

# **INVESTING IN A SUSTAINABLE FUTURE:**

**INTER-AMERICAN DEVELOPMENT BANK SUPPORT  
FOR THE GOALS OF THE  
SANTA CRUZ DE LA SIERRA SUMMIT**

**December 1996**

## **Prologue**

The Inter-American Development Bank is pleased to be associated with this historic meeting of the Heads of State for the Summit Conference on Sustainable Development in Santa Cruz de la Sierra, Bolivia.

During the past decade, the concept of sustainable development has been a central worldwide theme for politicians and academics alike. It represents a synthesis of the overarching objectives of integrated development which has come to characterize the efforts of the vast majority of countries in the waning years of this century.

For Latin America and the Caribbean, sustainable development encompasses the broad objectives of our societies: sustainable economic development based on modernization, openness and competitiveness; greater social justice achieved through reductions in current levels of poverty, increased investments in human capital to create new opportunities, and improvements in the distribution of income; democratic institutions that respect human rights, as well as the participation of citizens in the political process and the quest for a national consensus on the future of our societies; and equitable growth that improves the quality of life and respects our natural resources in the cities and rural areas.

The key to achieving these ambitious goals lies in each of our countries, through the use of appropriate economic and social policies, promoted by national governments and with the active participation of the private sector and other segments of society.

Nevertheless, it is clear that this effort requires active international cooperation. The Summit in Miami and this Summit in Santa Cruz are aimed at mobilizing greater hemispheric solidarity. Following the mandate issued by its governors in 1994 at the time of the Eighth Replenishment, the Inter-American Development Bank has incorporated all the goals of sustainable development into its strategies. To support those goals, the Bank will respond by cooperating with each Government and collaborating in programs for regional action.

In many of these efforts, we are associated, or seek to associate ourselves, with other regional organizations, the United Nations and its specialized agencies, the European Union, and bilateral cooperation agencies.

In this document, we inform the Heads of State meeting in Santa Cruz of the Bank's present and future efforts that respond to the call of the Santa Cruz Summit to international organizations in support of its Declaration.

*Enrique V. Iglesias*  
*President*

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## **I. The Challenge of Sustainable Development in Latin America and the Caribbean**

As Latin American and Caribbean economies grow and become more urbanized, the demand for basic services, natural resources and employment opportunities will increase, putting pressure on existing infrastructure, and on the region's natural and socioeconomic capital base. Notwithstanding abundant natural resources, the region is faced with the need to develop its resource base in a manner that is consistent with continued economic growth, social equity and environmental sustainability. To achieve sustainable development will require setting safe limits and satisfactory allocation mechanisms to ensure the long-term viability of land, water, biodiversity and mineral resources. In its social dimension, sustainable development requires addressing the questions of equitable access to social services and economic opportunity.

Today, greater political and economic stability in Latin America and the Caribbean has led to a shift from the crisis management of the past to long-term planning; from government control to community and private sector initiative; and from investment in capital goods to greater investment in human capital. The emerging sustainable development paradigm seeks to increase economic growth by optimizing the allocation of natural and human resources through environmental conservation and investments in human capital, recognizing that these are mutually reinforcing goals that improve living standards. To achieve sustainable development, there must be a shift from isolated sectoral resource development to integrated resource

management, with due consideration to both supply and demand for all beneficial uses, including the environment. On the social front, sustainable development requires an emphasis on the reform of delivery mechanisms to achieve optimal scale and to rationalize expenditures. This is complemented by targeting low-income groups through health, education, labor reform, microenterprise and childhood and youth programs that both improve preparedness and provide opportunities for productive employment.

To be effective, these approaches must be supported by policies and strategies that are integrated with effective regulatory and delivery mechanisms, and adequate levels of investment. By the year 2000, it is estimated that the additional investment demand for environmental and natural resources in the region could amount to \$26 billion a year -- roughly 2 percent of the region's GDP. In order to achieve an adequate flow of resources, the region will have to adopt measures that ensure natural and human capital availability, provide a reliable and transparent regulatory framework, and include incentives that make sectors self-sufficient in terms of cost recovery and ability to attract private capital.

The governments of the region bear a major responsibility for adopting measures that will lead to the sustainable development of Latin America and the Caribbean. However, these efforts deserve and require international support. Assistance is needed in the areas of financing, access to markets,

private investment, and access to technologies and industrial processes that are economically and environmentally sustainable. To break the vicious cycle of environmental degradation and socioeconomic deterioration, countries in the region will require external support. The Inter-American Development Bank has the

capacity and the commitment to channel resources to the region, through financing and technical assistance, to complement the efforts of regional governments to overcome these environmental, social and economic challenges and achieve sustainable development.

## II. The IDB's Mandate for Sustainable Development

Under the terms of the Eighth Replenishment of 1994, which provided the IDB with the largest increase in financial resources in its history, the Bank received a mandate to focus on the goal of sustainable development. The Bank was directed by its borrowing and nonborrowing members to target a greater portion of its resources to the social sectors, targeting 40 percent of total lending (equivalent to \$2.8 billion a year) and 50 percent of the total number of operations. The new mandate also emphasized improved stewardship of the region's natural resources by improving the environmental quality of Bank operations, strengthening the institutional base for environmental management within the context of market economies, and promoting innovative solutions to urban environmental problems. The Eighth Replenishment also focused on modernization and integration through support for democratic institutions, improved public sector management, and a larger role for the private sector.

The Bank relies on a variety of instruments with which to integrate sustainable development into its operations.

- **Lending operations** for projects support investment, regulatory reform, resource management, and pollution control and

abatement in sector loans and investment operations. Currently there are some \$9.8 billion in projects under execution in areas related to sustainable development, such as agriculture, environment, water and sewerage, urban development, forestry and microenterprise.

- **Technical cooperations** have been used to implement environmental and natural resource policy; strengthen institutions; reform regulations; and develop innovative programs on women's issues and indigenous peoples, among other areas. (See Box on: Environmental Management Program in Guyana).

- **Grants** from the Multilateral Investment Fund (MIF) have promoted financial sector modernization, the development of legal and regulatory frameworks for private investment, and financial support for investments in environmentally beneficial projects, such as the Environmental Finance Corporation for Central American companies.

- **Private sector** support includes the activities of the Inter-American Investment Corporation (IIC) through debt and equity

financing for small- and medium-sized private enterprises (totaling more than \$540

million since 1988). Since 1995 direct lending is also provided by the Private

Sector Department which has approved some \$235 million for projects totaling more than \$1.4 billion for operations in infrastructure (e.g., energy, roads, water and sanitation).

