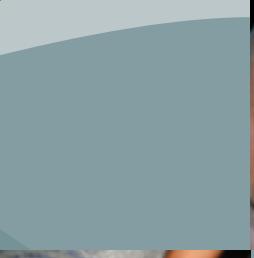


Inter-American Development Bank Sustainability Review 2008



About the IDB

What the IDB Is

The Inter-American Development Bank (IDB) is the main provider of multilateral development financing for Latin America and the Caribbean. The IDB is owned by 48 member countries: 26 borrowing members in Latin America and the Caribbean and 22 nonborrowing members.

Each member country subscribes to shares of ordinary capital and has voting authority through the Bank's Board of Governors according to its capital subscriptions. Under the terms of the Bank's Charter (The Agreement Establishing the Inter-American Development Bank), the countries that receive IDB financing hold a majority of its shares. The IDB's credit rating is AAA/aaa, the highest available. The Bank was formally created in 1959 and turns 50 in 2009.

The IDB is part of the IDB Group, which also includes the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF). The IIC is a public international organization, and the MIF is a fund under the administration of the IDB.

What the IDB Group Does

The IDB fosters sustainable economic and social development and poverty reduction through lending and nonlending activities. The IIC focuses on support for small and medium-sized businesses, while the MIF promotes private sector growth through grants and investments.

Since the IDB was founded in 1959, the Bank has approved loans and guarantees totaling \$169 billion. The total active portfolio of loan projects numbers more than 620. In addition to financing projects in the public sector, the IDB provides financing to private companies in several sectors such as infrastructure, capital markets, and trade finance. IDB financing is conducted directly or through financial institutions.

How the IDB Is Organized

The IDB is headed by the Board of Governors, which delegates oversight of Bank operations to the Board of Executive Directors. Day-to-day operations are conducted by the Bank's management team, led by the IDB President, who is the Bank's chief executive officer. The President manages the ordinary business of the Bank, assisted by the Executive Vice President and four Vice Presidents for Countries, Sectors and Knowledge, Private Sector and Non-Sovereign Guaranteed Operations, and Finance and Administration.

The year 2008 was the first full year of the Bank's new organizational structure, approved in 2007, which represents a major overhaul and emphasizes connecting with new clients and putting more personnel in Country Offices.

The IDB has 1,815 employees divided among its headquarters in Washington, D.C., and Country Offices in all 26 borrowing countries, plus nonregional offices in Tokyo and Paris.

Table of Contents

Key Figures.....	2
A Message from the President.....	3
Commitments and Progress	4
The IDB's Stakeholders	7
1. Strengthening the IDB's Approach to Sustainability.....	9
1.1 Applying Sustainability Standards.....	9
1.2 Integrating Sustainability in the new Business Model	10
2. Investing in Sustainable Growth	13
2.1 Programming Sustainability at the Country Level.....	14
2.2 Investing in Sustainability Operations	15
2.3 Moving Forward on Sustainability Priorities.....	18
3. Ensuring Sustainability Standards in IDB Operations.....	25
3.1 Incorporating Sustainability in the Bank's Project Cycle	25
3.2 Enhancing the Bank's Focus on Development Effectiveness	30
4. Bringing More than Money.....	33
4.1 The Added Value of Knowledge.....	33
4.2 Knowledge and Learning inside the IDB	34
5. The Bank's Footprint.....	37
Global Reporting Initiative	40
Disclosure and Management Approach.....	43
Reporting Principles	44
Contact.....	45
Acknowledgments.....	45

Key Figures

	2007	2008	Change (%)
The Bank's operations			
Total volume of portfolio (billion \$)	34.7	38.2	11%
Number of projects in portfolio	580	626	8%
Volume of projects approved (billion \$)	8.8	11.3	28%
Total number of projects approved	87	125	44%
Volume of technical cooperations approved (million \$)	167.8	183.8	10%
Number of technical cooperations approved	430	511	19%
Total disbursements (billion \$)	7.1	7.6	7%
Volume of approved operations that support poverty reduction and social equity enhancement (% of total financing)	31	31	0%
Projects approved broken down by environmental and social safeguard category (percent)			
Category A	2	2	
Category B	22	36	
Category C	40	27	
Other (B.13)	36	34	
Number of approved loans that support environmental improvements	20	20	0%
Value of approved loans that support environmental improvements (million \$)	1,111	1,750	58%
Private sector portfolio supervision			
Projects supervised by an Environmental and Social Safeguard (ESG) Specialist	73	46	
Projects with independent consultant assigned	20	30	
Projects with conducted site visit	11	27	
Public sector portfolio supervision			
Projects supervised by an ESG Specialist	n.a.	29	
Projects with independent consultant assigned	n.a.	0	
Projects with conducted site visit	n.a.	29	
Becoming a knowledge bank			
Number of participants in staff training	6,149	7,150	16%
Training hours delivered to staff	67,470	84,644	25%
Training costs (\$ million)	n.a.	5.07	
Training costs per employee (\$)	n.a.	2,792	
Number of participants in training on safeguards	n.a.	112	
Training hours delivered on safeguards	n.a.	836	
Number of external clients trained	1,220	1,059	-13%
Training hours delivered to clients	108,416	98,944	-9%
In-house environmental performance (Headquarters)			
Total CO2 emissions (tons)	21,005	19,567	-7%
CO2 emissions per employee (tons)	8.5	7.2	-15%
Renewable energy use	100%	100%	0%
In-house environmental performance (Country Offices)			
Total CO2 emissions (tons)	4,277	4,453	4%
CO2 emissions per employee (tons)	5.6	5.2	-7%
In-house social performance			
Total number of staff	1,745	1,815	4%
Male/female staff (%)	50/50	49/51	
Male/female executive staff (%)	81/19	85/15	
Male/female professional staff (%)	58/42	56/44	
Male/female administrative staff (%)	14/86	13/87	
Headquarters/Country Offices (%)	70/20	65/35	
Total consultants (full-time employee equivalent)	726	860	18%
Community investment			
Donations in cash -IDB-DC Solidarity Program (\$)	284,000	457,000	38%

A Message from the President

2008 was a historic year for the Inter-American Development Bank and the region we serve—Latin America and the Caribbean. We were hit by two separate yet interlinked crises, the food crisis and the financial crisis, requiring unprecedented and swift actions. During the year, we created new lending facilities, and our approvals and disbursements reached record levels strengthening our ability to help the region weather the storms. But throughout it all, we remained cognizant of the long-term development needs of Latin America and the Caribbean and kept our focus on addressing the critical issues posed by climate change, recognizing that this is now a core development issue for the region, along with attempts to address poverty alleviation.

Because of our cooperative structure, the IDB is able to assist countries affected by the financial crisis in a swift and responsive way. Our strategy is built on truly knowing our clients and understanding their needs. Our work is based on developing substantive relationships rather than being driven by transactions, forging long-term commitments and results instead of simply responding to short-term needs. Sustainability is an inherent part of our structure, our strategy and our work towards these goals.

Yet sustainability is not a pursuit of simple answers and straightforward choices. We face dilemmas and different viewpoints. We need to set priorities in order to find solutions that have a real impact. That is what this review is about. Last year, we asked stakeholders to provide feedback on the needs served by and expectations for this periodic review, and the message was clear. To be more relevant, the review needs to link our vision with our performance and show not only how our policies are written, but what actually happens on the ground. We wanted to improve this review, as it is crucial for engaging our stakeholders. And through dialogue and consultation, our stakeholders help us take better decisions.

In 2008, we completed the transition to a new business model with a stronger presence in the field under a more flexible and faster lending structure. We recruited new environmental and social staff and undertook training of staff in environmental and social safeguards. We are on target to reach our objectives in our priority areas of climate change, disaster risk management, water and sanitation, and opportunities for the majority. We approved new operations that help the Bank move deeper into these areas and approved record lending volumes overall in environmental sectors. And we are better equipped to work on the Bank's sustainability agenda.

Sustainability requires hard work, focus, and commitment. I wish to express my personal commitment to sustainability and thank the IDB staff for theirs, as well as our stakeholders for their interest and cooperation.



Luis Alberto Moreno
President
Inter-American Development Bank

Commitments and Progress

The IDB is committed to integrating sustainability within the full spectrum of its operations and to promoting the value of sustainability among its stakeholders. The Bank started the journey towards achieving this goal some time ago. In 1979, it was the first multilateral development bank to adopt an environment policy. The Bank further sharpened its sustainability priorities in 1994 through a clear mandate from the Board of Governors to deepen its engagement in the region in assisting on environmental concerns. As a result the Bank worked closely with its borrowers to establish environmental and social management frameworks and capacity at central and local levels throughout the region. In 2003, the Bank's Environment Strategy advanced the concept of integrating environmental and social considerations in economic and social development as well as improving the Bank's own environmental performance.

The new Environment and Safeguards Compliance Policy and Indigenous Peoples Policy (both approved in 2006) strengthened the Bank's commitment both to providing assistance to governments to achieve sustainability and to establishing more rigorous standards. For the last four years, a Blue Ribbon Panel on Environment has advised Bank management on the implementation of its safeguard policies,

and this and other actions have better positioned the IDB to become a more central player in promoting sustainability in the region. However, challenges remain, and the IDB will address them by focusing its efforts on areas where it can achieve the most impact.

To help prioritize and to report on progress adequately, the Bank has defined a framework called the Sustainability Agenda. The Sustainability Agenda is based on six key objectives for the Bank¹ and includes both established commitments and new specific goals, as reported in this and previous Sustainability Reviews. Each objective will be supported by concrete actions that will be measured and reported on annually.

The Sustainability Agenda consists of commitments in the following areas:

- 1. Enhancing sustainability governance**
- 2. Strengthening stakeholder relations**
- 3. Improving environmental and social impact management**
- 4. Growing the sustainability investment portfolio**
- 5. Expanding knowledge and learning activities**
- 6. Minimizing the environmental footprint**



¹ The basis for this agenda is the commitments made by the Bank in response to the Blue Ribbon Panel on Environment in 2005, towards which it continues to work. For 2008, the IDB decided to prioritize in reporting on its sustainability commitments. This means that some of the commitments for 2008 described in the 2007 Sustainability Review are not included in this review. This does not mean, however, that the commitments have not been achieved.

PROGRESS 2008	Achieved	COMMITMENTS 2009
1. Enhancing the Bank's sustainability governance		
Recruit staff with specific sustainability and safeguard skills and experience	Yes	Develop an internal professional sustainability network
Develop a policy statement on labor, including occupational health and safety	No	Develop a policy statement on labor, including occupational health and safety
Develop options for aligning incentives with sustainability objectives based on study of similar efforts at other institutions	No	Develop options for aligning incentives with sustainability objectives based on study of similar efforts at other institutions
		Define the relevant scope of sustainability for the Bank and its activities, including impact indicators for reporting purposes
		Approve a new Gender Equality Policy and Action Plan, replacing the Policy on Women in Development
2. Strengthening the Bank's stakeholder relations		
Develop best practice paper for civil society consultation in high-visibility projects to guide IDB safeguards staff	Yes	Develop and approve IDB stakeholder consultation guidelines
Organize workshop with civil society organizations for input on IDB Strategic Environment Assessment	Yes	Implement guidelines for Civil Society Advisory Councils (CSAC)
Consult with various CSAC on IDB projects, programs, and country strategies	Yes	Continue to consult CSAC on projects, programs, and policies
		Establish independent review of the implementation of the Environment Safeguards Compliance Policy
		Publish annual report on civil society participation
3. Improving the Bank's environmental and social impact management		
Work towards a common standard for environmental and social review of private and public sector projects	Yes	Integrate the disaster risk management toolkit into IDBs environmental and social safeguards toolkit
Implement sustainability tracking system to quantify the Bank's sustainability investments	Yes	Develop a mechanism for monitoring and collecting data on the Bank's operations to assess compliance with the Operational Policy on Indigenous Peoples
Establish internal safeguards help desk to assist project staff	Yes	Allocate dedicated budget to ensure sufficient management of environmental and social risk of all IDB projects
		Finalize and launch a decision support instrument to facilitate early identification of risks of infrastructure projects associated with natural habitats
		Implement methodology to calculate the greenhouse gas emissions associated with the Bank's portfolio
4. Growing the Bank's sustainability investment portfolio		
Invest in climate change projects under Sustainable Energy and Climate Change Initiative (SECCI), program such as renewable energy, bio energy, carbon financing, and climate change adaptation strategies	Yes	Continue to implement SECCI program in the Bank's operations
Approve four operations under the Opportunities for the Majority program	Yes	Approve 10 operations under the Opportunities for the Majority program

PROGRESS 2008	Achieved	COMMITMENTS 2009
4. Growing the Bank's sustainability investment portfolio, continued		
Move towards targets for Water and Sanitation Initiative reaching 100 cities, 3,000 rural communities, and 20 watersheds by the end of 2009	Yes	Achieve targets for Water and Sanitation Initiative reaching 100 cities, 3000 rural communities and 20 watersheds
Develop Strategic Sector Plans for water sanitation sector in 21 countries	Yes	Initiate Strategic Sector Plans for water sanitation sector in Mexico, Paraguay, and Venezuela
		Approve a new credit line (Aqua Express) for water operators
		Conduct a regional water mapping regional exercise
		Conduct Country Environmental Assessments for four countries
		Approve five technical cooperations and two loans to improve disaster risk management in borrowing countries
		Launch a contingent credit facility to help countries in the region better cope with natural disasters
		Launch a gender and diversity fund to help foster gender equality, combat discrimination and support development with identify in the countries of the region.
5. Expanding the Bank's knowledge and learning activities		
Develop and launch staff training course on safeguards focusing on environment policy and guidelines	Yes	Expand staff training on safeguards to infrastructure, agriculture, and energy sectors
Develop and conduct Bank-wide training on disaster risk management	Yes	
Develop indigenous training module for employees	No	Develop indigenous training module for employees
Undertake training program on the environmental and social evaluation methodology for IIRSA (regional infrastructure initiative)	Yes	
Develop a series of 10 case studies for workshops on environmental assessment, social policies, and natural habitats directive of the environment policy for incorporation in safeguards training program	Yes	
Define client training on environmental and social risk management training	No	
Organize public events to promote the concept of Opportunities for the Majority	Yes	
6. Minimizing the Bank's environmental footprint		
Conduct energy audit at Headquarters and identify potential energy efficiency projects	No	Conduct energy audit at Headquarters and identify potential energy efficiency projects
Hire Leadership in Energy and Environmental Design(LEED)-certified consultants to begin LEED certification phase at Headquarters	No	Hire LEED-certified consultants to begin LEED certification phase at Headquarters
Monitor and calculate greenhouse gas (GHG) emissions in Country Offices and make all IDB offices carbon neutral	Yes	
Develop GHG Inventory Management Plan	Yes	
Set GHG emissions reduction targets	No	Set GHG emissions reduction targets
Reconvene Multilateral Agencies Workshop on Procurement for Sustainable Development	Yes	

As can be seen, progress in many areas has been substantive, further integrating environmental and social safeguards in project processing and implementation and in better underpinning the attainment of sustainable development. However, climate change and its impact on development

options remains a central challenge that will require innovation, working across the sectors, and fostering new partnerships. The relationship of climate change to poverty alleviation also demands much attention if a large segment of society is not to suffer.

