

DRIVING



CREATING



2017 Partnership Report



About this Report

Partnerships are at the very heart of the Inter-American Development Bank's mission to improve lives in Latin America and the Caribbean. And innovation is a driving force in every partnership the Bank establishes with public institutions, private enterprises, philanthropic organizations, universities, and others. The IDB believes its partners are vital to approaching persisting challenges in new, groundbreaking ways, and that they are essential allies in its efforts to effectively and creatively advance development. This report provides a window into the impact of these collaborations in promoting sustainable economic and social progress throughout the region. Divided in two sections — **Driving Trends** and **Creating Impact** — it shows how the IDB responds to and encourages development-friendly trends while creating impact in areas of critical development importance.

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Letter from President Moreno

Dear partners and friends,

It's been a decade since the Inter-American Development Bank doubled down on its commitment to partnerships as a tool for advancing sustainable development in Latin America and the Caribbean.

What we've learned since then, and what invigorates our approach today, is that making partnerships work requires bold and persistent experimentation. It demands a culture of renewal and a will to try new things — not just within our own organization and its traditional public sector partners, but also in our relationships with the business community, academia, the world of philanthropy, and civil society.

I like to think we're getting good at this. In this report, you will read about how the IDB and our partners are innovating and testing new solutions to the region's most persistent challenges.

For instance, we've placed great stock in empowering the private sector as a catalyst for development, working through our newly rebranded private sector window, IDB Invest, to create incentives for corporate sustainability champions.

In another area of great importance, we joined forces with some of the world's most prominent philanthropists to break new ground in education and health, drawing upon their financial support and knowledge to tackle ambitious goals.

In further exploring blended and innovative finance, we determined that these instruments are here to stay. We're committed to leveraging these critical funding sources to enhance the value we create for our shareholders, and pledge to get more out of every dollar we mobilize.

We're equally committed to fostering the region's digital transformation, integrating digital components into our development solutions and promoting the rapid adoption and deployment of new technologies that can improve our people's quality of life while reducing inequality.

There are many examples in the following pages, all of which are made possible by your enthusiastic support and your generous contributions. As you read about them, I hope you'll conclude that the IDB remains the partner of choice for those interested in promoting our region's development.

Best regards,

Luis Alberto Moreno
President, Inter-American Development Bank

The IDB Group

About the Inter-American Development Bank

The Inter-American Development Bank (IDB) is a leading source of long-term financing for economic, social, and institutional projects in Latin America and the Caribbean. Besides loans, grants, and guarantees, the IDB conducts cutting-edge research to offer innovative and sustainable solutions to our region's most pressing challenges. Founded in 1959 to help accelerate progress in its developing member countries, the IDB continues to work every day to improve lives.

About IDB Invest

IDB Invest, a member of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to supporting the private sector in Latin America and the Caribbean. It finances sustainable enterprises and projects to achieve financial results that maximize economic, social and environmental development for the region. With a current portfolio of \$11.2 billion under management and 330 clients in 23 countries, IDB Invest works across sectors to provide innovative financial solutions and advisory services that meet the evolving demands of its clients. As of November 2017, IDB Invest is the trade name of the Inter-American Investment Corporation. www.idbinvest.org

About the Multilateral Investment Fund

The Multilateral Investment Fund (MIF) serves as an IDB Group innovation laboratory to promote development through the private sector by identifying, supporting, testing, and piloting new solutions to development challenges and seeking to create opportunities for poor and vulnerable populations in the LAC region. To fulfill its role, the MIF engages and inspires the private sector and works with the public sector when needed.

In 2017, the IDB mobilized **US\$3.24 billion** in resources and formalized valuable collaborations through **40 institutional agreements**. The Bank also engaged **more than 100 partners** throughout the year and has collaborated with **more than 450 institutions** since 2008.



As you turn the pages of this year's annual IDB Partnership

Report you will encounter one word more frequently than any other — and that is “innovation.”

This is no mere accident. In the decade that has passed since the IDB created the Office of Outreach and Partnerships ORP, we have learned a great deal from our partners about the power of trying new things.

Today, as we join with other multilateral development banks in committing to move from *billions to trillions* in our development financing efforts, this focus on innovation is more important than ever.