### **Environmental Management Program In Guyana**

In 1996, the Bank approved a US\$1.5 million technical cooperation for the Environmental Management Program in Guyana. This program brings Guyana into the mainstream of environmental management practices and establishes environmental safeguards to ensure sustainable management of its natural resources. The program will assist the Government of Guyana in strengthening the technical, managerial and organizational capabilities of the newly established Environmental Protection Agency. In addition, the technical cooperation will assist Guyana in implementing the Environmental Protection Act of 1996 through the development of the legal and regulatory framework in environment and natural resource management and improvement in the capacity of sectoral agencies responsible for forest management and mining. The program is directed towards improving the public sector's capabilities in environmental policy, planning, control and enforcement. Emphasis will be placed on generating positive, self-reinforcing processes, such as participatory policymaking, self-monitoring and enforcement programs, and interagency coordination mechanisms.

## **III. Strategic Areas of Action for the IDB**

Using its financial instruments, the Bank has translated its mandate into five priority activities. These are in the areas of human capital formation, rural development and sustainable agriculture, integrated natural resource management and the environment, economic and financial modernization, and urban development. Although each of these areas represents a separate topic, they are necessarily linked as highlighted in the following presentation.

### ***Human Capital Formation***

Promoting human capital formation is a multidisciplinary task. In the areas of health and education, Bank efforts are focused on

identifying constraints that impede progress, while developing options to address financing, targeting and delivery mechanisms.<sup>1</sup> Specific initiatives are proposed in the areas of: health management incentives reform; delivery of integrated child development services; design of effective and practical indicators to measure the impact of education programs on learning; and development of strategies for higher education delivery and access, research, and technology transfer.

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<sup>1</sup> See "Supporting Reform in the Delivery of Social Services: A Strategy" August 1996.

In the areas of employment and welfare, activities range from developing employment opportunities in small and microenterprises, to

rural employment, to employment creation in slum upgrading projects. The Bank has also used social investment funds to target efforts to reduce poverty reduction and to improve the efficiency of social spending. Microenterprise and small projects generate new jobs and help reduce poverty. The Bank has also supported social security and labor reform efforts and training, as well as a broad range of activities in urban development and municipal administration.<sup>2</sup>

In addition, the Bank targets lending to low-income groups, paying special attention to strengthening the role of women and increasing support for indigenous peoples and microentrepreneurs. Efforts include the identification of policies to promote improvements in the health of women and children, curtail domestic violence, ensure women's access to education and strengthen women's leadership opportunities. Recognizing the link between sustainable development, cultural identity, and greater participation of indigenous people in civil society, the Bank has supported pilot projects through the Indigenous Peoples Fund (See Box) and its Small Projects Facility. The Bank is also designing new guidelines on socio cultural soundness

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<sup>2</sup> The Latin America and Caribbean Commission on Human Settlements, supported by the Bank and UNDP, recently published "A City for All: The Future of Human Settlements in Latin America and the Caribbean" (May 23, 1996) as a contribution to Habitat II.

analysis, involuntary resettlement, and community consultation. Training for IDB staff and for social managers and policy makers in the region is a central concern, and the Inter-American Institute for Social Development (INDES) is active in dissemination and training activities.

#### **Indigenous Peoples Fund**

The Bank was a major supporter of the creation of the Fund for the Development of the Indigenous Peoples of Latin America and the Caribbean, and has since cofinanced its operational and administrative expenses. The Fund's objective is to support the self-development process of the indigenous peoples of the region, recognizing the integrity of their territories and their fundamental rights and cultural characteristics. It provides a forum for dialogue and coordination among indigenous peoples, governments within and outside the region, and international and nongovernmental agencies to assist in defining policies, financing development projects, and providing technical expertise to indigenous peoples and their organization.

#### ***Rural Poverty and Sustainable Agriculture***

Reducing rural poverty and promoting sustainable agriculture are critical from the viewpoint of environment and social equity.

In Latin America and the Caribbean, nearly 200 million people live in poverty. The highest incidence of poverty in rural areas, where 60 percent of the population is poor, and an overwhelming number of poor people live in areas with low potential for food production. The Bank supports mutually reinforcing activities in sustainable agriculture and rural development. These include policies to control livestock disease and promote new agricultural products, as well as strategies to finance rural manufacture, agriculture and

commerce. The Bank has also been instrumental in the creation and financing of the Agricultural Technology Fund (See Box). As well, important steps are being taken to establish guidelines and best practices in these areas.

### **Regional Fund for Agricultural Technology**

The IDB and 15 Latin American and Caribbean countries, led by Colombia, are promoting the establishment of an endowment fund of approximately \$200 million to finance high-priority strategic agricultural research. The fund is expected to generate an annual flow of resources of at least \$10 million. Resources from the fund will be allocated on a competitive basis at the regional and subregional level. Funded research will focus on increasing the productivity of food crops, the management of natural resources, and strengthening the institutional capacity in agricultural research policy and management. Creation of the fund corrects a shortage in the availability of sustainable medium-and long-term financing for regional agricultural research activities, and restores responsibility for financing and decision-making on regional research priorities to the countries of the region.

Main sources of financing will be the countries themselves. Contributions can come from regular budgetary resources, the proceeds of loans for strengthening agricultural research, governments, private foundations, and multilateral and bilateral organizations. As the fund develops, other sources of contributions may emerge, including the private commercial sector.

Addressing the needs of the rural poor requires a focus on food availability and efforts to diversify sources of rural income through off-farm employment and social welfare programs. Education and training to increase the competitiveness of labor on small farms, and incentives to promote agroindustries in rural areas are key elements of a rural development strategy.

Other strategic components are strengthening small irrigation and infrastructure works and the provision of extension services and rural credit. Bank initiatives also include the assessment of the impact of agricultural sector reform programs

on the rural poor, particularly indigenous peoples, and diagnostic tools to monitor and evaluate the social effects of such programs.

### ***Integrated Natural Resource Management and the Environment***

The Bank is committed to support the conservation and efficient allocation of natural resources through integrated resource use planning, appropriate pricing mechanisms, demand management, and promotion of sustainable technologies. In addition to sustainable agriculture and rural development, priority areas include energy conservation and alternative sources of energy; management of soil and biological resources; and urban environment and pollution control. Special attention is also given to environmental education and training. The sustainable solution to natural resource problems lies in an integrated approach to planning, conservation, and management (See Box: Sustainable Development Program for Petén). This calls for a convergence of sound policies, strong institutions, and planning resources. Throughout the region it is clear that reducing poverty levels and improving the environment are mutually reinforcing endeavors. Actions are needed to achieve a practical and economically efficient mix of environmental policy instruments that recognize the importance of market-based economic incentives. Moreover, policymakers must take into account the unintended and often indirect impact of macroeconomic and trade initiatives on the

environment. To this end, the Bank has strengthened its ability to assist countries in managing the more significant environmental problems facing the region. Under the guidance of the mandate of the Eighth Replenishment, strategic work is underway on

pollution control, water and coastal resources management, sustainable rural development, forest resources management, and sustainable energy development.