The IDB's Stakeholders

The IDB's shareholders are the governments of its member countries. But its stakeholders are many and varied, and present at all levels of society, from the region as a whole to specific communities, from national to local. Broadly speaking, the IDB's stakeholders range from those individuals and groups whose lives and futures are directly affected by specific Bank-funded projects in the field, to organizations or countries that have an interest in the Bank's charter and overall activities.

The Bank seeks dialogue with stakeholders in the following four areas: (i) Bank input into the shaping of country development policies, plans, and agendas; (ii) sector and country strategy formulation; (iii) project preparation and implementation; and (iv) evaluation of Bank activities.

The Bank and its member countries have three core instruments for engaging stakeholders in its activities: information, consultation, and participation. Information is the true gateway to participation. The Bank provides information on all of its activities under its Disclosure of Information Policy. Access to information is the norm, and only in certain cases, such as with private transactions, may information be classified as confidential.

An increase in Bank operational activities naturally entails an increase in the number of stakeholders. The IDB routinely consults with affected populations during project preparation and implementation. At the policy level, various stakeholders review and comment on draft strategies and policies. The Bank holds regular dialogue with and receives feedback from different groups, such as borrowing and nonborrowing IDB member states, private sector companies, civil society organizations, academics, international agencies, and investors.

A Closer Look IDB Civil Society Roadmap: A Bridge to Development

The following commitments were set forth in the Montevideo Roadmap:

- To improve civil society participation at the Annual Meeting of the Bank's Board of Governors in Medellín in March 2009;
- To develop general guidelines for setting up Civil Society Advisory Councils in all IDB Country Offices;
- To develop simple and effective ways of accessing the Independent Investigation Mechanism;
- To develop a methodological guide for Strategic Environmental Assessments to be applied in IDB operations, with inputs from civil society;
- To publish the first Annual Report on the IDB and Civil Society.

In 2008, the Bank held its annual meeting with regional civil society organizations in Montevideo, Uruguay. It was attended by representatives of IDB senior management and more than 130 representatives of civil society from Latin America and the Caribbean. IDB President Luis Alberto Moreno led a question-and-answer session that enabled IDB staff to hear civil society's main concerns. During this meeting the Bank committed itself to strengthening its engagement with civil society. The Bank's new *civil society roadmap* lays out several areas for collaboration with concrete targets for 2009. President Moreno emphasized that the Bank's realignment and other recent initiatives would lead to new opportunities for collaboration. Civil society representatives gave the meeting good marks and expressed their interest in strengthening ties with the Bank.





Achieving the Bank's **sustainability mission** is a task for
all Bank staff. This effort is led by
President Luis Alberto Moreno,
supported by the Executive Vice President and four Vice Presidents,
who share **institutional responsibility**
for sustainability.

Strengthening the IDB's Approach to Sustainability

For the IDB, sustainability is an integral part of development lending. By putting sustainability at the center of its operations, the Bank aims to help countries in Latin America and the Caribbean maintain and enhance their natural and social capital

for development. This approach to sustainability is used in developing the bank's lending instruments and to define and manage the impact of its development activities in alleviating poverty.

The IDB's main goals are to promote sustainable economic growth and reduce poverty in Latin America and the Caribbean. As stated in its charter, the Bank's purpose is "to contribute to the acceleration of the process of economic and social development of the regional developing member countries, individually and collectively." It strives to do so in environmentally and socially sustainable ways, in order to achieve lasting poverty reduction and greater social equity. In addition, the IDB has endorsed the UN Millennium Development Goals and is committed to helping the countries of the region to achieve them by 2015.

More specifically, the Bank seeks to:

- **Make countries more competitive** by supporting policies and programs that increase their potential for development in the global economy.
- **Modernize the state** by strengthening public institutions, increasing their efficiency and transparency.
- Invest in programs and activities that **expand economic opportunities** for the low-income majority of the region's population.
- **Promote regional integration** by forging links among countries to develop larger markets for their goods and services.
- **Enhance environmental sustainability** as a cross-cutting theme by mainstreaming the environment into broader development strategies.

In addition, the IDB has five **priority initiatives**:

- In **poverty reduction**, it strengthens social safety networks.
- In **energy and climate change**, it seeks to develop renewable energy sources and responses to the challenges posed by climate change.
- In **infrastructure**, it promotes investment in better infrastructure, with a special focus on water and sanitation
- In **education and innovation**, the Bank promotes effective social policies and programs and supports regional development of science and technology.

- In **Opportunities for the Majority**, the Bank engages the private sector in social and development projects using market incentives and partnerships.

These are not merely political objectives. Even as long ago as 1994, the Bank had established objectives whereby at least half of the total volume of IDB operations and 40 percent of the number of operations would focus on programs that promote social equity and reduce poverty. At the same time, the Bank was charged with the indicative goal of channelling 35 percent of its lending volume to the countries of Latin America and the Caribbean with the greatest need.

1.1 APPLYING SUSTAINABILITY STANDARDS

Bank activities are guided by a coherent set of sustainability policies that defines the boundaries for the Bank's investments. The policies represent the Bank's commitment to applying sustainability principles and international best practices. They seek to position the Bank to support sustainability goals effectively in the Latin American and Caribbean region. The most relevant operational policies for the Bank in its environmental and social sustainability spheres are:

- The **Environment and Safeguard Compliance Policy**, which mainstreams environmental considerations into the IDB's social and economic development objectives. It commits the Bank to safeguarding the environmental quality of all operations and to introducing socially and environmentally responsible practices in its own facilities.
- The **Policy on Indigenous Peoples**, which requires that the IDB safeguard indigenous peoples' rights in all operations and mainstream indigenous priorities for development in its portfolio.
- The **Involuntary Resettlement Policy**, which aims to minimize physical and economic disruption and requires that pre-project conditions be established, if there is to be involuntary physical displacement of people as a result of an IDB project. Where possible, it ensures that displaced people share in project benefits.

The policy also defines the scope and criteria of resettlement plans.

- The **Disaster Risk Management Policy**, which strengthens the effectiveness of Bank support to borrowers in risk management through: prevention and mitigation of disasters resulting from natural hazards through programming and proactive project work at the regional, national and local levels; and post-disaster response to natural hazard events and physical damage from technological accidents or other disasters resulting from human activity.
- The **Policy on Women in Development**, which commits the Bank, through its lending and technical assistance programs, to assist its member countries in integrating women into all stages of the development process and in improving their socioeconomic status.
- The **Disclosure of Information Policy**, which stipulates that information concerning the Bank and its activities will be disclosed to the public unless there is a compelling reason for confidentiality.
- The **Independent Investigation Mechanism (IIM)**, which helps ensure the Bank's transparency and accountability by allowing affected parties that believe that they are or may be affected by a Bank operation to request an investigation into whether the Bank has followed its own operational policies during the preparation and/or execution of the project. The IIM is currently under review.



1.2 INTEGRATING SUSTAINABILITY IN THE NEW BUSINESS MODEL

Achieving the Bank's sustainability mission is a task for all Bank staff. This effort is led by President Luis Alberto Moreno, supported by the Executive Vice President and four Vice Presidents, who share institutional responsibility for sustainability. From an operational perspective, sustainability has increasingly been mainstreamed in the Bank, through its new structure. With a matrix management system now in place, the task of managing sustainability is shared among specialists working in the different programming, operational, and technical areas of the Bank.

Vice Presidency for Countries

The Vice Presidency for Countries is responsible for developing and maintaining a dynamic relationship with countries, in which evolving priorities are identified. The role of the Bank's Country Offices in this process is increasingly important. And the Bank has indicated this shift to greater client awareness by increasing the presence of Bank staff in Country Offices. These Bank professionals are on the ground and know the issues well. They are therefore central to the country strategies and the programming exercise and are charged with leveraging the Bank's resources to support agreed priorities with each borrower.

Vice Presidency for Sectors and Knowledge

The technical soundness of operations is the responsibility of the Vice Presidency for Sectors and Knowledge. In particular, the *Infrastructure and Environment Sector* deals with operations related to water and sanitation, rural development, natural disasters, energy, transport, and climate change, and the *Social Sector* deals with operations related to gender and diversity and social protection and health. The Bank's expertise has been put together in single units of the Bank, as a means of rebuilding technical families and of promoting knowledge in each sector, and in 2008, these units strove to mainstream sustainability within the Bank's operations.

The *Environmental and Social Safeguards Unit (ESG)* sits within this Vice Presidency and is tasked with anticipating environmental and social issues in the Bank's portfolio and in managing, monitoring, and supervising environmental and social safeguards in all IDB projects, both public and private, from initiation to completion. This is accomplished by working with teams to enhance the sustainability values of its projects.

In addition, the Vice Presidency for Sectors and Knowledge manages two of the Bank's flagship initiatives: the Sustainable Energy and Climate Change Initiative and the Water and Sanitation Initiative (see chapter 2).

The Vice Presidency for the Private Sector and Non-Sovereign Guaranteed Operations

The Vice Presidency for the Private Sector and Non-Sovereign Guaranteed Operations invests to strengthen the role of the private sector in development, through entrepreneurial activities and enhancing needed skills. It also measures the actual development impact of the Bank Group's individual private sector operations. Another of its tasks is to promote the sustainability agenda among the Bank's clients by accessing new markets and developing new products under the aegis of the Opportunities for the Majority (see Chapter 2) and Multilateral Investment Fund facilities. In addition this vice presidency invests in projects sponsored by non-sovereign actors such as municipalities and state governments.

The Vice Presidency for Finance and Administration

The Vice Presidency for Finance and Administration has the responsibility for managing the Bank's internal sustainability issues, looking at the IDB's own environmental and social footprint.

Compliance and Accountability Mechanisms and Committees

In addition, the Bank has several specific committees and units to ensure compliance with its policies, to inform stakeholders, and to make sure the Bank lives up to its promises. The Office of Institutional Integrity is responsible for preventing and investigating allegations of fraud and corruption in Bank-financed activities, and the Independent Inspection Mechanism (IIM) allows affected parties that allege that they stand to suffer adversity as a consequence of a project, either proposed or under implementation, to request an investigation into whether the Bank has followed its own operational policies. The Bank is currently reviewing and updating the IIM. In addition, the Bank's Office of Strategic Planning and Development Effectiveness is responsible, among other things, for setting and implementing standards for the design and execution of the Bank's development products in order to ensure the relevance, effectiveness, efficiency and evaluability of those products. Finally the Office of the Executive Auditor serves as the principal advisory unit to the IDB President, providing periodic, independent, and objective appraisals and audits of financial, accounting, operational, administrative, and other activities, including identifying possible means of improving the efficiency and economy of operations and the use of resources.





In 2008 the IDB ramped up its efforts in addressing priority environmental concerns, responding in particular to the region's need to find innovative solutions to the **critical challenges** posed by climate change, while continuing to address the linkages with other areas of the IDB's work on its sustainability agenda, approving record investments.

Investing in Sustainable Growth

In 2008, the IDB approved 125 operations (loans and guarantees), a substantial increase from the 87 projects that were approved in 2007. In terms of volume, loan approvals increased 28 percent to a record \$11.3 billion in 2008 and were complemented by \$184 million in grant resources. This record-high lending level took place in an international context that added a new dimension to the challenges the region is facing, as a result of two different yet interlinked crises

that dominated 2008: the food crisis and the world financial crisis. Both crises had a harsh impact on the daily lives of people in Latin America and the Caribbean, especially the poor, and added a new short-term dimension to the challenges the region had been facing in terms of sustainable and inclusive growth. The intensity and pace at which these two crises hit the region have been of unprecedented severity.