In this report you will read about the new ideas and new energy that is generated by our partnerships as we combine our resources, knowledge, and experience to drive progress in the region.

For instance, you will discover how our collaboration with the **Bill and Melinda Gates Foundation** and the **Carlos Slim Foundation** is utilizing blended financing to eradicate malaria. And how we are working with the **Government of Mexico** to test limits of traditional financing and open new avenues for investment

in modern, sustainable infrastructure in Mesoamerica and the Caribbean.

With our partners in multilateral organizations, such as the **Green Climate Fund**, we are developing novel approaches to expand sources of the climate financing that is so important to the region's future — and to the health of our planet. And we are exploring the application of innovative financing models that catalyze private investment in pursuit of this goal thanks to the support of key partners like the **Government of the United Kingdom**.

With partners of all kinds, we are collaborating on new ways to strengthen early childhood development, encouraging corporate entities to embrace sustainability, and working with the **Government of Switzerland** to pioneer ideas like Social Impact Bonds that have the potential to connect investors with development objectives.

Our partners inspire us to be bolder, to open new doors, and to walk new paths. To those whom we worked with in 2017 and in years past, thank you for being part of this journey. And to those with whom we have yet to collaborate, we invite you to join us on this mission to improve lives in Latin America and the Caribbean.

Bernardo Guillamon

Manager, Office of Outreach and Partnerships ORP

CHAPTER 1

Calling the Private Sector to Action

Cognizant that the private sector has a critical role to play in bridging the US\$2.5 trillion development financing gap in emerging economies, in 2017 the Inter-American Development Bank (IDB) stepped up efforts to engage international businesses in development. This quest is driven in part by the Bank's commitment to the *From Billions to Trillions* movement, and its pledge to catalyze investments from all stakeholders to successfully finance the United Nations Sustainable Development Goals (SDGs). And it is facilitated by a landscape in which companies feel a growing obligation to contribute to the wellbeing of the communities in which they operate.

The IDB is responding to this evolving scenario by creating incentives for corporate sustainability champions, harnessing corporate knowledge and innovation for development, and expanding support to the IDB Group's newly rebranded private sector window — IDB Invest.

Previously known as the Inter-American Investment Corporation (IIC), the revitalization of IDB Invest reflects a Bank-wide commitment to working with the private sector, both as clients with the potential to drive sustainable growth and as partners with a critical role to play in the region's continued development. The new brand was launched with IDB partner **Council of the Americas** at its annual *Council of the Americas Symposium and Bravo Business Awards* in Miami and presented at a roadshow in Italy, Portugal, and Spain.



Pressures for businesses to engage in social and environmental sustainability are partially driven by generational shifts. Studies by Deloitte and the Case Foundation confirm that Millennials expect companies to generate positive impact, and that this expectation influences where they work, what they buy, and what they eat. At the same time, mounting evidence that sustainability is positively linked to financial performance is further encouraging corporate sustainability.

Driving (and Celebrating) Corporate Sustainability in LAC

Thanks to important contributions of knowledge from key partners, the IDB and IDB Invest have unveiled *IndexAmericas*, the first corporate sustainability index developed by a multilateral development bank. Created in collaboration with **S-Network Global Indexes** and knowledge partner **Florida International University (FIU)**, and powered by data provided by **Thomson Reuters**, *IndexAmericas*

assesses publicly-traded companies with a presence in Latin America and the Caribbean (LAC) based on their sustainability efforts along environmental, social, and corporate governance (ESG) lines. The platform is also the first index of its kind to analyze development as a key component of sustainability, using unique and proprietary IDB-IDB Invest indicators to measure corporate activities related to the priorities highlighted in the IDB's institutional strategy.

IndexAmericas is a tool to celebrate the region's corporate sustainability champions and to incentivize others to prioritize "doing good" in the communities where they operate, but it also helps the IDB improve practices and standards related to ESG, identify new clients and partners, and foster sustainability behaviors that can positively transform companies and communities.