### **Sustainable Development Program for Petén**

In 1996, the Bank approved a US\$19.8 million loan for a program entitled the Sustainable Development Program for Petén, Guatemala. The purpose of this program is to contribute to sustainable natural resource management and preservation of the unique ancient Mayan cultural heritage in the region of Petén through economically sustainable pilot projects. Although these are protected areas, deforestation has proceeded at a high rate due to inadequate land use planning, uncertain land tenure, high population growth and a lack of viable economic alternatives for the rural poor. The Sustainable Development Program for Petén has been designed as a result of community consultations. It includes four areas of action: (i) land titling to stabilize community structure and facilitate sustainable natural resource management; (ii) restoration of archeological sites and generation of income to local communities through low-impact tourism; (iii) pilot projects in sustainable agriculture, agroforestry and community forestry, using ecologically viable and financially sustainable technology; (iv) institutional strengthening through, among others, environmental education and training of decentralized public agencies, municipalities and community organizations.

### ***Urban Development***

Given that nearly three-quarters of the region's population lives in cities, improvements in urban development and municipal administration are essential for achieving sustainable development. Urban issues are closely linked to rural development, since the failure to provide economic opportunities for the rural poor has a direct impact on the ability of municipal governments to stem the growth of marginal areas and to keep up with demands for urban infrastructure and basic services. The Bank is working with its member countries to identify the appropriate scale of delivery of key public services, in order to determine the optimal balance between municipal and regional government in the context of decentralization. Housing, sanitation, slum upgrading and community development programs are receiving Bank

support, and undergoing improvements based on best practices and innovative pilot programs which include greater community participation. At the same time, alternative strategies and technical guidelines, to address the problems of solid waste management and its attendant environmental hazards, and to promote urban

greening, are being developed through technical assistance and Bank lending operations.

### ***Economic and Financial Modernization***

Success in achieving sustainable development in the region will depend upon economic stability and, more specifically, policies, regulations and institutions that

promote the efficient allocation of resources. Governments must create the conditions for the efficient operation of the public sector and for the development and growth of the private sector. Appropriate regulatory and legal frameworks need to be designed for private sector entry into areas of production and service delivery traditionally reserved to governments, such as energy, transportation, water supply and social services delivery.

#### **IV. IDB Actions in Support of the Santa Cruz de la Sierra Summit**

The Inter-American Development Bank has a strong tradition of supporting the international and regional Summit meetings on environment and sustainable development.<sup>3</sup>

Since UNCED, the Bank has played a major role in the implementation of Agenda 21. The same is true in the case of implementation of the Action Plan of the Summit of the Americas. The Bank is actively involved in the partnerships established at the December 1994 Summit of the Americas: the Partnership for Sustainable Energy Use and the Partnership for Biodiversity and Pollution Prevention. The Bank coordinates its actions closely

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<sup>3</sup> For the 1992 United Nations Conference on Environment and Development (UNCED), the Bank and UNDP collaborated in the preparation of the study "Our Own Agenda" by the Latin American and Caribbean Commission on Development and Environment in order to promote a regional vision on sustainable development. Since 1992, the Commission prepared other studies, such as "Amazonia without Myth" and "Our Own Agenda for the Americas" in preparation for the Summit of the Americas in December 1994. For the Santa Cruz Summit, the Commission prepared the study "Dawn in the Andes" which offers a new vision of sustainable development for the Andean region.

The development of the private sector in Latin America and the Caribbean also requires the deepening of capital markets and increased financial flows to provide investment resources and encouragement to small- and medium-sized firms.

with other agencies involved in the region.

The Bank has been involved in the Santa Cruz Summit from the very beginning. It has provided technical support for the preparation of several technical documents dealing with water resources, sustainable forestry, and environmental valuation and actively followed the technical preparation of the Action Plan. More importantly, the Bank has supported the full and active participation of civil society in the Summit process by financing a process of public consultation and participation of representatives of civil society in the countries of Central America and the Caribbean to discuss and analyze issues and the Summit's agenda. The consultations were organized by the Ecuadorean NGO Fundación Futuro Latinoamericano.

The Summit's agenda and its priorities mirror the areas identified in the Bank's Eighth Replenishment on equitable economic growth, the social dimensions of sustainable development, a healthy environment, public participation, the development and transfer of technology and strengthening of the legal framework for sustainable development. As well, the spirit of the Summit's Action Plan coincides with

the Bank's ongoing support and lending operations. Below the key areas of Bank activities are delineated in water, coastal and marine resources, forest management, sustainable agriculture, rural development, health and education, microenterprises, sustainable cities, and pollution and waste control.

## *Water*

**Key Issues.** Although the region is well endowed with freshwater resources, and vast and diverse freshwater ecosystems, there are extreme variations in availability within and between countries. The region's freshwater ecosystems are under stress owing to rapid population growth and trends in urbanization, tourism, rural development, and water resource development. As a result, water withdrawals are expected to increase by 70 percent by the year 2025. Already three continental Latin American countries and many cities are facing moderate water stress as measured by the annual volume of water per capita. Increased demand means that surface and ground water resources as well as coastal areas, especially in small island states, will suffer from increased pollution, increased conflicts between competing uses and

between these uses and the environment.

Current practices cannot deal effectively with these conflicts and are not sustainable from either an economic or environmental point of view. Elements that undermine the sustainable management of this resource are subsidized water delivery by centralized and overextended agencies; emphasis on regulatory approaches through centralized government, rather than market- or other incentive-based approaches; inadequate stakeholder participation; the absence or inadequate enforcement of legislation; inadequate data; scarcity of trained personnel; and a general emphasis on sub-sectoral, isolated project-based water resource development without regard to environmental management. As a result, despite massive investments, 84 million people in the region still had no access to clean drinking water in 1995, and approximately double that number (165 million) had no sewer service.

**Response.** Bank programs in this sector must reflect the socioeconomic and environmental needs of the countries and serve the interests and needs of water users at the local and community level. Due regard must be given to conservation and sustainable use of natural resources and biodiversity, taking the watershed or river basin as the basic management unit (See Box: Bank Strategy for Integrated Water Resources Management). Bank actions will:

- Develop or strengthen national water resource policies and strategies that recognize the social, economic and environmental value of water and the need for sustainable management, with the participation of communities and the

- private sector;
- Provide comprehensive water resource assessments, including definition and fulfilment of common standards, and integrated planning by river basins with mechanisms for cost recovery, market- and other incentive-based allocation mechanisms, and mechanisms for community and private sector participation and for resolution of conflicts;
  - Develop adequate legislative frameworks and mechanisms for compliance;
  - Seek innovative financing for data acquisition and exchange networks, and

- human resource development for the systematic assessment of water quality, water use, water demands and freshwater ecosystems, including groundwater;
- Support innovative project approaches that focus on integrated water resource management, water conservation, and clean-up of major water bodies;
  - Develop institutional frameworks to promote coordination and integration between water sub-sectors and between these and the environment.