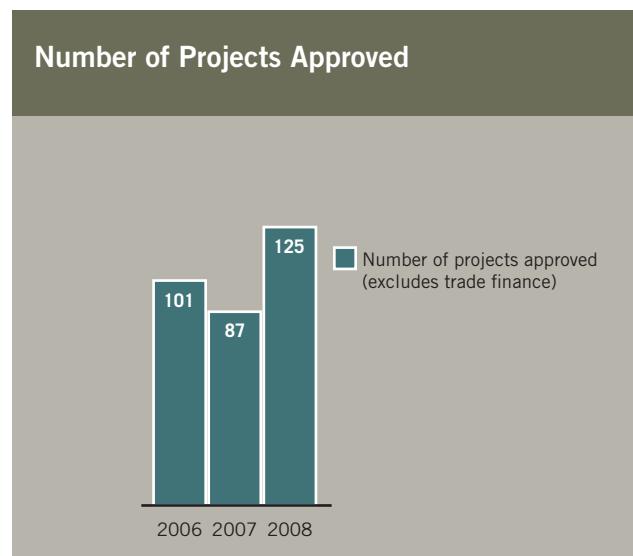
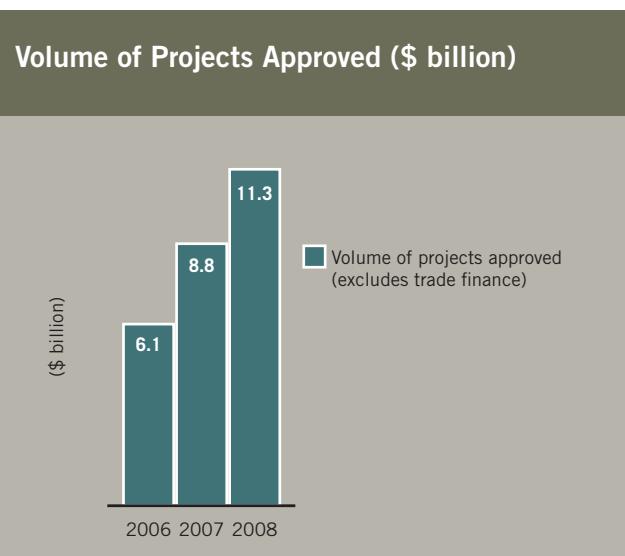
In direct response to the global financial crisis, the Bank exercised regional leadership by launching its \$6 billion Liquidity Program for Growth Sustainability. The availability of financial resources is critical to boosting credit to the manufacturing and exporting sectors in order to bolster economic momentum and mitigate the consequences of the global financial emergency. The program is designed to alleviate the effects of the international turmoil on countries' macroeconomic stability, growth, and employment. In 2008, two projects (for Costa Rica and El Salvador) were approved for a total of \$900 million.

The Bank responded to the food crisis by creating a fund with grant resources from its own capital, supplemented with funding from donors, and a lending facility to finance the costs of meeting pressing social needs and projects to expand output and productivity in the longer term.

“ We are rallying to respond to our clients’ needs. The origin of the crisis is outside of the region but can have potentially serious repercussions in Latin America and the Caribbean. Our countries have made strides in recent years to promote growth and reduce poverty. Those gains need to be protected, and that is why the IDB and its sister institutions are moving quickly.”

—IDB President Luis Alberto Moreno

In 2008 the Bank approved 125 operations of which almost two-thirds (64 percent) of the lending volume was to develop infrastructure and support the region's competitiveness, in sectors such as energy, transportation, capital markets, and technological modernization. About a third (30 percent of the



lending volume) was focused on social sectors, including social investment, water and sanitation, environment, and natural disaster prevention. The remaining 6 percent was for operations to support modernization of the state. The MIF approved 145 operations in 2008 for a total of \$167 million (of which 142 were grants totaling \$108 million), a slight increase over 2007 (117 for \$140 million).

2.1 PROGRAMMING SUSTAINABILITY AT THE COUNTRY LEVEL

The Bank programs its activities for each of its borrowing member countries through a continuous process with a multiyear horizon, characterized by ongoing dialogue, planning, and programming. The Country Strategy, approved by the Board of Executive Directors, is at the heart of this programming exercise, and the Bank monitors the strategy's implementation through periodic (usual annual) programming and portfolio review exercises. The Board approved new Country Strategies with Bolivia, Colombia, Ecuador, Honduras, and Peru in 2008.

Generally, the programming process begins with the preparation of a series of studies that help to define the areas that require more attention and that are used as inputs for the dialogue with the country. These studies provide an early opportunity to identify a country's sustainability needs and opportunities. At the end, the identified "core" issues for the country define the Bank's strategy with each of its countries. In 2008, the Bank issued new guidelines for the preparation of Country Strategies. These guidelines explicitly incorporate environmental risk assessment and management.

The IDB's Environment and Safeguards Compliance Policy calls for the identification of environmental opportunities and risks in the programming process and in country strategies. As part of this exercise, the Bank carries out a Country Environmental Assessment and conducts civil society consultations. In 2008, the Bank finalized four Country Environmental Assessments (with Argentina, Brazil, Ecuador, and Paraguay), and civil society consultations took place in Argentina, Brazil, and Paraguay. Country Environmental Assessments focus on those sectors or regions that have greatest impact on competitiveness for the country within the context of the country programming exercise, such as agriculture in the case of Paraguay; mining, agriculture, and energy in Argentina; tourism, agriculture, and infrastructure in Brazil, particularly road construction in the context of IIRSA (the regional infrastructure initiative for South America); and extractive industries in Ecuador.

What Happens on the Ground Sustainability in the Bahamas

The Bahamas is acutely vulnerable to extreme weather events that endanger critical infrastructure. This vulnerability is amplified as 80 percent of the country's landmass lies within 6 feet of mean sea level. Additionally, natural disasters have a sudden and crippling effect on fiscal accounts and public debt of small economies like The Bahamas.

Following the country's 2007 elections, the Bank and the new national authorities of The Bahamas embarked in early 2008 on a Country Strategy for the period 2008–2012. With several studies, the link between the country's economic resilience and environmental sustainability was demonstrated; for example, with continued economic dependence on tourism, sustainability was recognized as an important challenge. This took on even greater significance as a cross-cutting theme in light of the emerging international financial crisis.

Under the proposed draft Country Strategy (not yet approved) with The Bahamas, the Bank will support the country's increasing need for physical development of energy, water, and transport networks and enhance their adaptive capacity and resilience to the effects of climate change, which will mitigate future maintenance and damage costs. To address social sustainability, work will focus on improving the targeting mechanisms of the country's social safety net, enhancing the capacity of its human resource base, and improving the efficiency of its public services.

In addition to the Bank's Country Strategies and Country Environmental Analysis, the Bank is working in specific sectors to conduct sector based assessments and diagnostic studies. In particular, the Bank advanced its work in strategic sector plans for water and sanitation during 2008, completing 12 studies initiated in 2007 and 2008, and initiating a further 11. Three further studies for Mexico, Paraguay and Venezuela will be initiated in 2009. The objective of these plans is to conduct a diagnosis of the situation of the water and sanitation sector on a country-by-country basis, identifying investment opportunities. These plans bring together public and private sector agents to meet objectives which are set out in a roadmap which then frames the dialogue with the respective countries. These are discussed and agreed upon with the countries and are made public. At the regional level in 2009 the Bank will also undertake a regional water mapping assessment which will map out government entities, non-government agencies, private sector companies and other stakeholders who are actively involved in the water and sanitation sector in the region.

2.2 INVESTING IN SUSTAINABILITY OPERATIONS

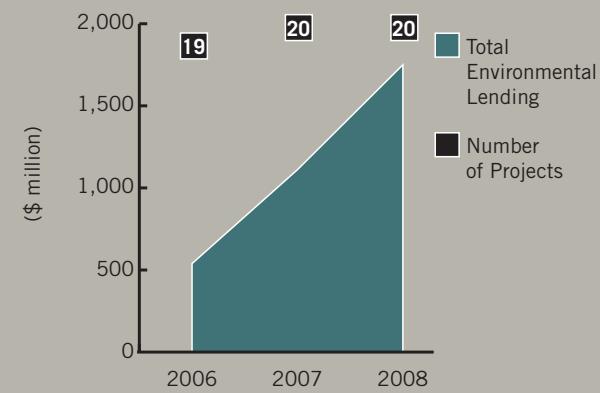
The Bank invests in sustainability in a variety of ways. It provides loans and grant funding that addresses environmental issues such as water and sanitation, climate change mitigation and disaster risk management. The Bank's social sustainability projects target improvements for women, indigenous people, and afro-descendent communities.

In 2008, the IDB approved a total of 20 loans targeting environmental improvement, investing \$1.8 billion (and an additional \$2.2 billion in counterpart investment) representing 16 percent of the IDB's lending activity in 2008, a significant increase over 2007. Primarily these operations were in the areas of water and sanitation (7 projects totalling \$972 million) and biofuels (4 projects in Brazil, totalling \$300 million). Other loans included a \$200 million loan to support climate change policies in Mexico; a \$25 million loan to Loma Negra, Argentina's leading cement producer, to help finance production capacity and environmental measures to reduce emissions; and a \$50 million loan to finance energy efficiency improvements in Brazil's largest flat steelmaker - Usiminas.

In 2008 the Bank also contributed to environmental improvements through the approval of 84 grants for \$37 million for environmental projects particular in the areas of energy efficiency, renewable energy, biofuels, sustainable production and disaster risk management.



Loans targeting Environmental Improvement 2006 - 2008



IDB Investment (\$ million)			
Loans Targeting Environmental Improvement, by Category	2006	2007	2008
Disaster Risk Management	8.8	20.0	
Environmental Governance	5.0	61.0	28
Pollution Abatement			125
Renewable Energy			60
Climate Change			200
Sustainable Production	79.3		43
Sustainable Tourism	55.0		
Energy Efficiency		40.0	52
Fisheries			
Biofuels		40.0	300
Adaptation		20.0	
Water Supply/Distribution and Sanitation	390.6	930.0	943
Totals	538.7	1,111	1,750

In addition to its investment in traditional environmental sectors, the IDB also finances environmental components in “nonenvironmental” loans, reflecting the Bank’s vision of the environment as a cross-cutting issue that should be integrated into traditional sectors of Bank activity that go far beyond the traditional environment areas, such as urban development, transportation, energy and industry, rural development, and health. Most environmental components in nonenvironmental operations finance activities that mainstream the environment into traditional sectors. Mainstreaming is carried out primarily through such activities as addressing water and sanitation needs, building environmental capacity through training and resources, improving environmental sustainability of agriculture and other productive sectors, or including biodiversity or reforestation components in infrastructure projects. Investments include

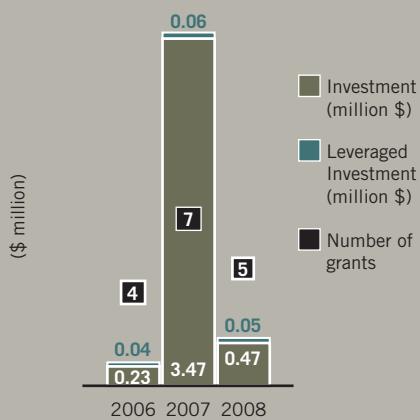
mitigation and safeguarding activities such as environmental impact evaluation, environmental auditing, environmental monitoring and supervision, and impact mitigation and compensation measures required in the environmental and social management plans.

With respect to the Banks investments in social sustainability projects, in 2008 the Bank approved one loan (for \$150 million) that explicitly addresses indigenous peoples, as well as 23 grants that focus on gender issues, ten that address indigenous peoples, and five that address the Afro-descendant population (totaling \$9 million).

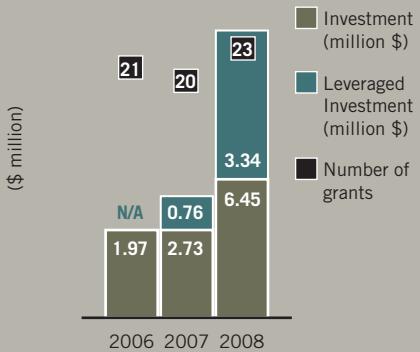
Highlights of the Bank’s sustainability investments in 2008 include:

- A loan in support of Mexico’s climate change agenda, in which the Bank utilized for the first time a policy-based loan (for \$200 million) in support of climate change. The loan is a fast-disbursing instrument that will provide Mexico with resources to finance its priority programs in both mitigation and adaptation. The program will support specific areas such as energy efficiency (in industry, housing, and government buildings), renewable energy development (wind power, solar power, and biofuels), and strengthening the capacity of state governments to implement their climate change agendas.
- A loan in support of Paraguay’s national environmental system that strengthens work initiated under an earlier program and under which disbursements are tied to performance indicators. This second phase will focus on land use planning, decentralization of environmental quality control, strengthening of environmental information systems, and enhanced civil society participation.

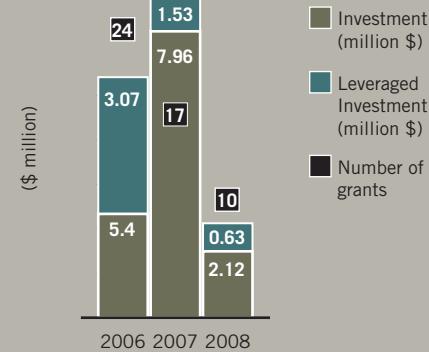
Grants approved on Afro-descendent Issues (2006-2008)



Grants approved on Gender Issues (2006-2008)



Grants approved on Indigenous Peoples Issues (2006-2008)



A Closer Look Instruments for Sustainability

The Bank uses its full range of instruments, including loans and technical cooperation funding, which directly addresses environmental issues such as water and sanitation, biodiversity, climate change mitigation and disaster risk management. The Bank's social sustainability projects target improvements for indigenous peoples, women, people with disabilities, and youth. Increasingly, these operations involve the private sector, in which the Bank is placing increased priority on "green" investments (financing of biofuels, energy efficiency, and renewable energy), currently around 20 percent of the Bank's private sector operational program.

In addition to its direct lending operations, the IDB provides funding to financial intermediaries (both public and private) as a way of developing and expanding financial markets. Here, Bank participation can enhance access to longer-term credit and capital. Financial Intermediaries "FIs" can also use IDB funding for the financing of subprojects. When working with FIs, standard IDB practice is to require them to develop a procedure or mechanisms to ensure compliance with the Bank's environmental, social health and safety, and labor requirements. This essentially translates into the development of an environmental and social management system.

