisclosure. ▀

As of the end of December 2013, the IDB had a portfolio of 45 active Category A projects, including the three approved during 2013. Of those under supervision, 78 percent were classified as satisfactory for implementation of safeguards measures, representing an improvement over 2012 performance, but lower than the overall safeguard performance of high-risk projects under supervision. Lower performance among Category A projects reflects the complexities associated with these projects, which are often large infrastructure operations that require more-focused support and attention.

BUILDING KNOWLEDGE FOR SAFEGUARDS

In 2013, using a series of knowledge and learning activities, the IDB worked to strengthen the ability of staff and clients to assess and manage environmental and social impacts and risks. These activities, both inside the Bank and in the region, enable the creation, dissemination, and reuse of critical knowledge and facilitate a better understanding of the challenges. The goal, as in all our work, is to promote economic, social, and environmental development in the region.

This year, a particular focus of our strengthening activities in the region was related to creating a shared understanding of issues related to involuntary resettlement and approaches to improve its application in conformance with international standards. This was conducted through several multi-day office and field workshops in Bolivia, Brazil, Costa Rica, and Haiti attended by more than 200 people.

Inside the bank, a number of activities were organized with a focus on safeguards and sustainability, notably a Symposium on Biodiversity and Ecosystems Services in Impact Assessment co-organized by the International Association of Impact Assessment, a sustainability roundtable on Integrated Water Resources Management, and an interactive workshop on achieving the full potential of socio-cultural analysis. These events brought together experts from the field and were an opportunity to exchange cutting-edge experience and knowledge in order to improve practices going forward.

Specifically, to build knowledge on safeguards the Bank is adding value by providing the right information, at the right time, on how to address sustainability and safeguard issues. We collect and share with our clients best practices and tools. We also learn from project successes and failures to design or innovate and to improve projects and programs. Cross-project learning inside the Bank and among countries in the region is facilitated as part of this effort. And updated and properly packaged knowledge products are developed for audiences both internal and external to the Bank.

In 2013 one important success was the publication of an array of new safeguard knowledge products and publications. Key among these were the following:

The IDB Guidelines on Consultation Stakeholder and Engagement. [▶](#)

Socio-Cultural Analysis in IDB Projects: A Discussion Paper, [▶](#) and a **Guide to Critical Issues for Socio-Cultural Analysis.** [▶](#)

Chemical Plants GHG Emissions: A Guidance Note to Reconciling the Financing of Chemical Plants with Climate Change Objectives. [▶](#)

Economic Cost-Benefit Analysis of Project Environmental Impacts and Mitigation Measures: Implementation Guideline. [▶](#)

Greenhouse Gas Emissions from New Petrochemical Plants—Background Information Paper. [▶](#)

Preliminary Land Hazard Assessment: An Aid for Non-Specialists. [▶](#)

Economic Cost-Benefit Analysis of Project Environmental Impacts and Mitigation Measures for Waste Water Treatment Projects. [▶](#)

15



Number of internal training events during the year focused on safeguards

10

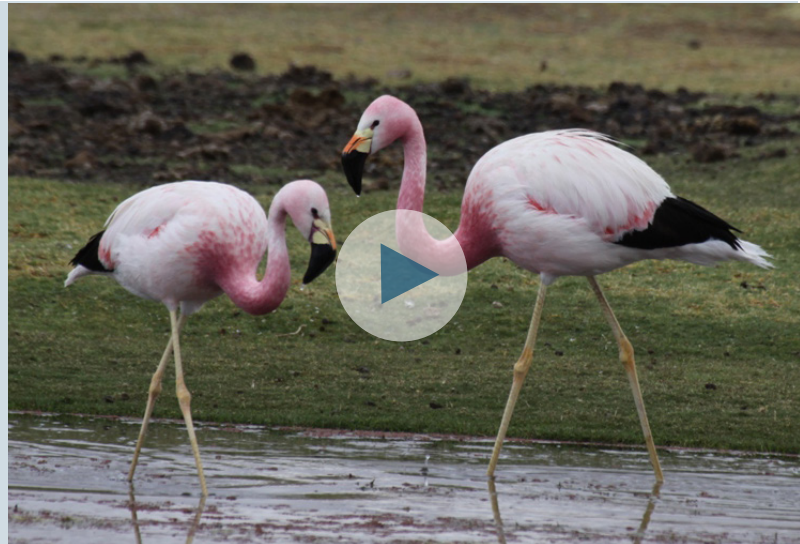
Number of external training events or workshops during the year focused on safeguards (Brazil, Bolivia, Colombia, Costa Rica, Haiti, and Suriname)