#### **Bank Strategy for Integrated Water Resources Management**

A Bank strategy for integrated water resources management, currently under preparation, will give operational guidelines for Bank operations in support of more efficient ways to allocate water and better ways to solve conflicts among competitive uses. These guidelines will enable the Bank's operations in water-related projects to support the efforts in the region towards a shift from an emphasis on sub-sectoral to an integrated approach and from an emphasis on development to an emphasis on sustainable management, recognizing the social, economic and environmental value of water, with due participation of the communities and the private sector. As a result of regional consultation processes, such as a recent IDB/WMO Conference in San José, Costa Rica, the guiding principles are: (i) supporting the development of national comprehensive water resources policies and strategies; (ii) focus on institutional innovation and capacity building; (iii) distinguishing and giving due attention to both short - and long - term efforts for Bank action; (iv) conforming to Bank's and countries objectives and to internationally accepted principles for integrated water resources management; (v) trying new incentives for country involvement and for internal Bank coordination of individual approaches; and (vi) seeking cooperation and coordination among international financial institutions.

### ***Coastal and Marine Resources***

**Key Issues.** Until recently, many of the policy reforms introduced for sustainable development focused on land resources and ecosystems, with regulatory and institutional changes directed at forest, soil and freshwater resources. There are now signs that significant opportunities as well as hidden costs are being overlooked by not including coastal and maritime territories within the scope of a country's natural resource management policy. Coastal tourism, aquaculture and maritime transport

present promising opportunities for the diversification and integration of many countries' economies.

This regional interest is expected to increase during the next decade, spurred by new trade opportunities, changing markets, heightened awareness of coastal hazards and fisheries conflicts, and the entry into effect of international agreements such as the United

Nations Convention on the Law of the Sea (UNCLOS) and the FAO Code for

Responsible Fisheries (See also Chapter 17 of Agenda 21; and 1993 World Coast Conference). There are many priority coastal areas where use conflicts are escalating due to declining coastal water quality, habitat degradation, land speculation for tourism and pressure on fisheries resources. These conditions require countries to adopt policies and to design and implement strategies for the sustainable development of areas encompassing the headwaters of coastal watersheds to the outer limits of their exclusive economic zone. Moreover, strategies must take into account the need to improve the living conditions of communities that are dependent on coastal resources for their livelihood. The principal challenges are as follows:

- Allocation of resources in the coastal zone, including open access problems, use conflicts and the degradation of ecosystems, e.g., estuaries, bays, coral reefs, mangroves;
- Management of living marine resources in light of declining fisheries catches;
- Coastal waters as receiving waters for land-based sources of pollution;
- Addressing uncertainties for the management of coastal areas, including weather-related hazards and sea level rise;
- Sustainable development of small islands; Governance of coasts and ocean areas, including the resolution of intersectoral conflicts; and
- Conservation of biodiversity (See Box: The Bank and Biodiversity Conservation).

**Response.** The Bank has approved nearly \$60 million for integrated coastal

#### **Coastal Resources Management Program in Ecuador**

management projects since 1993, and during the next three years will invest \$150 million more (See Box: Coastal Resources Management Program in Ecuador). Currently, a Bank strategy for coastal and marine resources management is under preparation and will provide a vehicle for discussing policy issues with member countries and other stakeholders, such as NGOs and other international organizations.

The consultation process is expected to lead to a consensus on how the Bank can most effectively continue to support coastal management efforts in the region, with initiatives that:

- Encourage consensus, through systematic, participatory planning for coastal management projects linked to poverty alleviation, modernization of the state and sustainable development;
- Support for innovative national and local coastal management initiatives in carefully selected priority areas which can serve as effective demonstration and learning cases;
- Revitalize financing in marine fisheries management and conservation -- supporting the move from open- to closed-access regimes and the integration of environmental concerns in fisheries;
- Strengthen the managerial and technical capacity of coastal and maritime administrations in order to overcome sectoral conflicts in coastal resource use, and increase reliance on partnerships with private and local sectors, as well as regional alliances for managing transboundary systems;

In 1993, the Bank approved a loan of \$14.9 million to finance the Coastal Resources Management Program in Ecuador. The program will contribute to the sustainable development and use of Ecuador's coastal resources by reducing and controlling environmental degradation in estuaries, including the encroachment of mangroves by shrimp farming; protecting and restoring coastal ecosystems; and broadening local economies. As part of the program, coastal zone management plans designed through a participatory process with local residents, will be implemented. In addition, the program includes environmental monitoring and applied research to detect coastal changes, improve techniques in estuarine management, establish a regional data base for coastal land use planning and policy making, and institutional strengthening and development. Through the participation of several NGOs, 120 community projects will be undertaken. New sources of employment in sustainable activities, such as ecotourism and mariculture, are anticipated. The quality of life in coastal communities will improve through the provision of drinking water and sewerage and solid waste collection systems.

- Build a regional capacity for management-oriented research and technological innovation in marine and coastal sciences;
- Update best practices for marine fisheries, aquaculture, tourism, ports, coastal road networks and agriculture, and other investments made in coastal and marine areas. Also needed are improvements in the practice of Environmental Impact Assessments in the coastal zone to address indirect and cumulative impacts on coastal ecosystems, with particular attention to the carrying capacity limitations of island systems;
- Develop indicators of change in the coastal zone which will allow governments and financing institutions to take stock of the cumulative impact of their interventions, including reliable and comparable data on the status of coastal ecosystems (e.g., estuaries, coral reefs, mangroves), resources (including coastal water quality) and their economic and social values;
- Build strategic partnerships and greater coordination for the implementation of international maritime agreements.

### **The Bank and Biodiversity Conservation**

The variety and diversity of ecosystems and species found in the wild lands and aquatic ecosystems in Latin America and the Caribbean are of great value to the region and the world as a whole, among other things, for the potential contribution to agricultural, pharmaceutical, and other product development. However, deforestation and pollution of inland and coastal waters pose a serious threat to biodiversity and human health in the region.

The Bank is committed to an ongoing search for opportunities to aid in the conservation of biological diversity, with local community involvement, and has embarked in a long term effort to improve its effectiveness as a financial institution in the field of biodiversity management and conservation. Over the years, the Bank has sponsored direct investments in biodiversity conservation and the development of eco-tourism projects. In addition, the Bank supports the integration of biodiversity considerations in development projects, such as (i) establishment of protected areas; (ii) investments in watershed management; (iii) improved enforcement of environmental regulations in sectors that potentially might have a negative impact on biodiversity, such as transportation, agriculture, fisheries, energy and urban sanitation.

The Bank is also considering the preparation of a biodiversity strategy, including an analysis of alternative financial mechanisms to provide concessional funding for protected areas which would complement related strategies for coastal and water resources management. Ecotourism, non-timber extraction, environmentally sound timber production, improved land use planning and sustainable fisheries management can all contribute to biodiversity conservation and improved living standards in selected areas. The fundamental causes of threats to biodiversity conservation need to be addressed through strengthening agricultural research and extension and human capital formation, especially in rural areas.