- A total of \$300 million in private sector loans provided to four biofuels projects in Brazil, the largest biofuel investment ever made by a development bank, for ethanol plants in the states of Minas Gerais and Goiás (south-central Brazil).
- A \$3.6 million IDB-Global Environment Facility (GEF) project for the management of the Maya Biosphere Reserve in Guatemala. The project contributes to the conservation and sustainable use of the reserve's biodiversity through strengthening of institutional capacity and effective participation of various interest groups to optimize the management effectiveness. With this GEF project, the current IDB-GEF portfolio includes twelve operations in execution for \$25.4 million and nine projects in the pipeline for a total amount of \$54 million, all contributing to mainstreaming environmental investments in sector development loans.
- The Multilateral Investment Fund approved a series of social and environmental projects. For example, in Argentina, as a result of a project executed by Fundación Garantizar, more than 150 small and medium-sized enterprises will incorporate environmental and social risk management into their operations, and at least 200 financial institutions will introduce environmental and social management factors into their credit analysis and risk assessment.

A Closer Look Banking on Sustainability

The Bank's environment policy requires that FI operations have the appropriate mechanisms in place to ensure the environmental and social management of their investments. This requirement has resulted in FI clients' implementing new or adapting existing systems to manage environmental impacts. It is anticipated that each of the Bank's FI clients will adopt a culture of environmental management even though Bank financing may be restricted to a limited area of the FI's operations (e.g., its mortgage-backed security operations).

In 2005, the Bank approved a \$200,000 technical cooperation with the Japan Special Fund supporting three IDB client Brazilian middle-market banks in developing environmental and social management systems. The three banks—BicBanco, Banco Pine, and Banco Industrial—all recipients of IDB loans, had limited environmental management system capacities in-house and would have incurred significant costs in developing and implementing systems to meet the IDB's requirements. To that end, the technical cooperation was designed to assist the three banks in developing and monitoring an appropriate environmental management system (EMS) that does not jeopardize the viability of the transactions to which it is applied, and the technical cooperation in turn could ultimately have a demonstration effect that could, over the longer term, elevate the environmental and social standards for the banking system in Brazil.

Initial due diligence was conducted in all three banks during 2006, followed by the implementation of tailored EMSs during 2007. Training on environmental and social risk management was delivered to all three banks throughout 2007 and 2008 and follow-up support provided during a one-year period that followed. The results after one year of implementation have been positive. In particular, Banco Pine has assumed the lead among its peers, incorporating an EMS into its credit process, which establishes the completion of environmental and social checklists as a compulsory procedure for credit submission, meaning that no bank transaction can go through without due consideration of potential environmental and social impacts and risks.

- The Bank approved a \$150 million loan to Guatemala for the program *My School Is Making Progress*, which explicitly addresses indigenous peoples. The program will improve preprimary and primary education, including intercultural bilingual education, and thus foster the advancement of children, particularly in rural and indigenous areas. Around 70 percent of program beneficiaries are expected to be indigenous children.

2.3 MOVING FORWARD ON SUSTAINABILITY PRIORITIES

In 2008, the IDB continued to strengthen its work on key sustainability issues: climate change and energy, water and sanitation, disaster risk management, and opportunities for the majority. The IDB has special initiatives in these four areas that are global in importance but especially relevant to Latin America and the Caribbean.

Sustainable Energy and Climate Change

Ensuring affordable, reliable sources of energy is at the core of the development agenda in Latin America and the Caribbean. Highly volatile energy prices and unreliable energy supply in the region are causes for concern, as are the impacts of climate change on the region's economic and social well-being. Climate change has become a major issue in the global political agenda, with warming air and ocean temperatures, melting snow and ice cover, and rising sea levels now overwhelmingly evident. Latin America has been identified by the United Nations Intergovernmental Panel on Climate Change as one of the world's regions most vulnerable to rising temperatures. Severe predicted impacts include a 15 percent decrease in corn production in Central America and the Andean countries, the potential dieback (progressive death of the twigs, branches, shoots or roots of trees, starting at the tips) or collapse of the Amazon rain forest within 50 years, a 70 percent rise in populations struggling to access safe water, and increased transmission of dengue fever.

Not surprisingly IDB borrowing countries are increasingly demanding more assistance in addressing the huge challenges posed by climate change in Latin America and the Caribbean. In 2008 the Bank extended its strong role in the region through its Sustainable Energy and Climate Change Initiative, approved in 2007. By scaling up Bank investments and mainstreaming sustainable energy investment across sectors, the Bank is expanding the development and use of renewable energy sources, energy efficiency technologies and practices, and carbon finance and at the same time promoting and financing climate change adaptation strategies that reduce the region's climate vulnerability. At the same time the IDB will help its borrowers better understand the impact of climate change on their activities.

In 2008, demand for operations in the area of sustainable energy and climate change grew significantly. During the year, the Bank approved one policy-based loan for climate change for \$200 million as well as six loans worth \$411.5 million for renewable energy, energy efficiency, adaptation, and biofuels projects. In addition, grants were approved for more than 30 technical assistance operations totaling \$16.2 million. Highlights include a grant in Brazil for technical assistance for TECSIS (Technology and Advanced Systems) to undertake studies of the environmental and social impacts

A Closer Look

Financing Innovation and Reform for climate change mitigation and adaptation in Mexico

In 2008 the IDB approved a \$200 million innovative programmatic policy-based loan to finance the first national study on the economic impact of climate change, measures to mitigate that impact and climate change action plans in more than ten states in Mexico. The PBL is a fast-disbursing instrument that will give the Mexican Treasury resources to finance its climate change priorities. Mexico has committed to implementing specific activities under its National Climate Change Strategy and Special Climate Change Program, with results that must be verified as a condition for disbursement of the funds.

Among the main activities agreed upon are a study on the economic impact of climate change that will assess the costs and benefits of different actions under various climate change scenarios. The program also includes institutional strengthening for the leading climate change agencies in the country: the Ministry of the Environment and Natural Resources, and the National Institute of Ecology. The program will support specific measures such as energy efficiency (in industry, housing and government buildings), renewable energy development (wind power, solar power and biofuels) and strengthening the capacity of state governments to implement their climate change agendas. The latter is crucial in states like those in southeastern Mexico that are more vulnerable to climate change.

The study, cofinanced by the IDB and United Kingdom, is being conducted by the National Autonomous University of Mexico in coordination with the Mario Molina Center for Strategic Studies on Energy and the Environment. It is designed to help anticipate the impact of climate change and opportunities for mitigation and adaptation in such sectors as energy, agriculture, industry, water resources, transportation and housing.

“With this initiative, we can concurrently address two priorities identified by the Calderón administration. In the short term, we are supporting Mexico's strategy to navigate the international financial crisis. But looking ahead, we also want to help underwrite Mexico's efforts to mitigate the impact of climate change.”

—IDB President Luis Alberto Moreno

The program has been supported since its inception by more than US\$5 million in technical cooperation grants provided by SECCI.

of the company's operations; studies of market trends in the global wind power sector; and the positioning of TECSIS with respect to other players in the market. Similarly, in Honduras, the Bank supported an integrated rural electrification plan to extend electricity coverage to rural communities, giving priority to areas with high productivity potential, thus contributing to development objectives and improving the quality of life of those communities.

Another particularly important highlight in 2008 has been the IDB's involvement in the Climate Investment Funds (CIF), a pair of international investment instruments designed to provide interim, scaled-up funding to help developing countries in their efforts to mitigate increases in greenhouse gas (GHG) emissions and adapt to climate change. The CIF was created by the multilateral development banks (MDBs), in consultation with recipient and donor countries, the United Nations family, civil society organizations, and the private sector. The IDB, along with other MDBs, is one of six implementing agencies that can access part of the \$6.2 billion in pledged donor funds held in the two funds: the Clean Technology Fund and the Strategic Climate Fund. The CIF aims to complement and reinforce the UN negotiations on climate change, without prejudicing the ongoing United Nations Framework Convention on Climate Change deliberations regarding the future of the global climate change regime.

“

At a time of soaring food and energy prices, it is crucial to develop renewable fuels that don't compete with food crops. After examining the social, environmental, and economic dimensions of these projects for more than a year, we concluded that they will produce clean and sustainable energy and provide quality jobs—without impacting food process in any way.”

—IDB President Luis Alberto Moreno

During 2008 the IDB also continued to support the region in the creation of markets for sustainable biofuels, to meet growing demand, while diversifying the regional energy portfolio, increasing energy security, improving rural development, and protecting ecosystems.

During 2009, the Bank will continue to focus on mainstreaming sustainable energy and climate change into its programming work, concentrating on the early identification of climate-friendly investment opportunities. There will also be a considerable emphasis on the linkages between climate change and other critical areas of the IDB's work on its sustainability agenda, particularly sustainable tourism, sustainable forestry, sustainable energy plans, biodiversity conservation, and disaster risk management.

Making the Link Climate Change and Biodiversity Loss

Because of increasing concerns about the effects of global climate change on biodiversity loss, the IDB is also engaged in a collaborative framework designed to reduce deforestation and forest degradation (known by its acronym, REDD). Through focused technical cooperation projects and training efforts, the Bank is helping development partners and clients to build country-level knowledge, capacity, and development project experience to take advantage of emerging opportunities to finance forest biodiversity conservation programs.

Water and Sanitation

The relationship between poverty, health and access to water and sanitation services is widely documented. People who consume polluted water become trapped in a vicious circle of disease, low productivity, and greater poverty. Ensuring access to water and adequate sanitation services is one of the most efficient ways to break this cycle. That is why the United Nations Millennium Development Goals, adopted by 189 countries in 2000, included as a target the halving of the number of people worldwide without access to safe water and adequate sanitation services by 2015.



Latin America and the Caribbean is on track to achieve these targets. But this means that within eight years the region must expand adequate water services to an additional 85 million people and sanitation to an additional 110 million. This will take an estimated investment of \$30 billion by 2015. There is also an urgent need to improve the reliability and quality of the water supply in the region, especially to the poor. And the region must strengthen institutions and legal frameworks in the water and sanitation sector to encourage efficiency and transparency among service providers.

The IDB's long history of providing financial and technical support to improve public services will help it to leverage the necessary resources—public and private, local and international—to enable the region to successfully meet these challenges. However, in recent years, water and sanitation services in many countries have undergone far-reaching structural changes, due in part to intensive decentralization policies. These changes are generating new demands by the IDB's clients, which make it essential for the Bank to adjust its practices to respond better—and more flexibly—to these new challenges.

To that end, the Bank launched the Water and Sanitation Initiative in 2007 to revitalize its financial and technical support to improve public services in water and sanitation. The initiative sets ambitious targets for the Bank:

- 100 Cities: a program to finance technical assistance and investments aimed at extending access to water and sanitation services in cities with over 50,000 inhabitants where the deficit is greatest and in neighborhoods in those cities that lack reliable services;
- 3,000 Rural Communities: a program to provide technical assistance and investment to improve village services through community-based organizations empowered to make their own technical and financial decisions;
- Water Defenders: a program to supply 20 priority microwatersheds with clean water fit for human consumption by providing technical assistance and funds for protecting and decontaminating water sources and wastewater treatment;
- Efficient and Transparent Utilities: a program to improve services in water and sanitation companies by making the companies' performance and management more transparent and building trust among users, donors, and lenders.

Since the initiative was launched, \$2.3 billion in financing has been approved for the sector.

The Bank is on schedule to meet its targets under the initiative. By the end of 2008, the Bank had approved operations that contribute to:

- 95 cities under the 100 Cities program, or 95 percent of the total;

- 839 rural water and sanitation systems under the 3,000 Rural Communities program, or 27 percent of the total;
- 19 water basins under the Water Defenders program for the 20 microwatersheds, or 95 percent of the total; and
- 60 water and sanitation operators under the Efficient and Transparent Utilities program.

In 2008, the Bank approved close to \$1.4 billion in loans and \$11.2 million in technical cooperation funding for water and sanitation projects. The Bank also provides support to countries to develop road maps for their water and sanitation sectors. As of the end of 2008, 17 of these strategic sector plans are available as a basis for future sector action in each country.

The Bank has also worked hard on leveraging public and private resources for the sector. In 2008, a multidonor fund, Aquafund was established to support the implementation of the initiative as well as other IDB activities in the water and sanitation sector. Also, an agreement was signed between the IDB and the Spanish government to set up a Cooperation Fund for the Water and Sanitation Sector. This fund will provide grant resources in the amount of \$1.5 billion to be disbursed over four years for the water and sanitation sector, including

A Closer Look Aquafund

Latin American and Caribbean governments and operators that want to improve their water and sanitation services can apply for grants from the Aquafund, approved by the IDB in September 2008. The Aquafund is a fast-disbursing vehicle to develop new water and sanitation projects, with a focus on low-income communities, household connections to water and sanitation networks, wastewater treatment, and solid waste disposal.

The fund will help to jump-start innovative projects by financing project preparation and also to help replicate successful experiences on a larger scale. In 2008, the IDB made \$15 million in grants available from its own resources. Starting in 2009, Aquafund will also mobilize matching contributions from multiple donor countries, providing up to \$35 million in grants during the calendar year. Aquafund can also receive contributions from private sources.

In 2008, two operations were financed by Aquafund. One operation provides support to the Water Center, a joint effort by the IDB, Fundación FEMSA, and the Tecnológico de Monterrey. The center will offer training, research, and information management for the conservation and sustainable use of water. The other operation supports regulators in the Caribbean in establishing performance benchmarks for water utilities.

storm drainage. The Bank will manage a first tranche of 300 million euros.