Flamingo Tracking in Bolivia: Conserving Regional Biodiversity

Countries in Latin America and the Caribbean are home to some of the world's richest biological diversity. The region is also experiencing rapid population growth and transformation, leading to an increased demand for power generation. The construction and operation of power line infrastructure to meet projected demands have potential impacts on biodiversity, such as bird collisions, habitat loss, or habitat fragmentation.

As part of an IDB-financed grant, the Bank is tracking the flight paths and altitude of flamingos near Laguna Colorada, Bolivia, which is one of their key feeding and reproduction sites. The area has been declared a protected site nationally (Reserva Eduardo Avaroa) as well as internationally by the Convention on Wetlands of International Importance (Ramsar). ▀ The reserve receives about 85,500 visitors a year, and observing flamingos in their natural habitat constitutes a key attraction. Approximately 25 percent of the revenue from visitor entry fees is earmarked for the nearby communities of Quetena Chico and Quetena Grande.

During November and December of 2013, ornithologists and field biologists equipped five Andean flamingos with ultra-light GPS transmitting devices from Argos, a provider of worldwide environmental tracking and monitoring by satellite. In just the first four days of



wearing the GPS devices, two of the flamingos had already traveled extensively. Waira, named in honor of the Aymara god of the wind, had traveled 180km. Ekeko, named in honor of the god of abundance, traveled even further—about 350km.

The study is tracking the birds' daily local flights between the various high-altitude wetlands (lagoons) in the vicinity of Laguna Colorada during the breeding season (summer months). It is also known that during the winter months, the flamingos leave the lagoons and migrate to lower-altitude wetlands in Chile, Argentina, and Peru.

The results of this study will contribute to the conservation of this and other flamingo species by displaying more-precise flight patterns, such as routes and altitudes. Public authorities and private sector developers can refer to the information to help develop sound local and regional approaches when planning the installation of power lines.

The Andean Flamingo *Phoenicoparrus andinus* is considered "vulnerable" on the IUCN Red List of Threatened Species.

Protecting Haiti's Marine Resources

In December 2013, the Haitian government officially designated 75,000 hectares in northeastern Haiti for the country's second Marine Protected Area.

Haiti's regional planning group, Comité Interministériel d'aménagement du Territoire, and the Haitian Ministry of Environment—supported by the Global Environment Facility, IDB, the Haitian Ministry of Economy and Finance's Technical Execution Unit (UTE), and UNDP—established the marine Parc des Trois Baies et des Lagon aux Bœufs.

The protected area includes the bays of Limonade, Caracol, and Ft. Liberté, as well as the Lagon aux Bœufs. It features one of the last remaining stands of mangrove forest, contains sea grass beds, and incorporates over 30km of fringing coral reefs. Trois Baies provides critical ecosystem services vital to the local economy, such as tourism and protection of the northern shoreline from erosion, wave action, and storm surges. The area is also an important spawning and nursery zone for fish, mollusks, and crustaceans that serve both as important sources of income for fishers and sources of protein for the local population.

Caracol Bay is about 3km from the Caracol Industrial Park (PIC), where IDB and the U.S. government are providing resources to support the construction of factory shells, administrative and residential buildings, internal roads, water and wastewater treatment plants, and utility connections, as well as its future operation. Once the industrial park is complete, the facility could host as many as 40,000 workers.

The Bank has provided resources to the government of Haiti that will further support the development of an aquatic baseline and a detailed ecological and socioeconomic baseline in the Caracol Bay area. The

The protected area incorporates more than 30km of fringing coral reefs.

protection of this area through the establishment of a marine park is a signature achievement in safeguarding one of Haiti's most important critical natural habitats.