Finally, the Bank will continue to encourage community participation in design and execution of projects

and support of environmental funds as financing mechanisms that are well-suited to address the conservation needs of small communities and the management capacity of NGOs. The Bank will continue to support the establishment and strengthening of National Environmental Funds, and to maximize their impact, will assist with resource mobilization, integration in the national policy framework, and issues of governance and management. In addition, the Bank will support regional cooperation among the national funds, such as through a proposed Latin American and Caribbean Network of Funds.

### ***Forest Management***

**Key Issues.** More than half of the world's tropical forests are in Latin America and the Caribbean. The rate of deforestation in the region is very rapid, approximately 7.5 million ha of forest disappear each year. This unsustainable deforestation not only sacrifices renewable economic resources such as timber, fuelwood and non-wood forest products, but also results in larger losses related to watershed protection, biodiversity, carbon sequestration, and air quality. Moreover, the loss of forests threatens the cultural heritage

of indigenous communities and the region's biodiversity (see Box: The Bank and Biodiversity Conservation). Despite the progress already made in forest management and sustainable resource use, the advancing agricultural frontier, fuelwood consumption, and industrial uses of wood continue to threaten Latin America's rich forest resources. The causes of deforestation relate to: broad pressures from population and poverty; insecure tree and land tenure; land speculation; lack of technologies and environmental education; institutional weakness and instability; short planning horizon; and the low value of forests to land owners.

**Response .** The Bank has invested over \$859 million in forestry projects that totalled

approximately \$2 billion. It will further consider \$300 million in forestry-related investments by the year 2000. In developing a strategy for the sector, the Bank must address problems related to the management of forest resources and the systemic causes of deforestation. Key sectoral policies include land tenure, agriculture, energy, and education. Policies should focus on empowering local institutions and fostering public participation; avoiding fiscal and tax biases against forest management practices; and developing mechanisms for the management and conservation of biological diversity in the region. Bank funding supports a variety of creative strategies in order to increase the range of economic and tangible uses of forests, such as:

- Develop strategies that address financial mechanisms for the payment of environmental services provided by forests, including concession arrangements; promote private sector investment; increase community participation; create new markets, especially for "green" products; and support a more comprehensive long-term planning, including National Forest Action Programs;
- Build public institutions with training programs for government officials (national and local levels), legislators and judges on the design, application and enforcement of environmental legislation and regulations, including international treaties and agreements; and create small but efficient administration units to

- oversee forest and biodiversity resources.
- Provide substantial financing for projects with forestry- and biodiversity-related investments to promote permanent improvements in the living standards of forest-dependent rural populations and open up sustainable economic opportunities;
  - Support programs and provide policy development assistance that facilitates and strengthens land titling and land tenure enforcement;
  - Support environmental education programs to disseminate the value of environmental services provided by forests, and programs to improve the level of primary education in rural areas and promote sustainable natural resource management;
  - Support initiatives that raise the value of standing forests, such as: management for non-timber and timber uses; development and protection of pristine forests as sources of genetic stock and biodiversity; promote ecotourism projects; protection of watersheds; provision of buffers for urban pollution that improve air quality and store carbon.

### ***Sustainable Agricultural Development***

**Key Issues.** The agricultural sector (which includes agriculture, livestock, forestry, fisheries and vegetable fiber crops), has played a key role in the economic development of Latin America. Despite decades of state-supported industrial development, agricultural production represents more than 25 percent of gross regional product and accounts for more than 40 percent of exports. Economic reform and the globalization of international markets have led to important shifts in agriculture. The sector's potential contribution to raising

incomes, reducing poverty and conserving natural resources is taking center stage in the development debate in most of the countries of the region. Rapid changes internationally and regionally have created a new institutional and economic setting for agriculture. Favorable conditions in international markets based on the GATT agreements and market conditions, offer new opportunities for the region. Thanks to its generous endowment of natural resources and improved macroeconomic conditions, the region can now increase its share of international trade in food and forestry products.

**Response.** The strategy that the Bank is developing for this sector takes into account three important points: first, the central role that agricultural production has played in successful economic development programs in the region; second, the need to consolidate economic policies and ensure that the bias against agriculture and the production of primary products is removed; and third, the importance of investment in infrastructure, technology development, and credit to the modernization of production and increased international competitiveness.

The IDB can play a key role in supporting the modernization and development of the agricultural sector in the countries of the region. It can facilitate the and development of integrated programs of economic and institutional reform, as well as investment projects in critical areas (for instance, reform of the state including retraining in key areas for staff of the ministries of agriculture and natural resources), and strengthening of agricultural services. In particular, the Bank's response to the challenge of sustainable agricultural development includes the following items:

- the development and transfer of technology,
- livestock health,
- market information,
- credit programs that facilitate needed long-term investments for the diversification and modernization of production,
- the development of markets for land and irrigation, and
- investment in rural production infrastructure and training to improve the quality of life.

### ***Rural Development***

**Key Issues.** At the beginning of the 1990s, the number of urban poor in Latin America surpassed the number of rural poor for the first time. Nevertheless, in relative terms, poverty remains a more serious problem in rural areas, and it is in these areas where a large percentage of people are living in abject poverty. This situation can only be remedied through focused interventions. It is estimated that two-thirds of the approximately 70 million poor people who live in rural areas are small farmers, while the remaining one-third are without land and indigenous peoples. Taking into account that a part of the small farmers work on “minifundios” this means that agricultural development is not a solution to the problems of about 40 million rural poor (namely, indigenous peoples, the landless, and farmers with very small holdings).

**Response.** The IDB is preparing a strategy proposal that establishes, as a basic prerequisite a growth-oriented economic environment and a macroeconomic and sectoral framework favorable to rural development, rather than one biased towards urban areas. Strategic options include

fostering human capital development and the creation of permanent rural jobs through public investments geared to conserving and restoring natural resources.

Recognizing the heterogeneity of rural poverty, two complementary alternatives are proposed:

- The first is geared to small farmers with potential for agricultural development and includes elements to foster the growth of agricultural production and income (such as land titling, transfers of agricultural technology, rural extension, financial services, market access, irrigation, etc.).
- The second option concerns itself with the rural poor who lack the necessary resources to benefit from the first option. This alternative is made up of various measures to create nonagricultural rural jobs and integrate the rural poor into the urban workforce (such as public investments, incentives for private investment, incentives for the development of microenterprises, training, etc.).

### ***Health and Education***

**Key Issues.** The deficiencies in the provision of education and health services in the region are well known and result in a tragic waste of human potential. The average level of education is well below what could be expected considering per capita income. Poor school quality, inadequate family resources and high levels of repetition and dropouts result in low enrollment levels. Leaving almost half of the region’s children with less than a fourth grade education, and more than two-thirds with no secondary schooling. The result is a low-skill labor

force that has difficulty earning its way out of poverty and represents a constraint to growth in an increasingly technological and global economy.