For 2009, further progress will be made with respect to the four targets mentioned above. In addition, strategic sector plans will be completed in 2009 for the nine remaining countries, and a rating system for efficient water operators will be developed. The challenge for the Bank will be integrating water and sanitation work as it relates to the four targets into the Bank's overall work on integrated water resources management, linking water supply with projects on watershed management and international waters (marine ecosystems and transboundary water pollution).

Disaster Risk Management

Disasters resulting from natural hazards have had significant impacts on the economic and social development of Latin America and the Caribbean. Over the last 35 years natural disasters have affected approximately four million people annually, causing some 5,000 deaths and \$3.2 billion in physical losses per year.

Moreover, because of changing land use patterns, increasing population densities, and growing environmental degradation in the region, the risk exposure to natural hazards has steadily increased, with annual losses rising at a rate of more than four times GDP growth. The predicted impacts of climate change, including increases in the frequency and intensity of hurricanes and tropical storms, are likely to increase disaster losses further.

What Happens on the Ground Not Waiting for Disasters to Happen

Until a few years ago, the Bank assisted countries stricken with disasters mainly in terms of disaster response and recovery. But the increasing frequency of disaster events and the increasing losses sustained as a result of these events has necessitated a shift in focus. The Bank now promotes integrated disaster risk management, emphasizing ex ante actions to reduce disaster risk, such as prevention and mitigation, financial protection and risk transfer, and emergency preparedness.

Instead of providing a negative incentive for countries to receive disproportionate financial aid after rather than before a disaster, the Bank, in partnership with other organizations, such as the World Bank and the Caribbean Development Bank, provides a menu of financial instruments to promote proactive disaster risk management, including (i) investments in prevention and mitigation, (ii) budgetary support for financing of emergencies, (iii) a contingent credit facility, and (iv) an insurance facility (currently under preparation).



Despite rising awareness and recent progress, a number of the Bank's borrowing member countries face high risks to their sustained development as a result of natural disasters. Insufficient planning and the lack of mitigation measures exacerbate this risk. When vulnerability is high, these natural disasters seriously jeopardize poverty reduction progress, improvements in social equity, and sustainable economic growth.

With its previously adopted Action Plan for Improving Disaster Risk Management (2006–2008) and Disaster Risk Management Policy (2007), the Bank is well positioned to expand its focus from ex post disaster financing to prevention and mitigation, emphasizing predisaster assistance. In order to provide effective assistance, the Bank approaches disaster risk management as an investment in sustainable development.

What Happens on the Ground Empowering Those Closest to the Risks

In Ecuador, the Bank is funding a project to reduce disaster risk among those that are most vulnerable in the local communities and governments of the disaster-prone province of Esmeraldas. After first identifying the main threats and vulnerabilities, the project will organize local workshops to discuss the findings and ways to address these risks. Secondly, through the establishment of emergency brigades and local committees and simulation activities, the communities will strengthen their capacity and increase their resilience to disasters. The project will directly benefit 36,000 people. It is expected that the methodology for community-based disaster risk management will be replicated in other provinces of Ecuador.

In 2008, the Bank used more than \$7 million from its Multi-donor Disaster Prevention Trust Fund (MDP) and its Disaster Prevention Fund (DPF), the two sources of grant funds that the Bank has to promote disaster prevention, for 10 technical assistance projects, such as an innovative project in Ecuador on community management.

Also in 2008, the IDB continued its work on mainstreaming disaster risk management into the Bank's operational work. The Bank developed a toolkit for incorporating disaster risk into its environmental and social safeguards screening process. In addition the Bank held two training courses for general staff and sector specialists, with a combined 104 participants.

For 2009, the Bank foresees the approval of five new technical assistance projects (with a combined value of \$5 million) as well as two loans (for Honduras and Haiti) to reduce country and project risk from natural disasters.

Opportunities for the Majority

Some 360 million people in Latin America and the Caribbean—around 70 percent of the region's population—live on less than \$300 per month. The benefits of the region's economic and social development have largely passed them by. To help remedy this in 2007 the IDB launched Opportunities for the Majority, an initiative to promote private sector solutions to development challenges that have the potential for large-scale expansion. The idea is to generate a dual benefit of increasing jobs and income for poor people while boosting economic growth.

Majority markets are largely untapped and have huge unmet demands for goods and services, presenting excellent opportunities for investment, growth, and return on risk capital. In Latin America and the Caribbean, this market represents a

combined purchasing power of \$500 billion per year. Although they have suffered from neglect, low-income communities offer massive potential to companies as customers, suppliers, distributors, and employees. The innovations required to serve majority markets can strengthen businesses, transform processes, and lead to large-scale positive outcomes.

Under the initiative, the Bank offers resources, expertise, 50 years of multilateral financing experience, and a network of 26 Country Offices in Latin America and the Caribbean that help investors and market participants to rethink business strategies to focus on broader development opportunities that will benefit both investors and consumers and resolve unmet demand in underserved markets.

The IDB finances projects under the Opportunities for the Majority initiative through a special funding facility that provides medium- and long-term loans, partial credit guarantees to support business models, and market-based solutions to benefit low-income populations in Latin America and the Caribbean in areas such as financial services, housing, education, nutrition, and health.

During 2008, the IDB's Office of Opportunities for the Majority completed its first full year of operations, approving

A Closer Look Empowerment through Investment: A New Way to Pave City Streets

Throughout Latin America low-income neighborhoods have difficulty in financing the paving of their streets. Municipalities are typically short of funds, and many informal urban settlements have not yet been properly incorporated into the tax base.

The IDB has entered into a unique partnership with CEMEX, a multinational cement company based in Mexico, to mobilize both public and private resources to pave streets in low-income neighborhoods. Under the plan, Mejora tu Calle, city residents will receive individual microloans and then pool the resources to finance half the cost of street pavement for their neighborhood. Municipalities will contribute the other half of the cost.

Paving municipal streets improves public health and neighborhood security and allows wage earners to travel to their jobs faster and become more productive. Property values rise, and so do incomes. In addition, thousands of neighborhood residents who participate in the microloan program will develop credit histories that will provide them with access to other forms of financing in the future to meet their needs.

The IDB is providing a partial risk guarantee for the project.



its first three loans and its first guarantee. The operations met targets set for the year and totaled \$49 million. The IDB's involvement ensures that each project financed under the operations undergoes a rigorous evaluation that stresses economic and financial viability as well as the targeting of investments to benefit low-income populations. The following operations were approved in 2008:

- A \$25 million loan to the IGNIA Fund, which will support 12 business projects throughout Latin America and the Caribbean to benefit low-income markets.
- A \$10 million partial credit guarantee to CEMEX Mexico for a municipal street paving plan in which neighborhood residents finance half the cost through microloans.
- A \$4 million loan to FIDEMYPE of El Salvador to provide credit to microfinance institutions outside of the formal, regulated banking system.
- A \$10 million loan to Banco G&T Continental in Guatemala to expand credit for small business and new financial services to low-income clients.

The Bank also approved eight technical assistance projects in 2008 under the Opportunities for the Majority initiative. These grant operations are focused on developing business models for a broad spectrum of activity serving low-income markets, such as self-help home construction and alternative energy production in Colombia, recycling of waste in Brazil, and the distribution of low-cost hearing aids in Brazil, Costa

A Closer Look Self-Help for the Poor through Microcredit: Innovative Financial Solutions

Microenterprise and small business companies account for 59 percent of El Salvador's workforce and 49 percent of the nation's gross domestic product. Yet the vast majority of these firms, particularly those with small incomes and those in rural areas, do not have access to credit.

A unique institution in El Salvador is addressing this challenge: the Trust for the Development of Micro- and Small Enterprise, or FIDEMYPE, which provides credit to nonregulated microfinance institutions, which by law are not allowed to accept deposits from the public other than those from credit unions and cooperatives.

Through a loan, the IDB is helping FIDEMYPE expand access to financing for approximately 10,000 urban and rural microentrepreneurs, two-thirds of them women. FIDEMYPE has developed an effective and unique risk assessment system and other technologies that may be applied elsewhere in Latin America. Five percent of FIDEMYPE's profits support a foundation that supplies microentrepreneurs with technical assistance.

Rica, and Mexico. The Bank's technical assistance program, designed to pave the way for larger projects that could receive the support of an IDB loan or guarantee, also financed the mapping of private sector firms interested in investing in low-income markets, the promotion of greater participation by women in housing projects, and greater involvement of low-income communities in Caribbean tourism.

Finally, in 2008 the Bank approved the establishment of the Strategic Thematic Fund: *Market Solutions for Social Change*, which will mobilize additional resources from multiple donors to finance technical assistance and other activities for the initiative. Through this platform, the Bank will foster a sustained and substantive dialogue between key partners and stakeholders concerning the development of enterprise models to address the needs of low-income populations, as well as the dissemination of lessons learned and good practices across the region.

A Closer Look Encouraging Innovative Investment

One of the goals of the IDB's Opportunities for the Majority initiative is to encourage partners in the private and public sectors to invest in innovative, well-designed projects to develop low-income markets as a platform for profitable ventures with high social rewards.

To help advance this objective, the Bank organized and participated in a number of conferences, panel discussions, seminars, and workshops in nine different countries during 2008 to examine such diverse topics as investing in low-cost housing, promoting food security through private investment, developing profitable microfinance platforms, and building new business models with high economic and social returns.

Not only are the seminars and conferences high-level forums for the exchange of ideas, best practices, and project information, but they also offer an opportunity for potential investors to explore and construct the necessary technical frameworks and business alliances to make a proposed venture practical, productive, and profitable.



Bank activities are guided by a **coherent set of sustainability policies** that define the boundaries for the Bank's investments. The policies **represent** the Bank's **commitment** to applying sustainability standards and international best practice.

Ensuring Sustainability Standards in IDB Operations

The IDB, like other multilateral financial institutions, has established clear environment and social standards that all operations it finances must meet. These standards and practices together form a robust suite of environmental and social safeguards that ensure that all IDB investments

are environmentally and socially viable, meeting or exceeding international best practice. Simply put, the IDB ensures that its investments do no harm and, where possible, enhance the environmental and social aspects of its operations.

3.1 INCORPORATING SUSTAINABILITY IN THE BANK'S PROJECT CYCLE

Each operation financed by the IDB passes through a series of stages—principally preparation, approval, implementation, and completion and evaluation—known as the project cycle. Project documents are produced throughout the project cycle and can be valuable sources of information to track the progress of projects throughout the IDB's involvement. Below is a step-by-step guide to the project cycle and the documents that are produced at each stage of the process.

Preparation and Approval

As stated in the Environment and Safeguards Compliance Policy, all Bank-financed operations are screened and classified according to their potential environmental impacts.

This screening is carried out early in the project cycle to analyze potential impacts, risks, and mitigation measures.

The Bank's Environment and Safeguards Compliance Unit conducted environmental and social review and assessment of over 500 loan operations and a further 500 grant operations, representing a 74 percent increase over 2007. In addition this unit provided Bank sectoral teams detailed analysis and support for over 200 projects.

Category A projects approved by the IDB in 2008

Estrada Nova Watershed Sanitation Program

One of the three approved Category A projects is a \$68 million loan to finance improvements by the municipality of Belém, in the state of Pará in Brazil, in the socioenvironmental

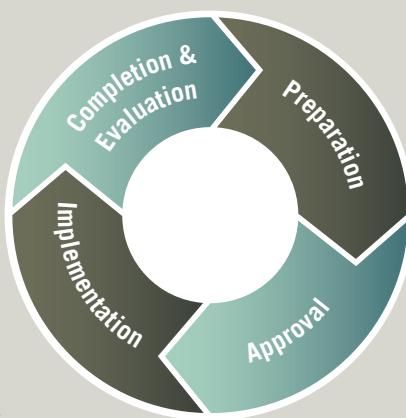
The IDB Project Cycle and Associated Documents

Documents for completion and evaluation phase

- Project Completion Reports

Documents for implementation phase

- Procurement Plan (updates)
- General Procurement Notice
- Specific Procurement Notices



Documents for preparation phase

- Country Strategy
- Project Profile
- Project Abstract (private sector projects)
- Environmental Assessments

Documents for approval phase

- Proposal for Loan Approval
- Environmental and Social Management Report
- Procurement Plan
- Loan Contract or TC Agreement

conditions of specific areas of this city of almost 1.5 million people. These specific areas are located around the Estrada Nova watershed, which is affected by high tides of the surrounding Guamá River, causing flooding of inland canals, affecting mostly the poor residents living in these areas.

The project comprises macro- and microdrainage works, including water supply and wastewater collection, treatment, and disposal. Additionally, it finances urban renewal works and activities and the resettlement of approximately 150 small businesses and 1,100 families to new, improved situations.

The project's environmental and social impacts are mostly positive. Most of the negative environmental impacts are of low intensity, localized and temporary, and will be mitigated with conventional practices and procedures. The resettlement component is the most significant impact of the project; therefore, a detailed resettlement plan was developed according to the Bank's Involuntary Resettlement Policy. The resettled families will live in much better housing, and the recovered environment around the canals will be transformed into public places for recreational use. When the first 100 families have been resettled, the resettlement process will be evaluated. One year after all the families have been resettled, a final evaluation will take place.

Usiminas Energy Efficiency Investments

In 2008 the IDB also approved a \$51 million Category A private sector loan to Usiminas Siderurgicas de Minas Gerais S.A., also in Brazil, for construction of an energy efficient cogeneration facility (as part of a new steel production facility).