The IDB/UNDP/GEF partnership is supporting the institutional strengthening of l'Agence Nationale des Aires Protégées, the national protected areas authority under the Ministry of Environment. The IDB has allocated US\$900,000 under the PIC program for the UTE to carry out detailed biological and socioeconomic baseline studies and to enhance sustainable natural resource use in the marine park.

The IDB is also developing new proposals for additional funding to support the management of the new protected area. Additional support for the programs comes from the Clinton and MacArthur Foundations.

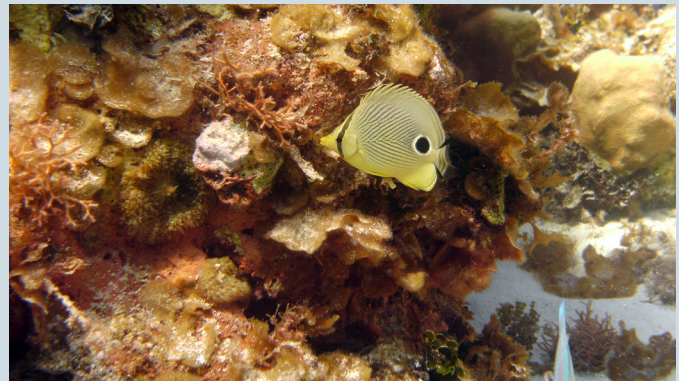


Photo: Reef Check Foundation

SUSTAINABILITY, SAFEGUARDS, AND OVERSIGHT

Signaling a commitment to enhance engagement with stakeholders and ensure environmental and social sustainability in its operations, the IDB has established a series of oversight measures that track adherence to Bank standards, policies, and guidelines.

Our Accountability Mechanism: The ICIM

The Independent Consultation and Investigation Mechanism provides a space where people potentially affected by an IDB-financed operation have the opportunity to be heard. Launched in 2010 as part of the Better Bank Agenda, the ICIM responds directly to concerns from people who have been or could potentially be directly, materially adversely affected by an action or omission of the IDB in violation of any of its operational policies. The ICIM reports directly to the IDB Board of Executive Directors and acts independently of Bank Management.

Furthermore, the management of requests generates lessons that are shared with the Bank to help the institution identify possible areas of attention, with an emphasis on the effective implementation of its operational policies. This adds value to the role of the ICIM in support of more-sustainable outcomes.

From 2010 to September 2013, the ICIM applied mainly to the following operational policies:

- Access to Information.
- Environment and Safeguards Compliance.
- Disaster Risk Management.
- Gender Equality in Development.
- Indigenous Peoples.
- Involuntary Resettlement.

As of September 2013, the ICIM applies to all relevant IDB operational policies.

During 2013, the ICIM entered into a transition period as a result of an independent evaluation done in 2012; based on its findings, the Board decided to revise its structure and policy in order to strengthen its operation. This revision is presently under way, and after a public consultation and Board approval, the ICIM is expected to be operating under a revised policy and structure by the end of 2014.

Under the current policy, registered requests are handled in two sequential phases:

- **A Consultation Phase** to help individuals or community members begin a dialogue with the representatives of the project's executing agency, with the objective of helping the involved parties reach a voluntary agreement.

ICIM PORTFOLIO IN 2013

During the year the ICIM managed 32 requests:

10 registered requests transferred from previous years

Consultation Phase

4 open cases:

3 in dialogue
1 in monitoring

4 closed cases:

2 declared ineligible
2 transferred to Compliance Review

Compliance Review Phase

4 open cases:

1 in investigation
3 in preparation of terms of reference

5 closed cases:

2 Compliance Review processes completed
2 closed without investigation
1 ineligible

18 were not registered as they were not within the ICIM's mandate

2 are in process of registration

22 new requests

- **A Compliance Review Phase** to determine whether a potential action or omission of the IDB resulted in non-compliance with any of its own operational policies and in potential or actual harm to the requester.

From its inception until December 31, 2013, the ICIM received a total of 76 requests, of which 24 have been registered. The requests came from nine countries of the region, with 63 percent related to projects in the Southern Cone subregion; 37 percent of the 24 requests were sent by individuals on their own behalf.