Despite relatively favorable region wide indices, there is an enormous disparity in the situation in most countries with large indigenous populations. In these and other countries, fewer doctors and hospital beds per capita, combined with the concentration of medical services in prosperous regions and cities, leave large fractions of the population without access to health care. Limited access to basic health services, understood to include clean water and sanitation, is the main reason that preventable diseases takes such a high toll: 42 percent of all premature deaths and disabilities are caused by diseases that can either be avoided through preventive measures (such as adequate coverage of immunizations, clean water, and sanitation); or cured by access to simple medical facilities for early and inexpensive medical treatment. The victims of these diseases are overwhelmingly poor children who, if not fatally stricken, suffer chronic handicaps that curtail their ability to attend school or to learn while there, and ultimately stymie their opportunities for productive employment and higher earnings.

**Response.** The Bank will emphasize improving the quality and coverage of primary education and basic health services within a framework that aims to change the structural conditions that perpetuate poverty, tailoring the approach of its operations to the special circumstances of the groups in question, and addressing issues of regional discrimination as well as linguistic and sociocultural barriers (See Box: Moving into Third Generation Programs). The objective

health conditions and access to the health system. In a few countries with relatively large numbers of doctors and hospital beds per capita, 90 percent of the population has access to health services. This contrasts sharply with

is to provide a bundle of minimum services - quality education, basic health care and adequate nutrition that enable the children of the poor to acquire the skills they need to earn a good wage and break the vicious cycle of poverty for themselves and their children. These objectives are reflected in the following initiatives:

- Encourage and support government efforts to improve efficiency and equity in the provision of social services by rationalizing social expenditures and decentralizing social programs to local levels closer to the beneficiaries. This includes training for management personnel for social programs;
- Provide support for quality and coverage improvements of primary education, including pre-school services for the children of the poor, and for programs to close the gap in the educational options available to the poor;
- Strengthen assistance to nutritional programs, family welfare, women and youths, and slum upgrading, in order to establish a supportive environment for children in school and diminish threats to their health and demands on their time as a source of labor, income and household services;
- Support vocational education and employer driven training programs to promote rural development and job creation both to support children during their school years and to offer youths productive and higher income earning

- opportunities;
- Support government financing of public health services and subsidies to eliminate impediments to access to basic health services by all segments of the population, in a context of management system reform modeled on the examples of successful systems in the region;
  - Promote and support community development initiatives by facilitating

dialogue and financing consultative activities and information access for stakeholders about options and opportunities. Particular attention should be given to vulnerable, marginalized or under-represented segments of the population, including women and children, ethnic minorities and indigenous peoples.

### Moving into Third Generation Programs

In recent years the social programs financed by the IDB have emphasized the reform and restructuring of social services. Some examples which are in various stages of design or implementation are listed below.

**EL SALVADOR - Education:** In 1995, the Bank approved Loan 879/OC, the Education Sector Modernization Program. This program contains second generation elements such as training and teaching materials. However, it also supports the expansion of an education model in rural areas that has proven successful at increasing teacher performance through a combination of pay, community involvement, and pedagogical support. It also establishes a funding mechanism to test alternative methods of providing basic education through municipal governments, NGOs, and other nonprofit institutions.

**GUATEMALA - Health:** The Health Sector Reform for Guatemala (890/OC and 891/OC) was the Bank's first policy-based loan for a social sector. The operation set ambitious goals for legislative and structural changes which could establish an efficient basis for financing and providing health services. Difficulties in implementation and changing domestic priorities led to a reformulation of the operation in line with current conditions.

### *Microenterprise*

**Key Issues.** Microenterprises provide the poor, particularly poor women, with a significant number of jobs. Over 80 percent of the businesses in Latin America and the Caribbean have 10 employees or less. Microenterprises also account for a considerable percentage of the gross domestic product of the countries of the region, ranging from less than ten percent to nearly 50 percent depending on the country. The development of microenterprises strengthens the income-earning capacity of the poor and boosts the productive potential

of small farmers. The sector is also central to job creation and to modernization of production in the region. To thrive it requires technological upgrading (especially in the agricultural sector), and the creation of a suitable environment for small- and medium-sized businesses. Financial reform is also necessary to ensure access to financial services for the vast majority of micro entrepreneurs. Outdated property regimes and lack of securitization for movable property mean that 95 percent of the sector

does not have access to formal financial

services.

**Response.** The Bank must promote the conditions necessary to expand economic opportunities in Latin America and the Caribbean through sustainable, dynamic micro enterprise development. To this end it has undertaken a multi-year program, Micro 2001, to increase investment in micro enterprise development to the equivalent of \$500 million over five years, financing activities primarily from its own funds and the Multilateral Investment Fund. Micro 2001 will:

- Support a favorable policy and regulatory environment through strategies for micro enterprise development that are tailored to the situation of each country, based on a comprehensive analysis of obstacles and opportunities that confront the micro enterprise sector;
- Establish or strengthen solid, sustainable formal and non formal institutions capable of providing financial and nonfinancial services to meet the demand of microenterprises efficiently and effectively;
- Improve access of low-income and disadvantaged micro entrepreneurs (including women and indigenous peoples) to financial and business services;
- Expand and promote continuity in resources for investment in micro enterprise, including serving as a catalyst for the infusion of private investment by linking NGOs and commercial investors, and promoting the formalization of microenterprises. Innovative mechanisms such as equity investment by the Multilateral Investment Fund, will also be used to develop intermediaries providing services to microenterprises and to provide

seed capital.

### ***Sustainable Cities***

**Key issues.** There are 40 metropolitan areas in the region with a population of over one million, four of which have over 10 million residents. The trend for the coming years is one of even greater urbanization. This growing urban population, whose access to basic services is already deficient, will continue to put pressure on the physical, administrative and financial infrastructure of the region's municipalities. If financial and managerial resources are not made available to meet these demands, insufficient coverage of sewage collection and treatment, industrial pollution control, and solid waste disposal will lead to increasing contamination of the urban environment. This will be compounded by increases in pollution due to vehicular traffic and the degradation and elimination of urban parks and natural recreation areas. The result is a continuous deterioration in the quality of urban living and, in extreme cases, exposure to health risks.