Following a launch event organized with media partner **Grupo Clarín** in the context of the *World Economic Forum on Latin America* in April 2017, *IndexAmericas* has published two editions of the "Top 100" companies index, which assess all global companies operating in the region. It has also released a sub-index celebrating the 30 most sustainable *multilatinas*.

As a result of the IDB Group's work on *IndexAmericas*, in 2017 the **World Benchmarking Alliance** invited the IDB aboard as a new partner. The Bank joins **Aviva**, the **Business and Sustainable Development Commission (BSDC)**, **Index Initiative**, the **Ministry of Foreign Affairs of Denmark**, the **Ministry of Foreign Affairs of the Netherlands**, the **UK Department for International Development (DFID)**, and the **UN Foundation** in this effort, which is developing publicly available corporate sustainability benchmarks aligned with the SDGs. Specifically, the Alliance seeks to use corporate benchmarks to measure and compare companies working toward the SDGs as a means of incentivizing and applauding corporate participation in sustainable development.



The IDB Group's IndexAmericas is the first corporate index in LAC that recognizes socioeconomic development as a critical and complementary aspect of sustainability.



International Finance Institutions Team Up to Boost Private Sector Growth

To continue driving private sector development, in 2017 IDB Invest worked to leverage the resources and expertise of its fellow international finance institutions, signing agreements with three European entities during the 2017 IDB Group Annual Meeting of the Boards of Governors — **Proparco** of France, the **German Investment Corporation (DEG)**, and the **Netherlands Development Finance Company (FMO)**. It continued these efforts over the course of the year, also formalizing ties with Italy's **Cassa di Risparmio di Padova e Rovigo (CRIP)** and Spain's **Compañía Española de Financiación del Desarrollo (COFIDES)** in October. These partnerships, which seek to invest in the region's businesses as a means of advancing socio-economic development, are expected to center around co-financing.

A new partnership to bridge capital gaps and provide financing for sectors such as healthcare and agriculture that are aligned with the SDG targets.

With Private Equity Leaders, Mobilizing Capital for Sustainable Development

Looking to provide additional capital to companies and projects as a means of driving the

SDGs, the IDB and IDB Invest have joined forces with the private equity firm **Blue like an Orange Sustainable Capital**, formalizing a collaboration that aims to channel additional financing to the region over the next several years. With an eye toward environmental and economic sustainability, the investments will make additional capital available to entrepreneurs across the region.

This new collaboration will strive to leverage private capital investments for every US\$1 provided by IDB Invest, mostly through Blue like an Orange Sustainable Capital's investments in mezzanine or "subordinated" debt, which enables companies to benefit from a less dilutive and more flexible form of financing that is often hard to come by.



IN THE SPOTLIGHT: The Circular Economy

Over the years the IDB Group and its partners have looked for alternatives to the traditional linear production model, in which products are made, consumed, and then disposed of. Recently, this search has intensified as the pressures of economic loss and structural waste, price volatility, and demographic shifts drive growing consensus to do away with this model in favor of a superior replacement — the circular economy.

Defined as a regenerative system that minimizes waste and emission, the circular economy has emerged as a solution to the growing imbalance between resource supply and resource demand, as well as a means of achieving economic, societal, and environmental objectives. In light of advances in technology, urban development, and new business models that are creating an environment in which the circular economy can thrive, in 2017 the IDB took further steps to encourage the region's transition to this new way of producing and delivering products. Leveraging job creation potential and an opportunity to boost regional GDP by US\$4.5 trillion, IDB efforts this past year were bolstered by partnerships intent on spreading this model and bringing it to scale.

WEF and the IDB Launch the Latin America Hub for the Circular Economy

A highlight of Bank efforts to promote the circular economy is its partnership with the **World Economic Forum**, with which it jointly launched *the Latin America Hub for the Circular Economy* last year. The IDB, in part through its Multilateral Investment Fund (MIF), will work with the hub to address opportunities related to industrial transformation, circular cities and urban infrastructure, natural resource management, and food and agricultural systems. Following its official launch in Argentina in April 2017, the collaboration has worked to deepen understanding of this model across the region, support policies conducive to a smooth transition, disseminate successful solutions, and implement and replicate scalable projects.