During 2013, the ICIM concluded a full case management cycle for a case related to a project in Panama for the construction, operation, and maintenance of two hydroelectric power plants. The request, sent by an association of 16 NGOs in 2010, presented a series of concerns about the process of environmental impact assessment, the site of the power plants, and the use of water. At the end of 2012, the Compliance Review Panel issued a report on the findings of its investigation focused on the cumulative effect on the ecological flow, recommending the application of appropriate mitigation measures. It also pointed out the need to pay specific attention to the requesters' worries about project-induced road damage, erosion, water impurity, and related water quality. The Board of Executive Directors accepted the findings, and, based on them, instructed management to develop an Action Plan that is at present under implementation and subject to monitoring by the Board.

The ICIM Public Registry provides updated information on registered requests and access to the documents for each case managed. [▲](#)

Reviewing Our Safeguard Policy Implementation Progress

Over the past three years, both an Independent Advisory Group [▲](#) (IAG) and the internal Office of Evaluation and Oversight (OVE) have reviewed the adherence to and progress on implementation of the Environment and Safeguards Compliance Policy.

Our Commitments for 2014:

- Develop and implement internal guidance to ensure that required analysis and management plans are adequately identified and completed at the appropriate stages, including for Board approval.
- Integrate safeguards information and performance ratings into project-specific documentation and Bank-wide systems.
- Ensure sustainability issues are integrated into country strategies consistently.
- Enhance support for gender mainstreaming in operations through the development of guidelines, technical notes, and training.
- Enhance the quality and relevance of gender-related indicators in project results matrices

In 2013, the OVE report *IDB-9: Environmental and Social Safeguards Including Gender Policy* [▲](#) recognized the Bank's advances in implementing its commitment to sustainability and the implementation progress of its safeguard policies. The report also indicated that the Bank Sustainability Action Plan developed in 2011 to respond to an IAG report had been substantially implemented. In particular, the Bank has made progress over the past two years in implementing actions to address the integration of environmental and social requirements in loan agreements, safeguards training, alignment with other MFIs, and new approaches to meet the needs of private sector investments.

While recognizing these advances, the OVE report documented a number of areas for improvement, including the need to ensure that IDB policies are reviewed for consistency with evolving best practice and harmonization with other MFIs, pressures on safeguard effectiveness arising from reduced project preparation times, and a more systematic and rigorous approach to supervision of safeguard implementation.

The IDB Management presented an action-oriented response to the OVE report to its Board of Directors in May 2013, "Background Paper: Environmental and Social Safeguards, including Gender Policy." [▲](#)

Holding Us Accountable: The Role of Civil Society. Civil Society plays an important role in the actions of the Bank, particularly through the IDB Civil Society Consulting Groups. These groups provide a forum for exchanging information, strengthening dialogue, and facilitating ongoing consultations between the IDB and the civil society organizations in the region.



Promoting Sustainability at Home

Our commitment to sustainability includes empowering neighboring communities, maximizing the potential of employees, and minimizing the environmental impact of our physical facilities and employees (our “footprint”). During 2013 we strengthened our support for the wider communities in which we operate and for local organizations; we worked to reduce the Bank’s carbon footprint in Washington, D.C., and our country offices; and we increased our efforts to have a diverse and inclusive staff.

OUR COMMUNITIES: A LIFETIME OF SOLIDARITY

IDB Solidarity provides support to members of the Latino and Caribbean communities in the Washington, D.C., area, and in the communities of our local offices. Guided by the Solidarity Strategy 2013–2015, we maintain strategic partnerships with more than 50 local community-based organizations to promote community development initiatives for our neighbors in Washington's low-income Latino and Caribbean

communities. We support these organizations through grant making, volunteerism, surplus equipment donations, and technical assistance.

Volunteerism

Focus on volunteerism **strengthened**

Volunteerism program **expanded** to employees in local offices

366 employees at headquarters and 96 in local offices **engaged in community services**

Surplus Equipment Donation

At headquarters: 4,232 items of surplus equipment (office supplies, furniture, etc.) and 254 computers donated to local communities to help equip the classrooms, offices, and facilities of 29 community-based organizations

In local offices: 35 computers and 19 items such as projectors, printers, scanners, etc. were donated to local organizations

Community Training

Three community training sessions

168 community beneficiaries

Grants for Our Partners



50+

strategic partnerships
with local community-
based organizations

30,847

beneficiaries

33

grants (US\$300,000)
awarded to support
for education, health,
and community
development programs
and services