**Response.** These difficult problems require innovative solutions. The challenge is to develop a strategic vision for sustainable cities. Traditional urban planning methods that relied primarily on regulatory land use plans must be replaced with broad-based strategic plans, developed by all social actors through a collective effort. Public participation should include the business community, trade union groups, and neighborhood associations, among others, in the conceptualization of the desired city and definition of priorities that clearly distinguish between needs and potential, and realistically combine the desirable with the possible. In this effort, it

is essential that the appropriate price signals are provided for utilities and other urban services so that the correct development and locational decisions can be made (See Box: Panama Housing Reform Program). The Bank is working with its member countries on several policies, strategies and programs to promote the rational management of cities and the improvement of urban living standards, that will:

- Develop integrated frameworks for urban planning which include land use and transport and road networks, and provide rapid access throughout metropolitan areas;
- Create partnerships between the public and private sectors for the provision of services, such as sanitation, transportation, urban historical preservation, day care centers, etc.;
- Foster the development of industrial and other productive activities that provide for a city's economic base, generating jobs and investments in physical and social infrastructure;
- Combine environmental sanitation with the provision of open spaces and recreational areas by linking recovery of watersheds, flood control and drainage with the creation of public parks;
- Establish public management models based on pacts of co-responsibility that take into account the interests and skills of the various urban groups, and provide opportunities and incentives for each group to carry out its tasks in implementing common projects.
- Address the problems of urban poverty by creating the conditions that enable the poor to participate in solving their own problems, in order to provide access to sanitation infrastructure, public utilities, public health and educational services and

economic, safe, and comfortable public transportation. Equity will also be improved by reforms to permit the inclusion of the assets of the poor within a nondiscriminatory legal and financial framework

- Establish a framework for employment generation through: urban development and tax laws that foster proper land use in low-income settlements and attract popular producers to urban markets; and improving the access of the poor to quality education and information geared to training for employment and productive opportunities.

### **Panama Housing**

The Housing Reform Program for Panama (949/OC) seeks to establish the institutional arrangements required to improve the efficacy of public sector investments in the housing sector. The program includes a series of market-based incentives to increase the access of middle-income families to private sector mortgages and to provide low-income sectors with building materials. Through the implementation of these and similar actions, the Program is fundamentally altering the role played by the Panamanian government in housing, shifting government efforts from the business of subsidizing housing supply to that of supporting housing demand.

### ***Pollution and Waste Control***

**Key Issues.** High consumption patterns, industrialization and urban growth have contributed to make waste management one of the most serious threats to public health and the environment. The inadequate handling of waste leads to the degradation of the natural environment, bouts of epidemic diseases and declines in the quality of life in the region's cities. The region currently generates 318,000 tons of solid waste per

day, and is expected to reach 500,000 tons per day by the year 2015. This is compounded by the lack of domestic sewage treatment and weak control of industrial contamination. Continued urban growth, and poor urban planning, low levels of sanitary and environmental education, and the dearth of resources for the management of waste have created a crisis requiring urgent action. The countries of the region need to give priority to capital investments to support integrated and participatory programs for waste management.

In practice, it is hard to identify the separate sources of contamination found in areas such as rivers and other water bodies, urban parks and drainage channels, urban airsheds and rural areas exposed to agricultural run-off. There is a historical tendency to seek industrialization as a source of income without much concern for the resulting environmental deterioration, and to neglect the sanitation of marginal areas. The combined effect of these “policies” is to place water, air and land resources at significant risks. Waste management requires an integrated, cross-sectoral approach that avoids simply shifting pollution geographically or from one environmental medium to another.

**Response.** The Bank will support several initiatives to meet the challenges of avoiding and cleaning up pollution. The specific aspects of sewage collection and treatment are addressed as part of the integrated management of water resources. In that subsector as well as in the areas of industrial contamination and solid waste, the options range from education, voluntary adherence, incentives and sanctions systems, to institutional development and investments in equipment and infrastructure,

as follows:

- Support the development of a policy, planning and institutional framework for the effective administration of solid waste management systems that provides for adequate institutional coordination, capable personnel, efficient operators, effective regulators, and cost recovery. The roles of central and local authorities must be clearly delineated and function in a mutually supportive manner in all aspects, especially funding for technical assistance and technology transfer;
- Improve the efficiency of production and service systems to decrease the generation of waste at the sources;
- Improve collection, storage and disposal systems, such as segregation of inert from toxic waste;
- Provide training in waste control and management, particularly with regard to the development of specifications and selection of collection equipment, planning of efficient collection routes, and management of medical and toxic waste;
- Promote public participation through education, incentive programs, employment opportunities, and citizen enforcement of sanitary and safety standards;
- Support government programs to enforce environmental regulations of industrial activities through initiatives to promote preventive measures and assist in negotiating compliance programs that are realistic in terms of the local conditions and the intended uses of the surrounding environment;
- Promote the use of clean technologies that not only prevent or minimize pollution but also result in savings and greater efficiency for industrial users;
- Design and finance effective monitoring

systems, including baseline data collection, self-monitoring by industrial facilities, independent auditing, government inspections, and community information programs.

## ***Energy***

Managing these competing uses and demands in a sustainable manner presents practical and financial challenges that must be overcome to secure the continuous availability of energy over the long term as well as the maintenance of a healthy environment. The energy sector has begun to face these challenges and will continue to receive the Bank's support to consolidate the structural reforms initiated in the early nineties. This is a necessary step to enable the sector to attract the foreign capital needed for its expansion. As it expands, the sector must also diversify by increasing the options that it makes available to all segments of the population, particularly in rural areas and marginal urban areas. This includes creating regional energy markets, establishing markets for renewable energy sources, and considering the interrelationships between energy and other sectors.

**Response.** Since its inception, the Bank has financed \$15 billion in loans and technical cooperations for energy projects. Currently, the Bank is working with the countries of the region to develop a strategy to increase the efficiency of the sector in operational, financial and environmental terms. The Bank will highlight specific actions and programs at a regional conference on sustainable energy to take place in 1997. These actions will include,

### **Sustainable Markets for Energy Efficiency and Clean Energy Sources**

**Key Issues.** As the region's economies grow, the demand for energy in all sectors increases. Energy is a major economic input and also places significant demands on the environment as a source of raw materials and as the recipient of emissions and effluents.

among others:

- Develop sustainable markets for energy efficiency and clean energy sources. The Bank is contributing nearly \$1 million to a pilot program to encourage sustainable energy efficiency and the adoption of clean energy sources (See Box: Sustainable Markets for Energy Efficiency and Clean Energy Sources);
- Strengthen the management and regulation of energy infrastructure, including the development of regulatory frameworks for electricity and natural gas;
- Identify new financial instruments that meet regional requirements for infrastructure development, attracting complementary financing and providing guarantees against sector risks for private investment;
- Establish regional funds and provide risk capital to support sustainable energy sources;
- Coordinate actions with other multilateral agencies, such as the IBRD and UNDP, to maximize comparative advantages in new and ongoing operations.