As part of its efforts to promote the circular economy, in 2017 the IDB and the MIF teamed up with the Costa Rica-based **INCAE Business School** to develop and deliver *the Circular Economy Workshop: Opportunities for Costa Rica* event. Bringing together public and private sector leaders to discuss Costa Rica's transition to a circular economy model, the workshop facilitated a deep-dive on this topic.



CHAPTER 2

Joining Forces to Combat Climate Change

Multilateral development banks like the IDB face the monumental task of leading efforts to finance the ambitious global response to climate change. Specifically, funding the Nationally Determined Contributions (NDCs) to the Paris Climate Accords is a priority for the IDB, as is helping the region's governments tap into partner funding and build a pipeline of transparent, bankable projects that can mobilize additional investment.

The IDB recognizes that these efforts require a transversal approach, in which climate mitigation and adaptation components are integrated into projects across sectors. Yet there is wide consensus that investing in sustainable infrastructure is particularly essential to achieving climate targets. For instance, consider that investments in sustainable infrastructure will be key in determining whether, and how effectively, global temperature rises are kept to below two degrees Celsius over pre-industrial levels. And, that in a region where substantial infrastructure investment is needed, 70 percent of the forecasted increase in greenhouse gas emissions is expected to arise from infrastructure yet to be built.

These realities have motivated the IDB to act, joining forces with partners like the **Government of the United Kingdom** to prioritize sustainable infrastructure, and teaming up with the **Nordic Development Fund** to develop a pathway for investing in the NDCs. In the pages to come, you will see how the Bank is rallying its partners in this quest to finance climate action, and how diverse partners have readily answered the call.



To Unlock Private Investment, the UK and the IDB Launch £177 Million Program

Inadequate infrastructure is a critical barrier to development in LAC, and the impact of this deficiency will be further exacerbated by climate change and rapid urbanization. To address this challenge, the IDB Group, principally through its private sector arm IDB Invest, and the **United Kingdom's Department for Business Energy, and Industrial Strategy (BEIS)**, have launched the *UK Sustainable Infrastructure Program (SIP)*. Announced during the COP 23 climate conference in Bonn, the program seeks to catalyze private sector investment in sustainable, low carbon, and climate resilient infrastructure, thereby helping countries in the region meet their NDCs under the 2016 Paris Climate Agreement.

BEIS' expected initial contribution of approximately £177 million in grant financing to the IDB will allow the program to offer a wide range of instruments — including grants for technical cooperation and blended finance for loans, equity, and guarantees — to fully address barriers to private investment in sustainable and climate-friendly infrastructure. The program, an important example of how blended finance can help to meet the region's most pressing development challenges, constitutes the largest partnership effort between the IDB Group and the Government of the UK to date.

An innovative aspect of the SIP is that it can provide a wide range of instruments to fully address barriers to private investment and respond flexibly to borrowing countries' priorities and needs.

Mobilizing Resources for the NDCs: New IDB Multi-donor Fund Boosts LAC Compliance with Paris Climate Accords

The **Nordic Development Fund (NDF)** and the IDB have a track record of partnering to conserve LAC's natural bounty and to enhance its resilience. That's why the creation of a mechanism to help countries comply with the NDCs feels like the natural next step for this longstanding partnership. In 2017, this resulted in the creation of a new multi-donor trust fund to fast-track projects that will help LAC countries meet their commitments under the Paris Climate Accords. With an initial €10 million commitment from NDF, the *NDC Pipeline Accelerator Multi-donor Trust Fund* will support the planning, design, and preparation of climate-friendly infrastructure projects and portfolios, with the goal of aligning public and private sector investments with the NDCs. More specifically, the Fund will look to cover the additional costs associated with ensuring that projects are sustainable in their capacity to lower carbon emissions, boost climate resilience, and meet other sustainability objectives.

A new fund to advance the IDB Group's strategy of promoting investment to fill the LAC region's sustainable infrastructure gap.

The *NDC Pipeline Accelerator Fund* is the second component of the IDB Group's *NDC Invest* platform, which was launched in 2016 to help countries secure the resources needed to translate their Paris Climate commitments into investment plans and bankable projects. The NDF contribution represents half of what the IDB intends to raise for the fund in its initial phase.