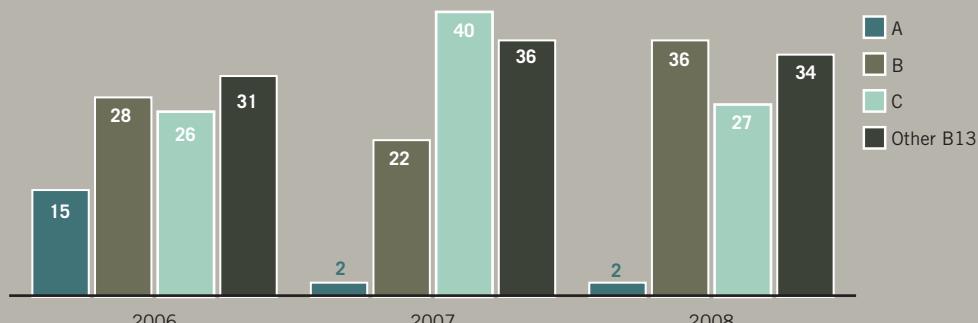
During the required environmental and social due diligence for obtaining the loan, the IDB, with the assistance of the Sustainable Energy and Climate Change Initiative, provided

IDB Environment and safeguards compliance policy classifications

Category A	Projects likely to cause significant negative environmental impacts and associated social impacts, or to have profound implications for natural resources.
Category B	Projects likely to cause mostly local and short-term negative environmental or social impacts, for which mitigation measures are readily available.
Category C	Projects likely to cause minimal or no negative environmental or social impacts.
Other (B.13)	Projects that differ from traditional investment loans and for which classification based on anticipated impacts is not feasible.

technical assistance which helped the project sponsor in their decision making process with respect to energy efficient technology measures to be implemented in the facility. The Bank's participation resulted in the design of a more efficient energy generation for the facility. Although the request for financing to the IDB is focused on the facility's cogeneration power plant, the Bank's approach for the assessment of the environmental and social impacts included the entire new steel production facility (a \$5.7 billion project), as well as a close-by existing steel facility owned and operated by Usiminas (the Intendente Câmara plant in Ipatinga).

Environmental and Social Safeguard Risk Classification of Approved Projects (percent)



The Bank's operation was classified as Category A because of its indirect impacts, particularly the potential impact on air quality from steel manufacturing, and not because of the Bank's financed project. To mitigate this risk, Usiminas has agreed on internationally accepted emission standards for its new steel production facility and a comprehensive action plan to deal with other impacts and risks. Moreover, the steel plant will recover and reutilize in an efficient manner the heat from steel manufacturing processes that otherwise would be lost and released or flared to the atmosphere. As such, the project is considered to have an overall positive environmental impact, and the Bank's support is maximized by enhancing the new steel manufacturing facility in its entirety.

Panama Canal Expansion Program

Building upon the past collaboration that started more than a decade ago when the IDB assisted the government of Panama in the evaluation of alternatives to expand the Panama Canal and in the financing of studies to enhance watershed management, in 2008 the IDB approved a \$400 million private loan in support of the \$2.3 billion Panama Canal Expansion Program, also classified as Category A, the biggest ongoing infrastructure project in Latin America.

The IDB's participation in the expansion program culminated IDB efforts with the government of Panama in the selection of an alternative plan that generates significantly less environmental and social impacts, particularly avoiding the need for involuntary resettlement, while ensuring that enough water will be available for future supply needs of the 1.4 million people living in the Panama City-Colón corridor and for regular operations of the locks in the canal. The expansion program consists essentially of massive open-cast excavations and dredging works for the expansion and deepening of the existing navigation channels at specific locations within the existing canal footprint.

The principal environmental impacts and risk during construction include landslide potential, soil erosion, and effects on water quality during dredging and wet excavations works and the disposal of this material, or increases in the levels of salinity in Lake Gatún. Bank staff, in coordination with other Multilateral Development Banks, confirmed during its comprehensive due diligence, that the Panama Canal Authority has an effective monitoring program to ensure that mitigation measures and institutional support are provided during implementation of the project.

A Closer Look Integrating Biodiversity Concerns in the Pasto-Mocoa road project in Colombia

The Bank's experience in the preparation of the Pasto-Mocoa public sector road project in Colombia illustrates the level of effort needed to develop an environmental and social management strategy for a project that contributes to safeguard compliance while enhancing project outcomes. The project is part of the integration of the Colombian road network with Brazil, Ecuador, and Peru and will finance the 47-kilometer San Francisco–Mocoa road segment crossing an important forest reserve area in the Andean Amazon piedmont, recognized as a high-biodiversity region. This high level of biodiversity in the area affected by the project triggered several environmental, social, and technical challenges to making the development of the project viable while conserving a critical natural area. Early on in the preparation phase of the project, Colombian authorities acknowledged the project's complexity and asked the IDB for technical assistance to investigate the project's environmental and social impacts and risks.

In 2008, the IDB provided more than \$1.6 million in grant financing to support the analysis of baseline conditions in the area and the identification of the road project's cumulative and indirect impacts as well as its potential wider benefits. Environmental requirements to address cumulative impacts were specified, and Bank staff worked closely with the project sponsors to meet them. Following the recommendations of these and other studies, the project sponsor and other relevant Colombian authorities developed an innovative strategy to integrate conservation and sustainable development programs as components of the Bank-financed project and integral requirements of the environmental licensing for the project under Colombian laws. For example, the project sponsors introduced a compensation measure, unprecedented in Colombia, which doubles the forest reserve size to ensure biodiversity conservation and long-term sustainable development actions in the project's area of influence.





In addition to its environmental safeguards, the Bank has a set of social safeguards that are principally found in its Involuntary Resettlement Policy and its Operational Policy on Indigenous Peoples. To facilitate compliance with the social safeguards regarding indigenous peoples, a toolkit was crafted in 2008 regarding the policy's two key mandates: (i) mainstream indigenous peoples' priorities for development with identity and (ii) safeguard indigenous peoples' rights by mitigating projects' possible negative effects.

The Bank is constantly working to improve the quality and effectiveness of its safeguards. To this end, the Office of Strategic Planning and Development Effectiveness manages the Bank's quality control in this area by monitoring compliance with standards and safeguards, leading the development of operational instruments and policies, producing progress reports on development effectiveness and portfolio performance, and assessing the quality of the Bank's corporate information systems.

3.1.2 Implementation

The Banks involvement does not stop with project approval. In fact, the Bank is stepping up its environmental supervision efforts to ensure that its financing conditions are met and that executing agencies (which are ultimately responsible for the project's implementation) are supported where needed. Before the Bank's realignment, project teams from Headquarters were responsible for project preparation, while the Country Office was solely responsible for implementation. This system led to an overemphasis on project design and approval. Since the realignment, the project team has been responsible throughout the project cycle, meaning that the environmental specialist who works on a project's preparation is also responsible for its environmental supervision.

As the Bank's private sector projects already followed this model, the realignment mainly affected the monitoring of the existing portfolio of public sector projects. Following the realignment, Bank management reviewed all these projects (434) to identify those in need of supervision activities. After careful review and in light of available resources, 50 projects

A Closer Look

Assessing Cumulative Impacts

In recent years, important advances have been made in addressing the direct environmental and social impacts of projects. However, addressing their indirect and cumulative impacts is more difficult. Even though best practice, as well as the IDB's Environment and Safeguards Compliance Policy, now requires that the cumulative environmental and social impacts (from both existing and future projects) be assessed, this remains a challenge in regard to almost all high-impact projects, but especially in regard to infrastructure projects in areas with sensitive ecosystems where there is limited institutional capacity. It is particularly challenging for private sector projects for which the impact assessments identify issues beyond the mandate and authority of an individual company and often call for more proactive and consistent engagement of the relevant government authorities at the central and local levels that may exceed their capacities.

When working with the private sector, the Bank takes it upon itself to actively engage in discussions with public authorities and other stakeholders. This engagement from all relevant parties is crucial for several reasons. First, there is the issue of timing: without the public authorities' participation, projects may be initiated with the necessary institutional and legal framework not yet in place. Second, there needs to be political willingness to establish and implement planning processes. And third, the institutional capacity needs to be built and maintained. The Bank's experience, including lessons learned from the financing of the Camisea Gas Pipeline Project and Peru LNG (Liquid Natural Gas) Projects, shows the added value that the Bank brings by working with all parties involved and through its ability to advise, lend, and leverage.

were selected for close supervision by environmental and social safeguard specialists. Of these, Bank staff participated in the supervision of 29 projects in 2008, primarily Category A and B projects. All non sovereign guarantee projects are supervised by environmental and social safeguard specialists.

The case of Darién illustrates the important role Bank supervision plays not only in maintaining the projects environmental and social requirements, but also in its adaptation to changing circumstances and in its work with executing agencies on continuous improvements to project design and implementation.

The project, approved in December 1998, was to finance the Darién Sustainable Development Program in Panama, with a \$70 million loan and a complementary financing of \$17 million approved in 2007. The program's objective is the sustainable development of Panama's Darien Province through an integrated approach that includes land titling for agricultural lands, support for sustainable production, protected areas management, and carefully sequenced infrastructure works on the highway that provides access to the province of Darién. This pioneering project is complex and challenging, as it combines infrastructure and productive projects with protection, all undertaken with an unprecedented level of local participation. Darién is Panama's largest province and the country's richest in natural resources, representing 22 percent of the national territory. It also has the poorest inhabitants in the country. In 2008, the Bank's supervision efforts found that major parts of the program's original mitigation measures were adequately designed and implemented, with the exception of those measures related to the management of renewable



Projects under Environmental and Social Supervision (Non-sovereign guarantee)



* Issuing banks under the Trade Finance Facilitation Program are counted as one Projects under Environmental and Social Supervision (Non-sovereign guaranteed Sector)



natural resources in the zone where no budget was allocated. On the positive side forest cover through plantations on deforested lands has increased by 8,000 hectares, however in the surrounding natural forest, there are reports of increased deforestation. The lack of baseline information on forest cover and the rate of change is a challenge which must be overcome to better define the scale of the problem and the type of action necessary, something the Bank is working with the Panamanian authorities to address. Other measures identified during the supervision of this project that need to be revisited or adapted include the need to shift to the implementation of the management plans and availability of resources. The Bank's original focus was on getting the management plans for protected areas approved, without sufficient guidance from the

Bank on their content or implementation. The Bank has also determined that close monitoring of the agricultural frontier is needed, as land prices have increased substantially as a result of land titling, increasing pressure on small producers to seek productive land.

The Bank uses several types of reports to monitor and supervise its projects, including twice-yearly project performance monitoring reports (PPMRs). Among other things, these PPMRs are used to keep track of whether projects are on schedule to achieve their development objectives (in 2008, PPMRs identified this as "probably" or "highly probable" for 93 percent of the Bank's projects). They also review the critical factors that impede project performance. In 2008, the

most frequently cited critical factor was “contract condition compliance delays” (261 out of 607 citations). Among the 16 other factors mentioned, “environmental issues” was cited only three times.

The Bank also prepares project supervision reports for its private sector projects. These focus on credit and other risks, including environment, construction, operation, and regulatory risks.

Completion and Evaluation

Measuring every project's impacts and benefits through evaluations is essential to determine how well projects achieve their development objectives. Such evaluations also play a key role in how the Bank will put its limited resources to the best use in the future.

After the final disbursement on a project's funding, the Bank and the country executing agency jointly prepare a project completion report (PCR), a critical self-reporting tool designed to evaluate the project's outcomes and outputs, assess how likely project benefits are to be sustained, evaluate the Bank and executing agency's performance, and draw lessons learned during project planning and execution so they can be applied to future operations. PCRs are available publicly through the IDB Project Gateway. In 2008, 107 PCRs were completed on IDB loans and technical cooperations.

In addition, the Bank's Office of Evaluation and Oversight, an independent unit reporting directly to the Board of Executive Directors, conducts evaluations on the country, sector, and project levels. For projects, two types of ex post evaluations are conducted: performance and sustainability assessments and impact evaluation reports.

3.2 ENHANCING THE BANK'S FOCUS ON DEVELOPMENT EFFECTIVENESS

In 2008, the Bank moved forward on its efforts to promote discipline in thinking about how to achieve and measure results of all its operations. It adopted the Development Effectiveness Framework, which provides a practical roadmap with specific targets to be met by 2010. The framework aligns development results with performance incentives that will allow the Bank to recognize success and to promote accountability.

A Closer Look The Development Effectiveness Framework

Based on international evaluation standards, the Development Effectiveness Framework establishes indicators and metrics to document Bank development interventions and track progress towards the achievement of their intended goals. Indicators on environmental and social risk management are included in the Framework.

In the application of this Framework for non-sovereign guarantee projects, one of the seven performance areas used to evaluate how well Bank projects are doing is “Environmental and Social Effects.” Evaluation in this area involves the following three indicators: “IDB Policy Assessment,” “Impact on Climate Change,” and “Impact on Target Population” for which the following responses are possible: “excellent,” “good,” “satisfactory,” “partially unsatisfactory,” and “unsatisfactory.”

The framework is currently used only for the Bank's private sector projects, all of which have achieved at least a satisfactory rating for their environmental and social performance during 2008. Starting in 2009 the bank will apply the Framework to both its non sovereign and sovereign guarantee projects.





The IDB devotes substantial resources
to strengthening the knowledge and
learning capacities of its clients and its staff
recognising the importance of these activities
in contributing to the enrichment
of the intellectual and institutional capital
of the countries of Latin America and the Caribbean.

Bringing More than Money

Knowledge and learning are key instruments, not only to ensure that Bank staff continue to be technically qualified, but also as a service to Bank clients. Knowledge and capacity-building activities are increasingly relevant and are expected to become a major Bank business, without diminishing the role of its lending business. Deeper knowledge, better policymaking, and stronger institutions are key elements for promoting development in the region and may also open up opportunities for

lending in new areas, increasing Bank-funded projects' possibility of success and broadening the portfolio of Bank clients.

On the internal front the Bank is transforming itself into an institution in which continuous learning occurs. Knowledge and learning are revalued and seen as a process in which all staff must be continuously engaged.