Considered by many as the cheapest and environmentally cleanest means to meet growing energy demands, Energy Efficiency (EE) and new and small-scale Clean Energy Sources (CES) have not yet seen widespread adoption. In 1996, the Bank approved a regional technical cooperation of nearly US\$1 million to encourage sustainable energy efficiency and clean energy sources in Latin America and the Caribbean. The program will identify key barriers to investments in EE/CES and develop a pilot program to assist countries in mainstreaming EE/CES as part of their energy strategies. Program funds will be used to test implementation mechanisms for economically feasible EE/CES activities, and support local infrastructure and institutional changes. Five countries will be selected to participate in the program which is complemented by donor contributions from the European Commission and the US Government. Depending on the local conditions, the program will include energy efficiency and conservation, renewable energy, electricity or fuels use, fuel substitution and/or cleaner and cheaper use of conventional sources of energy. The participating countries will benefit by supplementing their traditional energy sources with low-cost, environmentally sound alternatives.

## **V. Financial and Institutional Support for the Goals of the Santa Cruz Summit**

After years of growing concern, environmental themes and the conservation of our natural and cultural resources have become priorities for all countries, at all stages of development. The Bank's capital increase under the Eighth Replenishment and the new mandates it received have provided the resources and conceptual framework with which it can vigorously promote sustainable development in the region. Operating through a network of country offices and based on a long experience in the design and execution of development projects, the Bank can play an active role in meeting the region's investment needs for sustainable development. These efforts will include active support for reforming sector policy and regulatory frameworks in light of the goals of sustainability, developing and transferring appropriate technologies and creating innovative solutions to development problems, and expanding the ongoing dialogue at the local and international levels on the themes of environment, social equity and economic growth.

### ***Meeting the Investment Needs: Lending and Technical Cooperation Activities***

The region's investment needs for sustainable development exceed the capacity of governments acting alone. Likewise, the lending capacity of the multilateral development banks are necessarily limited. As a result, in the search for financing for projects and programs for sustainable development, innovative solutions will have to be sought and alternative financing methods employed.

The Bank Group (IDB, IIC, MIF) can assist the region in closing the financing gap with financial support that serves as a catalyst for change. The Bank will seek to provide complementary resources for investment projects helping to alleviate the demands for initial capital, and through project design helping to lower project risk. Lending for reform efforts will promote improved resource management and delivery systems, cost recovery, and user participation in the process of deciding on how best to allocate resources. The Bank can provide technical assistance and finance pilot projects to support technical innovations and the development of new markets, and to build local institutional capacity.

### **Bank Lending for Projects and Programs**

The Bank has identified some \$10 billion in projects for the next three years that are directly related to sustainable development in the priority areas identified in the Santa Cruz Summit. This support includes programs and projects to finance water supply and sanitation, agriculture, energy, forest management, watershed and coastal zone management, modernization of the state and civil society, urban development, biodiversity, health, education, and microenterprise development. These investments will be complemented by technical cooperation that helps build local institutions (e.g., training in the design and management of social projects in Paraguay, the Community Solidarity Program in Brazil), support new management practices (e.g., support for water resource

management strategies and practices, an urban management program for Latin America); development of new markets and technologies (e.g., sustainable markets for energy efficiency and clean energy resources, the Regional Fund for Agricultural Technology).

### ***Making Sustainable Development Operational in the Bank***

#### **Environmental and Social Impact Assessment**

The Bank has taken several steps to build its capacity in the areas of sustainable development. Through the creation of Social Programs and Environmental and Natural Resources Divisions in each of its Regional Operation Departments and the establishment of a Social Programs and Sustainable Development Department, the Bank is better able to identify, promote and disseminate best practices in policy and project design. In addition, the Bank's Environment Committee, a high-level, interdepartmental group reviews all Bank projects and programs for their potential environmental impact. Traditionally, the Committee has addressed environmental impact, resettlement, indigenous peoples, and the most significant social impacts that relate directly to environmental changes. In response to the Eighth Replenishment's focus on sustainability, the Committee's work will be broadened to include gender issues and other issues related to social impact.

#### **Future Strategies, Best Practices and Conferences**

The Bank is engaged in research and broad-based consultations that provide a wealth of

information on best practices and have resulted in the formulation of strategies that enrich the dialogue between the Bank and its borrowers. These strategies and best practices are incorporated into the Bank's technical assistance, training and conferences to be used by local agencies and organizations in the public and private sectors. As a clearinghouse for information, the Bank seeks to build a set of practical tools for program administrators for the design, implementation, monitoring and evaluation of projects.

These efforts cover a broad range of activities, some of which are highlighted below:

***Health and Education:*** Strategies will be prepared on higher, basic and secondary education and vocational education. In the area of health, strategies will cover reproductive health and child care services, as well as the design of analytical tools for health system reform, and training in health and education. Important cross-sectoral work includes the Bank's strategies on poverty reduction, delivery of social services, and indigenous peoples.

***Sustainable Cities:*** The Bank is promoting a forum for the interchange of good practices in urban development as a follow up to the Habitat II conference. Urban management will be the topic of a technical seminar for international experts at the IDB's annual meeting in Barcelona in 1997. The Bank is also cooperating with ECLAC in work on solid waste management and will support a regional conference on urban violence in 1997. The Bank's strategies on microenterprises, and small- and medium-sized businesses are also intended to lay the groundwork for sustainable cities by

contributing to the alleviation of urban unemployment.

***Agriculture, Natural Resources and Forest Management:*** Work is underway for strategies on rural development, sustainable agriculture, coastal and marine resources, water resources management, and energy. Bank activities also support regional implementation of the international fisheries and maritime agreements, as well as coordination of policy work with other organizations, such as the UNDP on water resources management, sustainable forest management, and a climate program. Best practices papers, such as “Introduction to Urban Greening”, a conference on urban greening in Mexico (December 1996), and a future conference on sustainable energy in 1997 are examples of the Bank’s dissemination activities. The Bank supports specialized funds, such as the Agricultural Technology Fund and the Indigenous Peoples Fund, and will examine the establishment of other funds, such as biodiversity conservation and environmental funds.

***Public Participation:*** The Bank has completed a concept paper on community consultation<sup>4</sup> and strategy work is planned on indigenous peoples and sociocultural soundness. National and regional conferences and workshops are part of an ongoing effort of consultation with local NGOs, while new projects and technical assistance for modernization of the state, judicial reform and civil society are growing in number. These efforts are combined with community

education components in many Bank projects on issues ranging from the environmental to project maintenance to community organization, fostering the participation of communities and local organizations.

### ***Investing in a Sustainable Future***

By themselves these initiatives represent a small part of the effort needed to achieve environmental sustainability, social equity, and economic growth in the region. The challenge of sustainable development can only be met through a lasting and constructive partnership of individuals, local communities and governments, national authorities, and the international community. As a partner in this effort, the Inter-American Development Bank is actively working to forge these partnerships locally and internationally, build the region’s institutional and technical capacity, and invest in a sustainable future for Latin America and the Caribbean.

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<sup>4</sup> “Community Consultation, Sustainable Development and the Inter-American Development Bank: A Concept Paper,” Norman Schwartz and Anne Deruyttere.