“The NDCs represent a progressive global blueprint for limiting global warming and building climate resilience. The IDB is our essential partner in implementing this blueprint in LAC by rapidly transforming the NDCs from targets on paper into a robust pipeline of projects.”

~ Pasi Hellman, Managing Director, Nordic Development Fund



Breaking New Ground in the Collaboration with France

A highlight of the IDB's work in 2017 was the strengthening of its relationship with the **French Development Agency (AFD)**. Through a "deep dive" process by which respective pipelines in priority sectors and countries were identified and shared, the IDB leveraged US\$270 million in loans from AFD for important projects in water and sanitation, energy transition, and environmental management. This unprecedented level of collaboration was accompanied by increased coordination between IDB Invest and AFD's private sector-arm, **Proparco**, which was formalized in a joint co-financing framework agreement that will facilitate future IDB Invest-Proparco endeavors.

Finally, the IDB and the French Government agreed to create a €5 million single donor trust fund. The resulting *French Climate Fund for LAC*, which will be managed by the IDB, will advance the IDB and France's shared goals regarding climate change mitigation and building resilience in the region's cities.

“Our long-standing, effective collaboration with IDB allows us to share our tools, approaches, and expertise, as well as to improve our practices, impact, and advocacy. Guided by shared strategic priorities, such as the fight against climate change, we are reinforcing our partnership for the years to come. For example, at the One Planet Summit in December 2017, we announced an initiative to turn Nationally Determined Contributions into practice, committing to more than double our joint support to climate-related projects from US\$3.6 billion to US\$7.8 billion per year by 2020.”

~ Rémy Rioux, Chief Executive Officer, French Agency for Development; President, International Development Finance Club

Partnering with the Green Climate Fund to Unlock Millions in Climate Financing

In July, the IDB Board of Governors approved the accreditation agreement between the Bank and **Green Climate Fund (GCF)**. The world's largest specialized climate fund, the GCF is part of the *United Nations Framework Convention on Climate Change*. The IDB's accreditation to the GCF allows for the mobilization of US\$511 million for four IDB projects already pre-approved by the GCF board. This historic partnership, which has other projects in the pipeline, will generate significant climate change mitigation and adaptation impacts in the region.

Given the partners' shared focus on innovative finance, the collaboration's first projects will deploy novel financing instruments to advance the organizations' shared sustainability objectives in the region. To date, projects include a facility for the development of green bonds in LAC, the use of innovative finance to fund energy efficiency efforts in El Salvador, the development of geothermal energy in the Caribbean, and the creation of a facility to support climate-smart agriculture in the LAC region.



CHAPTER 3

Expanding Engagement with Foundations

The IDB recognizes that diverse organizations bring diverse strengths to the table, and that working together can unlock benefits for all. This philosophy is the *raison d'être* for all partnerships, as well as a driving force behind the Bank's expanded engagement with foundations in 2017. The IDB's value as a partner lies in its capacity to convene donors and funding sources, work closely with governments, monitor and evaluate projects, and take solutions to scale. These strengths call for complementarity that foundations are apt to provide — a capacity to innovate, a growing interest in measuring impact, and an ability to engage directly with civil society.

As foundations gain prominence in development financing as their giving grows and becomes more strategic, the potential for partnership becomes clearer still. In the United States alone, foundations doubled their giving to approximately US\$60 billion between 2002 and 2014, and globally, philanthropists are turning to impact investing and other schemes that promise to reach more beneficiaries, unlock additional financing, and squeeze more out of every dollar. The IDB's track record of working through collaborative platforms that permit partners to leverage the financing and expertise of others aligns with these interests, and sets the stage for public-private collaboration that can generate meaningful impact.

In the coming pages, you will see how the Bank is working with foundations to respond to the SDG's call for greater collaboration and to tap their innovative tendencies to test novel solutions to persisting challenges. In the social sector, in which the importance of engaging local communities and civil society is particularly clear, these partnerships are setting ambitious goals, innovating, measuring impact, and promising to take successful interventions to scale.