4.1 THE ADDED VALUE OF KNOWLEDGE

Today, the IDB is devoting substantial resources to strengthening the knowledge and learning capacities of its clients. This is partly reflected in a number of nonlending, stand-alone activities that include economic and social research, support for regional public goods, external training, regional policy dialogues, technical assistance, support for the development of national systems, seminars, and policy advice to governments. These activities contribute to the enrichment of the intellectual and institutional capital of the countries of Latin America and the Caribbean.

Regional Public Goods

The Bank has a special program to promote demand-driven projects, selected on the basis of an open competition, that support "regional public goods," meaning projects that are regional in nature and in which the production process and the benefits are shared by different countries. In 2008, the Bank approved \$9.7 million for new operations in this area, including a grant to manage disaster risk management better and ensure continued sustainable tourism development in the Caribbean.

Forums for Knowledge Sharing with Bank Stakeholders

In 2008 the IDB continued to organize a number of key international meetings and training sessions on those topics most relevant to sustainability.

One of its flagship conferences was the Sixth Inter-American Conference on Corporate Social Responsibility: The Business of Inclusion, held in December, 2008 in Cartagena de Indias, Colombia. The event, organized by the Multilateral Investment Fund (MIF) and Colombia's National Industry Association (ANDI), focused on inclusive business and

highlighted how the private sector can contribute to more equitable development in Latin America and the Caribbean. Responsible company practices can contribute to build mutually beneficial commercial relationships with low-income and vulnerable populations as well as help them to access basic services such as water, sanitation, and energy. The conference brought together more than 1,000 practitioners from the public, private, and social sectors to share experiences in responsible practices and inclusive ways of doing business.

In October 2008, the MIF, together with the Ministry of Finance of Paraguay, organized the Eleventh Inter-American Forum on Microenterprise in Paraguay (commonly known as Foromic).

What Happens on the Ground Regional Disaster Risk Management for Sustainable Tourism in the Caribbean

With a long history of natural disasters, the Bank's eight member countries in the Caribbean joined efforts in 2006 to improve cooperation and to manage collectively the risk of natural disasters, particularly their effect on the tourism industry. Tourism is the Caribbean's most important economic activity. A grant from the Bank's regional public goods program has facilitated consensus building and cooperation among national and regional institutions charged with managing disaster risks. The countries developed a regional strategy for natural disasters, with common methodologies for evaluating the economic risk such disasters pose for the tourism sector. The project also monitors progress in areas such as zoning and building codes. The countries now have a framework in place for organizing and enhancing regional actions for preventing and managing natural disasters.

More than 1,250 practitioners and industry leaders attended the forum to share experiences and knowledge on best practices in microenterprise development. Central themes discussed were the importance of incorporating microentrepreneurs at the base of the economic pyramid into the economic mainstream and the issue of responsible finance and consumer protection. The event also explored how microfinance has responded to economy-wide crises in the past and how it might be affected by and react to current challenges.

The Bank, together with UN-HABITAT, is leading the establishment of the Water Operator Partnership, which was launched in June, 2008, in Cartagena, Colombia. The partnership fosters capacity building among water operators in Latin America and the Caribbean by linking efficient with less efficient operators through partnerships. With minimum external financial support, the operators exchange experiences, visit one another's installations, and conduct working sessions. To that end, in 2008, the Bank organized a series of workshops bringing together water operators in Chile, Mexico, and Jamaica.

For all three entities in the IDB Group (IDB, IIC, MIF), knowledge sharing is a key priority. And when possible, they join forces to put this into practice.

Biofuels Sustainability Scorecard

In its efforts to screen for the “best” projects, the Bank has developed the Biofuels Sustainability Scorecard, a thinking tool and decision-support instrument that increases the sustainability level of the Bank’s biofuels investments. The scorecard helps distinguish among various biofuels options to ensure that only the most sustainable biofuels are promoted. It includes 23 environmental and social criteria spanning the production life cycle of biofuels, starting with cultivation and extending through distribution.

The scorecard is not a replacement for environmental and social due diligence. Rather, it is a complementary tool that fosters communication with clients by highlighting a range of issues without providing a single score. The scorecard is available on the Bank’s website (www.iadb.org/scorecard).

In the design of the scorecard, the Bank sought feedback from academics, environmental nongovernmental organizations, financial institutions, investors, and biofuels project developers. With the posting of the scorecard on the Bank’s website, in September, 2008, a six-month broad public consultation period began, after which the scorecard will be revised. The scorecard is designed to be a living document, improving and evolving over time as comments and suggestions are incorporated.

What Happens on the Ground Training for Financial Institutions

Many of IDB’s clients are financial institutions. They receive IDB funding to finance different kinds of investments projects, many of which are not yet known to the financial institution at the time of receiving the IDB funding. To mitigate any potential environmental and social impact, the IDB requires its financial sector clients to not only establish an Environmental and Social Risk Management System but also to be trained on its implementation.

In October 2008, the IDB Group organized a three-day training course in Mexico. The training was attended by more than 40 participants, representing diverse institutions like lease companies, microfinance institutions, private equity funds, consumer banks and investment banks. Participants learned about the relevance of sustainability for their organizations as well as about risks and opportunities deriving from environmental and social impact.

“ We bankers realize more and more the importance of incorporating environmental and social risks into our financial operations. Our participation in the training workshop was of great value. It provided us with practical guidelines and tested methodologies that we can use in our credit decisions. It enables us to apply our principles in the daily work of our business.”

—Raúl E. Preciado, Assistant Vice President for Risk, Banco General

In the same month, the Bank organized a training course on Environmental and Social Impact for 22 representatives of microfinance institutions. The event, a joint effort of the IDB and the Dutch Development Agency (FMO), was specific to microfinance and focused on the educational role that institutions have vis-à-vis their clients regarding environmental and social issues.

4.2 KNOWLEDGE AND LEARNING INSIDE THE IDB

With its new business structure, the Bank fully embodies the principle that knowledge and learning are fundamental assets for the institution. The new Bank structure has concentrated sectoral specialists in respective divisions enabling strategic and conceptual knowledge production to be informed by operational experience, and the quality of sector knowledge applied in operations to be improved by staff involvement in lessons-learned feedback.

What Happens on the Ground Regional Financing Facility for Sugar and Bioenergy

A new \$150 million regional facility (LACFIN) will use the Biofuels Sustainability Scorecard in the selection of its loans (trade financing and medium-term investments) for sugar and bioenergy companies and exporters in Brazil, Mexico, Central America, and the Caribbean. This facility comes at a time when private lending for the agricultural sector is drying up as a result of the global financial crisis. The IDB's involvement in the facility has been instrumental in ensuring that biofuels projects are properly selected and implemented by requiring LACFIN to implement an environmental and social management system (ESMS) that includes the scorecard. LACFIN will train staff in implementing the ESMS and the scorecard, and the IDB will closely monitor the facility's performance. The environmental and social preparation work done by the IDB was carried out in 2008, and the IDB approved its \$75 million financing in January 2009.

This department is also responsible for disseminating knowledge both internally and externally, for promoting access to learning and training opportunities, and for contributing to the development of knowledge partnerships and exchanges within the Bank and with relevant organizations and academic and policy networks in the region. It also sets the institutional learning agenda for Bank staff and its counterparts and manages the Bank's Knowledge and Learning Fund. Significant resources, in time and in money, have been oriented to activities promoting knowledge and learning.

The Bank's Knowledge and Learning Strategy, approved in 2008, highlights the need to strengthen the Bank's knowledge as well as that of its clients and counterparts, also through lessons learned and good practices, and to work with external sources on a full range of development activities. In 2008, the strategy's focus was to attend to the internal needs of IDB staff to respond adequately to the Bank's new business model and organizational changes. For the near future, efforts will shift again to knowledge management and capacity building among the Bank's clients and strategic partners.

More than 8,100 attendees, from both the Bank and member countries, participated in Bank training activities in 2008. The training was geared to build competencies and skills in sector as well as corporate topics. Included in this, during 2008, the Bank held four "Introduction to Safeguards" workshops. In total, 112 participants in these workshops received a total of 836 hours of training. Materials were also developed for application in future workshops.

A Closer Look Knowledge and Capacity Building Programs for 2009

The IDB is strengthening its commitment to sustainability and the importance of knowledge and capacity building programs. This is clearly reflected in the Bank's work plans for 2009. Programs that seek to advance sustainability through knowledge and capacity building activities in 2009 include:

Climate change

- Strategy on scaling-up climate investments in the region;
- Regional policy dialogue: sustainable energy, climate change and disaster risk management;
- Best technologies and establishment of a network of excellence in renewable energy;
- Best technologies and establishment of a network of excellence in energy efficiency;
- Fiscal incentives for adopting renewable energy;
- Fostering the development of studies on the economic impacts of climate change;
- Economic incentives for reducing greenhouse gas emissions;
- Impacts and consequences of climate change in the agricultural sector in the region;
- Modalities for energy efficiency.

Environmental and social risk management

- Instruments and operational tools for environmental and social risk management;
- Country level environmental assessment for Dominican Republic;
- Environmental and social safeguards training and capacity building;
- Annual Sustainability Review.

Water and sanitation

- Water and sanitation strategic sector plans;
- Capacity building for water operators;
- Capacity building for water and sanitation stakeholders;
- Best practices in the water and sanitation sector;
- Climate change on the provision of water and sanitation services;
- Energy efficiency and renewable energy in water and sanitation.

Social inclusion

- Gender equality policy and action plan;
- Adolescent pregnancy;
- Inclusive development for African descendants in Latin America.

In 2009 the Bank will report on its progress on these and other knowledge and capacity building.



Because the IDB recognizes that environmental and social sustainability begins at home, its commitment to sustainability includes an effort to minimize the environmental impact of its physical facilities—its “footprint”—and to maximize the potential of its employees and support neighboring communities.

The Bank's Footprint

The IDB recognizes that environmental and social sustainability begins at home. As such, its commitment to sustainability includes an effort to minimize the environmental impact of its physical

facilities—its “footprint”—and to maximize the potential of its employees and support neighboring communities.

Keeping Track of the Bank's Utilities

The IDB measures yearly its consumption of energy and essential raw materials, as well as its production of waste. In 2008, the Bank's total water use decreased 15 percent, while waste generation was down 9 percent. The daily water use per employee was, down 20 percent compared to 2007. Total paper use decreased by 24 percent to 89 tons, resulting in a paper use of 108 pounds per employee. The paper purchased by the IDB consists of 30 percent recycled materials.

The Bank's Carbon Footprint

The Bank calculates the carbon footprint of its corporate activities at its Headquarters, its 26 Country Offices, and its two nonregional offices on an annual basis. The Bank conducts this greenhouse gas (GHG) inventory using the U.S. Environmental Protection Agency's Climate Leaders Greenhouse Gas Inventory Protocol, Design Principles. The first calculation of the Bank's carbon footprint was in 2006, and as of 2008, the Bank has reduced its greenhouse gas emissions in its Headquarters facilities to 19,567 tons of CO₂ equivalent.

In addition, the Bank calculates carbon emissions for its country and nonregional offices. In 2008 this figure was 4,453 tons of CO₂ equivalent, compared to 4,277 tons of CO₂ equivalent in 2007. The Bank also continues to calculate and offset the carbon emissions associated with the Annual Meeting of its Board of Governors.

Challenging our Country Offices to Reduce their Footprint

In 2008, the Bank rolled out its greening activities to its 26 Country Offices and two nonregional offices. As part of the Country Carbon Challenge, seven Country Offices received financial awards to implement projects with innovative solutions to reduce their carbon footprint. For example, the IDB's Country Office in Bolivia is making its electricity consumption more efficient through the decentralization of its lighting system. The Country Office in Honduras not only conducted an energy audit, but also proposed a contest among engineering students to present and implement energy-efficient measures for its office.

Purchasing Renewable Energy

Following its commitment (made in 2007) to buy 100 percent of the energy consumed by its Headquarters building from

a renewable source, in 2008 the Bank purchased 24,000 megawatt-hours of renewable energy certificates generated from wind plants in Texas. By purchasing renewable energy, the Bank reduces the carbon emissions associated with its own buildings' energy use (heating, cooling, computers, lighting, etc.) to zero.

Offsetting Carbon Emissions

Carbon emissions associated with other Bank activities (such as gas for kitchen use, diesel for generators, gasoline for Bank vehicles and mission travel) can effectively be reduced to zero through the purchase of carbon credits. In 2008, the Bank invested in 20,000 voluntary emission reductions from a Clean Development Mechanism energy efficiency project in Mexico.

Promoting Gender Equality and Diversity

In 2008, the Bank staff was 51 percent female and 49 percent male. Of the 151 promotions in 2008, 90 (60 percent) were awarded to females.

Fourteen new Young Professionals were contracted in 2008 (including four in the Diversity Program), of which six were female. The Bank's Human Resources Department posted openings for a Diversity Advisor as well as a Well-Being and Health Benefits Advisor.

Investing in the Bank's Communities

In 2008 the IDB-DC Solidarity Program provided \$457,000 in grants to community-based organizations that provide services to low-income Latino and Caribbean communities in the District of Columbia, increasing its grant making by 61 percent over two years.

Particularly noteworthy in 2008, in Washington, D.C., the IDB-DC Solidarity Program launched the Bank's communication campaign on human trafficking—Call and Live—featuring the Latino pop star Ricky Martin as the spokesperson. The campaign in Washington focused on creating awareness and establishing a local hotline in Spanish for the prevention and protection of victims.