Campaigns and Drives



US\$12,643

was raised by The Pink
Campaign to support
breast cancer research
and services

US\$13,865

was raised by the
HIV/AIDS Awareness
Campaign to support
services for HIV/AIDS
patients

US\$3,451

was raised by the
Campaigns led by IDB
country offices for local
communities

US\$5,475

was donated to
local organizations
to empower Latino
children through sports
to become better
citizens and to provide
transitional housing for
homeless families

US\$2,300

was raised by the
Shoebox Project for
the Homeless that
generated 192 boxes of
basic essentials for the
homeless and for low-
income families

US\$8,000

was contributed by the Share the Magic campaign in
mini-grants to four local organizations and donated
2,582 toys, 80 boxes of food, and 124 boxes of baby
food, cereal, and diapers to 18 local organizations

Follow IDB Solidarity on Facebook and Twitter



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[#IDBSolidarity](https://twitter.com/IDBSolidarity)

OUR SOCIAL ASSETS: PROMOTING AN INCLUSIVE WORKPLACE

The IDB promotes progressive human resource policies and practices to maximize the potential of its employees and to ensure a diverse and inclusive workplace. We recognize that the effective management of diversity and inclusion (D&I) can greatly contribute to innovation and sustainability—attributes that boost our value. It enhances an organization's ability to be an employer of choice, respond effectively to diverse groups of stakeholders, and deliver better results to clients.

The IDB continued to build on the groundwork laid in 2012 by initiating implementation of the Diversity and Inclusion Framework and Action Plan. A priority activity in 2013 was an employee Diversity and Inclusion Survey in June. The survey was designed to assess employee diversity via self-identification, and it covered topics including native language, ethnic origin, disability, sexual orientation, flexible work arrangements, and caring responsibilities. With a response rate of 68 percent, the results provided the IDB with a solid baseline of employee diversity across multiple dimensions and a better understanding of employees' perceptions of D&I.

Actions and results in 2013 in support of IDB diversity and inclusion included:

- D&I action plans established in 18 IDB country offices.
- Emphasis on hiring young indigenous and Afro-descendants as part of the Research Fellow and Intern program in IDB country offices.
- New pregnancy and lactation policy.
- Alternative work arrangement policies extended to national staff.
- Respect for diversity-of-belief floating leave day.
- Emerging Women Leaders Program launched.
- Working Mama group coaching program established.
- Lean In Circles to support women's networking and leadership created.
- Internal mobility of diverse staff strengthened.
- 400 employees at IDB headquarters participated in D&I learning events.
- New D&I website launched for employees.

Educational Improvements for Our Community. As part of the first IDB country-level Solidarity Strategy in Panama, we worked closely with the Virgen de Guadalupe School and other community spaces in Las Garzas de Pacora. The improvement projects were the result of a partnership among 20 government agencies, private sector companies, NGOs, and the local community to improve the quality of life of some 1,240 students and families. Improvements included installing an Infoplaza with access to the Internet, equipping a mobile technology classroom with computers, and starting a computer center with broadband Internet service, educational software programs, and a virtual library. Equipment training is being provided to teachers and students. The school also received equipment for its science laboratory, a school garden, and a fully equipped classroom for students with special needs. Other activities included a community fair, health fair, and the rehabilitation of a playground and a soccer field. An estimated 6,500 persons will benefit from this intervention.

Our Human Resources	2011	2012	2013
Total number of staff	1,947	1,986	1,956
Male/female staff (%)	49/51	48/52	49/51
Male/female executive staff (%) (1)	80/20	80/20	75/25
Male/female mid-level managerial staff (%) (2)	71/29	68/32	67/33
Male/female senior staff (%) (3)	66/34	65/35	64/36
Male/female technical and support staff (%) (4)	34/66	34/66	35/65
Borrowing country/non-borrowing country	1,326/621	1,349/637	1,309/647
Headquarters/country offices (%)	67/33	68/32	67/33
Total consultants (full-time employee equivalent)	1,269	1,470	1,789

(1) Executive Vice President and Vice Presidents; (2) Executives and Representatives; (3) Grades 1–4; (4) Grades 5–12.