Harnessing Blended Finance to Eradicate Malaria

The international community has recognized blended finance as a critical vehicle for accelerating development. That's why it's no surprise that in the quest to eradicate malaria the IDB and the **Bill & Melinda Gates Foundation**, the **Carlos Slim Foundation**, the **Global Fund**, the **countries of Mesoamerica**, and the **Dominican Republic** are designing a blended financing mechanism to wipe out the disease by 2020.

The resulting *Regional Malaria Elimination Initiative (RMEI)* was initiated during discussions at the *End Malaria Council* at the beginning of 2017. It will pool technical and financial resources from each partner organization, starting with commitments of US\$83 million (including US\$37 million provided by the IDB and participating governments and US\$46 million from donors), and will work to convene Central American and Caribbean leaders whose participation is essential to eliminating malaria once and for all. A major focus of *RMEI* will be on demonstrating the effectiveness of innovative financing to overcome development challenges, fund new strategies, and leverage existing tools. It will also strive to develop tailored elimination strategies, as a one-size-fits-all approach has been deemed insufficient to bring malaria incidence to zero in the region. As such, the initiative will work at both the country level and through a regional program, applying lessons learned from the *Salud Mesoamerica Initiative* (see page 46) and its results-based financing model to generate results.

“Salud Mesoamerica has proved to be a successful model to reach and impact disadvantaged populations with innovative, evidence-based interventions. With the RMEI we will be able to show, once again, the capacity of public-private partnerships to tackle complex public health problems in deprived settings.”

~Dr. Roberto Tapia-Conyer, Chief Executive Officer, the Carlos Slim Foundation

The IDB defines “blended finance” as the combination of concessional finance from donors with the IDB’s own capital and/or commercial finance from other investors, to develop private markets, address the SDGs, and mobilize private and domestic resources.

A New Partnership to Improve Prospects for the LAC Region's Children

There is wide agreement that early childhood development (ECD) — or the cognitive, emotional, social, and physical development of children in the first five years of life — is essential to ensuring a bright, productive future for families and societies alike. Yet children born to low-income families continue to lag behind

The ECD Innovation Fund is a new partnership to transform the lives of disadvantaged children in the region through the design of innovative solutions, the sharing of knowledge, and the development of policies and practices on early childhood development.

their wealthier counterparts in key areas such as language and cognition, while children across the LAC region continue to trail their peers in OECD countries in these areas well.

To help the region's children grow to their full potential, the IDB and its partners have established *the ECD Innovation Fund* — a collaboration to finance, design, and evaluate new solutions to improve

the lives of children. Launched in November 2017, the fund is a partnership with the **FEMSA Foundation** and the **Open Society Foundations** at a regional level and with **Fundação Maria Cecília Souto Vidigal (FMCSV)** in Brazil. Each partner will initially contribute US\$1 million to the fund, which expects over the next three years to channel more than US\$10 million in financing for ECD projects.

Knowledge exchange, innovation, and scalability are critical components of the fund, as partners will strive to generate and share evidence on novel ECD solutions that can be scaled across the region. The ECD Innovation Fund will begin by financing projects in Brazil, Colombia, Ecuador, El Salvador, and Peru.

Bloomberg Family Foundation and the IDB Forge New Ties

In December 2017, a new knowledge partnership between the **Bloomberg Family Foundation** and the IDB was formalized by the signing of a Memorandum of Understanding. The partners have pledged to work together, through a US\$500,000 grant from the Foundation, to study the potential impact of taxation on tobacco consumption. Together, they hope to assess and determine whether such fiscal policies can drive behavioral change and improved health outcomes in the region, while helping governments to raise the revenue needed to improve the quality of public education and health programs. As they get to work in 2018, the partners intend to conduct these studies in Brazil, Colombia, Mexico, and Peru.

Cultivating a Culture of Giving Back

In 2017, the IDB continued working through diverse platforms and alongside philanthropic associations as a means of cultivating a stronger culture of giving back. As part of this effort, the Bank worked with the Argentina-based **Group of Foundations and Companies (GDFE)**, the Brazil-based **Group of Institutional Foundations and Companies (GIFE)**, and the Colombia-based **Association of Corporate Foundations (AFE)** to further study the philanthropic landscape in the region. It also teamed up with the **Global Philanthropy Forum** to foster multi-stakeholder dialogue about the challenges and opportunities related to global philanthropy, and joined longtime partner **Worldwide Initiatives for Grantmaker Support (WINGS)** at an event discussing the role of social investors in advancing the SDGs.