IDB Footprint at a Glance

2008

Paper use (tons)

Paper use (tons)			
	131	117	89
2006			
2007			
2008			

Waste Generation (tons)

Waste Generation (tons)			
	552	454	412
2006			
2007			
2008			

Utilities use

Electricity (MWh)			
	23,264	23,600	22,392
Gas (ccf)			
	27,209	28,092	29,751
Water (thousands of gallons)			
	18,411	17,482	14,785
2006			
2007			
2008			

Carbon Footprint (headquarters) (tons of CO₂ equivalent)

Direct sources
(fuel, gas and
heating,
ventilation, and
air conditioning
at Headquarters)



Indirect
sources
(purchased
and used
electricity)



Optional sources
(air travel, hotel
nights, and
commuting)



Total	20,705	21,005	19,567
2006			
2007			
2008			

Carbon Footprint (country and regional offices) (tons of CO₂ equivalent)

Direct,
indirect and
optional
sources in IDB
country and
regional
offices



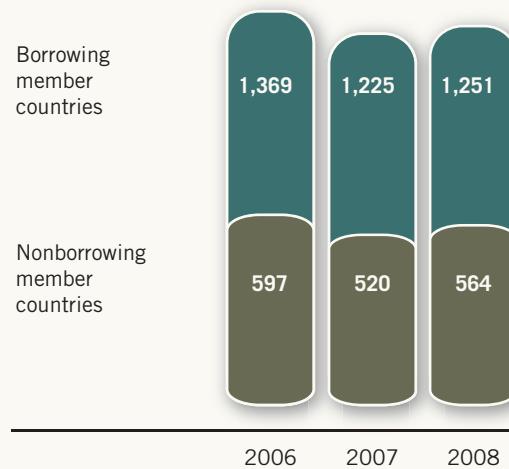
IDB Staffing, by Gender (percent)



Staffing, by Location

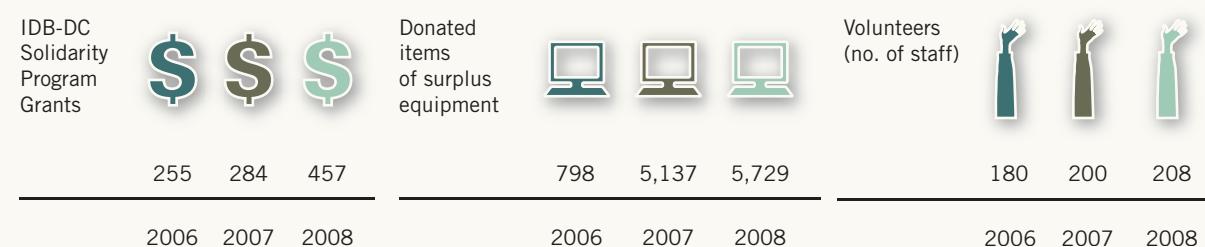


Staffing, by Country of Origin



Community Investments:

Grants (\$ thousands), Donated Equipment (no. of items), Volunteers (no. of staff)



Global Reporting Initiative

Strategy and analyses		Paragraph
1.1	CEO statement	A message from the president
1.2	Key impacts, risks, and opportunities	3.2; 3.1
Organizational profile		
2.1	Name organization	Cover
2.2	Products and services	About the IDB; W
2.3	Operational structure	About the IDB; W
2.4	Location headquarters	About the IDB; W
2.5	Countries located	W
2.6	Nature of ownership and legal form	About the IDB; W; AR
2.7	Markets	Key Figures; 2.3; W
2.8	Size of operations	Key Figures; 2
2.9	Organizational changes	About the IDB; A message from the president; W
2.10	Awards	5; W
Reporting parameters		
3.1	Reporting period	Reporting Principles
3.2	Previous report	Progress & Commitments
3.3	Reporting cycle	Reporting Principles
3.4	Contact person(s)	Contact
3.5	Process report content	Reporting Principles
3.6	Scope	2; Reporting Principles
3.7	Scope limitations	NI
3.8	Basis for reporting on joint ventures	Reporting Principles
3.9	Data measurement techniques	3.2; 5
3.10	Re-statements	Progress & Commitments
3.11	Reporting changes	Progress & Commitments
3.12	Standard disclosures	GRI matrix
3.13	Policy external assurance	NI
Governance, commitments, and engagement		
4.1	Governance structure	1.2; AR; W
4.2	Chair of the highest governance body	AR; W
4.3	Independent members	AR; W
4.4	Mechanisms for shareholders and employees	AR; W
4.5	Compensation highest governance body	NA
4.6	Processes to ensure conflicts of interest are avoided	W
4.7	Expertise highest governance body	About the IDB; W
4.8	Internally developed statements	1.1
4.9	Procedures of the highest governance body	1.1; 1.2; 1.2
4.10	Performance highest governance body	1.2
4.11	Precautionary approach	1.1; 3.1
4.12	Externally developed principles	1; 4.1
4.13	Memberships in associations	4.1
4.14	List of stakeholder groups	The IDB's stakeholders

Governance, commitments, and engagement, continued		
4.15	Identification and selection of stakeholders	The IDB's stakeholders
4.16	Approaches to stakeholder engagement	The IDB's stakeholders
4.17	Key topics through stakeholder engagement	The IDB's stakeholders
Economic performance indicators		
EC 1	Direct economic value	Key Figures; AR
EC 2	Financial implications due to climate change	2.3.1
EC 3	Coverage benefit plan obligations	AR
EC 4	Financial assistance received from government	2.3.2
EC 6	Locally based suppliers	NI
EC 7	Local hiring	NI
EC 8	Infrastructure investments	3.1.1
EC 9	Significant indirect impacts	2.2; 2.3
Environmental performance indicators		
EN 1	Weight of materials used	5
EN 2	Recycled input materials	5
EN 3	Direct energy consumption	5
EN 4	Indirect energy consumption	NI
EN 6	Initiatives on energy-efficient or renewable energy	5
EN 8	Total water use	5
EN 11	Location land in protected areas	NA
EN 12	Significant impacts on biodiversity	NA
EN 16	Direct and indirect greenhouse gas emissions	5
EN 17	Other relevant indirect greenhouse gas emissions	NA
EN 19	Emissions of ozone-depleting substances	NA
EN 20	NOx, SOx air emissions	NA
EN 21	Total water discharge	NA
EN 22	Total weight of waste	5
EN 23	Total spills	NA
EN 26	Initiatives to mitigate environmental impacts	5
EN 27	Products reclaimed at the end of the products' useful life	NA
EN 28	Monetary value of significant fines	NA
Social performance indicators		
LA 1	Breakdown of total workforce	Key Figures; 5
LA 2	Employee turnover	NI
LA 4	Employees covered by collective bargaining agreements	NI
LA 5	Minimum notice period(s) regarding operational changes	NI
LA 7	Rates of injury, occupational diseases, lost days, and absenteeism	NI
LA 8	Risk control programs regarding serious diseases	NI
LA 10	Training per employee category	Key Figures; 4.2
LA 13	Gender breakdown of governance bodies	Key Figures; 5
LA 14	Ratio of basic salary of men to women	NI
HR 1	Significant investment agreements that include human rights clauses	2.2; 3.1

Social performance indicators, continued		
HR 2	Screening of suppliers on human rights	NI
HR 3	Employee training on aspects of human rights	Key Figures; 4.2
HR 4	Incidents of discrimination	NI
HR 5	Incidents of violations of freedom of association and collective bargaining	NI
HR 6	Child labor	NI
HR 7	Forced or compulsory labor	NI
SO 1	Impact on communities	2.2; 2.3
FS 13	Access points in low-populated or economically disadvantaged areas	2.2; 2.3
FS 14	Initiatives to improve access to financial services for disadvantaged people	2.3.4
SO 2	Number of business units analyzed for risks related to corruption	NI
SO 3	Employees trained in organization's anticorruption policies and procedures	NI
SO 4	Actions taken in response to incidents of corruption	NI
SO 5	Public policy positions and participation in public policy development	4.1
SO 8	Monetary value of significant fines	NA
PR 1	Improving health and safety impacts across the life cycle	2.3.2; 2.3.3
PR 3	Product information and labeling	NI
FS 16	Initiatives to enhance financial literacy	NI
PR 6	Marketing communications	NA
PR 9	Monetary value of significant fines	NA
Financial Services Sector Specific Performance Indicators		
FS 6	Percentage of the portfolio for business lines	Key Figures
FS 7	Monetary value of products and services delivering specific social benefit	Key Figures
FS 8	Monetary value of products and services delivering specific environmental benefit	Key Figures
FS 9	Coverage/frequency of audits assessing implementation of environmental/social policies	3
FS 10	Percentage and number of companies which have interacted with the company on environmental and social issues	NI
FS 11	Percentage of assets subjects to positive and negative environmental and social screening	Key Figures
FS 12	Voting policies applied to environmental and social issues	NA
Financial Services Sector Specific Disclosure on Management Approach		
FS 1	Policies with environmental and social components	1; 1.1
FS 2	Procedures for assessing and screening environmental and social risks	3.1
FS 3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements	3.1
FS 4	Processes for improving staff competency to implement the environmental and social policies and procedures	4.2
FS 5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	2.1; 2.2
FS 15	Policies for the fair design and sale of financial products and services	NA

Note: Explanation of abbreviations: NA: not applicable; NI: not included; NR: not required according to GRI;
W: www.iadb.org; AR: IDB Annual Report 2008.

Disclosure on Management Approach

The Disclosure on Management Approach provides a concise overview of how the IDB addresses those sustainability topics that are material to its activities, broken down by the

GRI Indicator Categories. The Disclosure on Management Approach sets the context for performance information as reported in the Sustainability Review 2008.

	Materiality	Responsibility	Objectives/ performance	Policy	Training	Monitoring
Product and service impact	<ul style="list-style-type: none"> • Audits • Active ownership • Product portfolio 	<ul style="list-style-type: none"> • Executive Vice President • Office of the Auditor General 	<ul style="list-style-type: none"> • Key figures • Progress and commitments • 2.3 	<ul style="list-style-type: none"> • 1.1 • 2.2 	<ul style="list-style-type: none"> • Key figures • 4.2 	• 3.1
Economic	<ul style="list-style-type: none"> • Economic performance • Market presence • Indirect economic impacts 	• NR	<ul style="list-style-type: none"> • Key figures; • AR 	<ul style="list-style-type: none"> • 2.2 • 2.3 • AR 	• NR	• NR
Environment	<ul style="list-style-type: none"> • Materials • Energy • Emissions • Transport 	• The Vice Presidency for Finance and Administration	• 5	• 5	• NI	• 5
Labor rights	<ul style="list-style-type: none"> • Employment • Training • Diversity 	• The Vice Presidency for Finance and Administration	<ul style="list-style-type: none"> • Key figures • 4.2 • 5 	<ul style="list-style-type: none"> • 4.2 • 5 	<ul style="list-style-type: none"> • Key figures • 4.2 	• 5
Human rights	• Investment practices	• The Vice Presidency for Finance and Administration	<ul style="list-style-type: none"> • Progress and commitments 	<ul style="list-style-type: none"> • 3.1 	<ul style="list-style-type: none"> • Key figures • 4.2 	• 3.1
Society	<ul style="list-style-type: none"> • Community • Public policy • Compliance 	<ul style="list-style-type: none"> • The Vice Presidency for Countries • The Vice Presidency for Sectors and Knowledge • The Vice Presidency for Sectors and Knowledge 	<ul style="list-style-type: none"> • Key figures • Progress and commitments • 2.2 • 2.3 	<ul style="list-style-type: none"> • 1.1 • 2.2 • 4 	<ul style="list-style-type: none"> • Key figures • 4.1 • 4.2 	<ul style="list-style-type: none"> • Key figures • 3.1
Product responsibility	• Compliance	<ul style="list-style-type: none"> • The Vice Presidency for Countries • The Vice Presidency for Sectors and Knowledge • The Vice Presidency for Sectors and Knowledge 	<ul style="list-style-type: none"> • Key figures • Progress and commitments 	<ul style="list-style-type: none"> • 2.1 • 2.2 • 2.3 	<ul style="list-style-type: none"> • Key figures; • 4.2 	• 3.1

Reporting Principles

This Sustainability Review 2008 covers the activities of both the Inter-American Development Bank (IDB) and the Multilateral Investment Fund (MIF), two members of the IDB Group. As in previous reviews, it includes quantitative and qualitative data about the fiscal year, running from January 2008 through December 2008. It was written under the responsibility of the Bank's Environmental and Social Safeguards Unit (ESG) and supported by an internal working group.

The review provides information on how the Bank performs on, manages, and monitors key sustainability topics and includes, where relevant, information on activities undertaken in cooperation with other organizations. Feedback on the Bank's previous review has been incorporated where relevant. The review reports on those issues and dilemmas that have been illustrative for development banking and particularly for the IDB in 2008.

To give readers optimal access to information, the Bank publishes this review both in a printed version and digitally on its website, supplemented by a Summary.

The IDB has used the G-3 sustainability indicators and the Financial Services Sector Supplement of the Global Reporting Initiative as a framework for this review. Levels of materiality have been considered in choosing the indicators that are relevant for the IDB's sustainability reporting process. A self-assessment has resulted in the application of the GRI principles at level B. The GRI indicators and Disclosure on Management Approach can be found in the previous section of this review.



Winners of IDB Honduras Engineering Contest implementing a wind turbine on the roof of the IDB office in Tegucigalpa as part of an effort to reduce its carbon footprint.

CONTACT

The IDB welcomes opinions on the content of this review as well as on the Bank's overall performance in the field of sustainability. Should you have any comment or opinion to share, please contact the Managing Editor by e-mail: sustain@iadb.org.

ACKNOWLEDGMENTS

Managing Editor: Natasha Ward

Advice and text: Triple Value Strategy Consulting

Design: Studio Grafik

Editing: Michael Harrup

Web and Communications: Gador Manzano, Cecilia Koosau



Inter-American Development Bank
1300 New York Ave., N.W.
Washington D.C. 20577
USA

www.iadb.org