OUR FOOTPRINT: REDUCING IMPACTS ON THE ENVIRONMENT

At the IDB we are committed to preserving the environment in which we live and work, in our projects, and in our offices. The Corporate and Social Responsibility Program of the Bank plays a vital role in making our daily operations and activities more environmentally and socially friendly.

The focus of our work:

- Calculating, reducing, and offsetting our greenhouse gas emissions.
- Ensuring resource efficiency.
- Creating staff awareness.
- Supporting local communities.

The IDB has been calculating and offsetting unavoidable emissions from its headquarters

through a series of investments in offset projects in Latin America and the Caribbean. In 2013, the total emissions generated by the IDB headquarters, 26 country offices, and two regional offices was 29,556 tons of CO₂eq.

We recognize that it is not enough to simply measure and report emissions. To truly promote sustainability, the Bank is taking actions to reduce its emissions. In the last year the Bank has been focusing on energy efficiency enhancements both in its headquarters and in its country offices.

In addition, the Bank purchases Renewable Energy Certificates for 100 percent of its energy use at headquarters and offsets any unavoidable emissions through investments in carbon offset projects in our region.

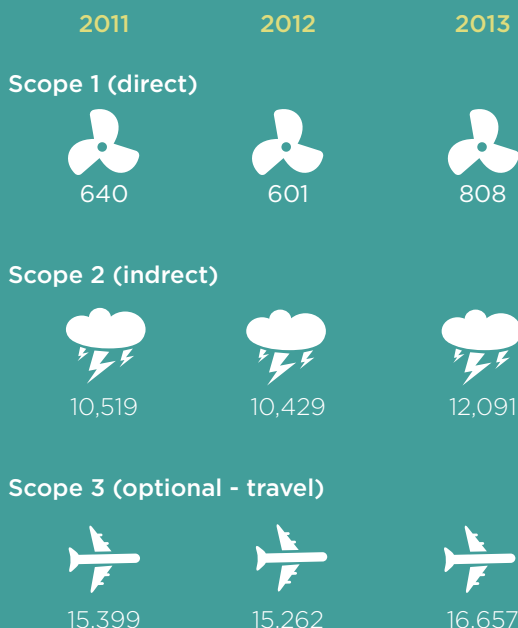
Total Carbon Emissions (tons of CO₂eq)



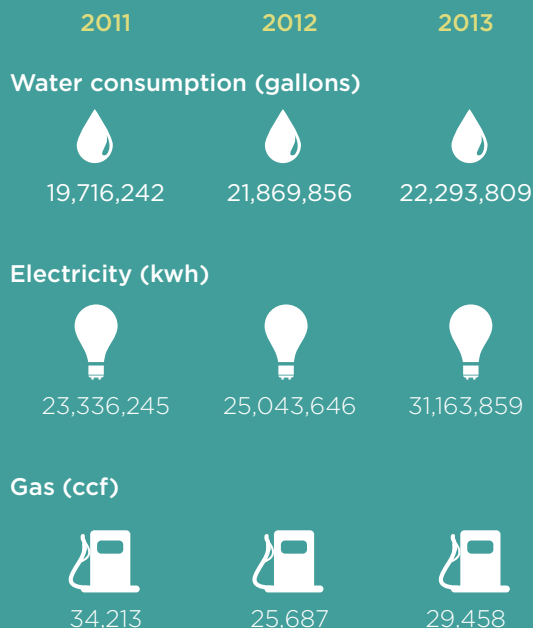
Renewable Energy Use (through purchase of RECs)



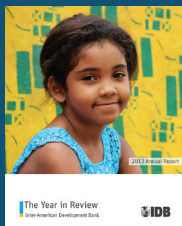
Breakdown of emissions by scope



Utility Usage



RECOMMENDED READING



IDB Annual
Report 2013 



IDB Development
Effectiveness
Overview 2013 

The Sustainability Report 2013

The IDB welcomes opinions and comments on the content and format of this report, as well as on the Bank's overall sustainability performance. Should you have any questions or comments to share, please contact the Managing Editors by email: sustain@iadb.org

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Inter-American Development Bank

1300 New York Avenue, N.W.

Washington D.C. 20577, USA

Tel: (202) 623-1000

www.iadb.org