CHAPTER 4

The Transformative Impact of Innovative Finance

It is estimated that multilateral development banks and governments can cover 15 percent of the US\$2.5 trillion needed to finance the Sustainable Development Goals (SDGs). To raise the additional 85 percent, in 2015 the *Addis Ababa Agenda for Action* called on the global community to move from “billions” to “trillions” in their financing efforts, demanding that they look to new, innovative schemes to finance the 2030 agenda.

The IDB Group is well positioned to blaze this trail. As early as 2010, the IDB pioneered the design of a robust results-based financing scheme. The resulting *Salud Mesoamerica Initiative* (see more on page 46) tested this mechanism and paved the way for results-based loans. In 2012, the establishment of the *Canadian Climate Fund for the Private Sector in the Americas* (see page 27) allowed the Bank to pilot the use of blended finance to catalyze private investments in climate and gender. And in 2017, a series of new partnerships emerged to validate the importance — and the return on investment — of this bold experimentation. For evidence, refer to the stories in this very section, to the Bank’s quest to eliminate malaria (see page 12), and to a new initiative that strives to fill the region’s infrastructure financing gap through blended finance (see page 9).

Between 2010 and 2016, donor financing committed through innovative mechanisms represented approximately four percent of the IDB’s partnership activity. It has since risen dramatically and, in 2017, grew to comprise 38 percent of all mobilization efforts. Moving forward, the IDB’s partnership efforts will focus on further exploring and leveraging innovative finance, and on expanding its portfolio to include blended finance instruments, enhanced-support financing schemes, and de-risking financial tools.

To put this experience into a global perspective, consider an OECD estimate that blended finance leverages 10 times the invested amount (and note that IDB Invest’s blended finance portfolio has shown the same levels of leverage). Given that official development assistance (ODA) reached a record high of US\$132 billion in 2015, and that roughly 10 percent of ODA is expected to be allocated to blended instruments, the impact of these schemes is, by definition, *transformational*. In the following pages, you will learn about how the IDB is working more actively than ever to expand its use of these instruments and to multiply the impact of every dollar it invests.



Innovation at the Heart of the IDB's Partnership with Mexico

Created five years ago, the **Government of Mexico's Infrastructure Fund for Mesoamerica and the Caribbean**, known as the *Yucatán Fund*, provides financing and technical assistance to address economic and social deficiencies resulting from aging, inefficient, non-climate resilient, or missing infrastructure in Mesoamerica and the Caribbean, factors that continue to adversely affect economic and social conditions in the sub-region.

In allowing borrowers of IDB funds to receive some of the principal owed through zero bond coupons, the Yucatán Fund is a clear example of innovative finance at work.

In light of persistent infrastructure gaps and the severity of natural hazards including climate change, in 2017 the need for a new, more flexible financing scheme led the IDB to work with Mexico to become a financial intermediary for the *Yucatán Fund*. The key feature of this arrangement is the IDB's support of a program to enable borrowers to invest in projects by taking a loan from the IDB and having a portion of the principal owed paid back through zero coupon bonds, which are issued at a significant discount but pay no interest. In a first phase the IDB will mobilize US\$28 million, but the fund's mobilization potential is much greater when considering the prefeasibility studies that will be financed through the Bank's *Infrastructure and Integration Multi-donor Fund*, unlocking more resources from the public and private sectors.



IDB, Switzerland, and Colombia Make History by Advancing Social Impact Bonds

The world's first Social Impact Bond (SIB) fund to reach emerging markets, announced in 2016 by the IDB, the **Government of Colombia**, and **Switzerland's State Secretariat for Economic Affairs (SECO)**, has been officially launched and approved in Colombia. Drawing from a US\$3 million grant from SECO to pilot this innovative financial instrument in the Colombian context, the SIB seeks to improve urban employment for the country's most vulnerable groups.

While the unemployment rate in Colombia has decreased dramatically in recent years, it remains above 9 percent and is even higher among vulnerable populations. This first SIB will apply more than a half-million dollars in financing to support a range of employment measures, including skills training, psychosocial support, and intermediation services for job placement and retention for more than 500 individuals who are unemployed and impoverished or who are victims of displacement due to armed conflict. Repayment of the bonds is tied to metrics measuring success in job placement and retention among targeted individuals.

The investors in the SIB are a coalition of foundations including **Fundación Corona**, **Fundación Bolívar Davivienda**, and **Fundación Mario Santo Domingo**, which are providing capital up front to finance the intervention, with the remaining portion funded by SECO and the IDB's Multilateral Investment Fund.

Social Impact Bonds are an innovative public-private partnership through which impact investors provide upfront funding for organizations to deliver a service that benefits a vulnerable population — with repayment to the investors tied to the project's success. To discuss this instrument, its challenges, and opportunities, SECO hosted an interactive seminar in Zurich in 2017, bringing together key stakeholders from the public and private sectors.

The NAMA Facility and the IDB Finance Climate Action

In 2017 the IDB continued expanding its partnership with the **NAMA Facility**, a fund established in 2012 to accelerate low carbon development by financing measures that shift challenging sectors in a country towards a sustainable, irreversible, low carbon pathway. The facility, which provides tailor-made support for the implementation of Nationally Appropriate Mitigation Actions (NAMAs), is a joint initiative comprised of IDB partners the **European Commission**, the **German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety**, the **UK Department of Energy and Climate Change**, and the **Danish Ministry of Energy, Utilities and Climate**. With the objective of helping to finance the implementation of the Paris Climate Accords, the IDB's collaboration with the facility allows it to unlock critical funding for climate-related projects.

One project is already underway to promote the efficient use of fuel and alternative fuels in Guatemala, working to mitigate approximately 1.7 million tons of carbon dioxide by 2020. Others are in the pipeline, with 2018 slated to be a milestone year for the IDB-NAMA relationship.

In 2017, the IDB continued promoting innovative financing, working with partners like the **Global Impact Investing Network (GIIN)** to build up the impact investing ecosystem in LAC. Drawing from their annual investor survey, the GIIN joined IDB Group specialists at their headquarters in August to discuss the latest trends in impact investing, investor preferences, and other topics.



In Japan, Pushing the Innovative Finance Agenda

The need to identify and scale solutions to poverty is driving social entrepreneurs to seek reform. To tap into Japanese perspectives on this issue, the IDB and **Sophia University** organized the *Social Innovation in the Era of the SDGs* seminar. Intended to deepen discussion and analyze best practices cultivated by the IDB's MIF, the seminar focused on the “co-creation” and financing of innovation, as well as its diffusion and scale. Similarly, the MIF teamed up with the **Japan Agency for International Cooperation (JICA)** to develop a study titled *Empathy Driven Funding: The New Frontier for Financing Small Businesses*. Analyzing innovative financing mechanisms used in Japan to support entrepreneurial ventures, the study highlighted the case of **Music Securities'** micro investment crowdfunding platform, which was deployed to the region in partnership with the IDB. The Bank and JICA shared the findings of the study at a series of joint seminars in Osaka, Tokyo, and Sendai.

IDB Promotes Partnerships and Innovative Finance as Host of MDB Roundtable

In 2017 the IDB hosted the annual *Multilateral Development Bank (MDB) Roundtable*, which brings together the teams overseeing partnerships, resource mobilization, and trust fund management from regional and international development finance institutions. During the two-day session of networking and knowledge exchange, participants explored a range of issues, including how current trends affect resource mobilization, how to expand their universe of partners, and how to improve collaborations and better leverage resources. The meeting also explored innovations in development financing and outreach strategies, with the IDB sharing experiences working with

non-traditional partners like corporations and foundations through a range of instruments, including traditionally public-sector-dominated trust funds.

MDB Roundtable Participants

- ➔ African Development Bank
- ➔ Asian Development Bank
- ➔ Council of Europe Development Bank
- ➔ Eurasian Development Bank
- ➔ European Bank for Reconstruction and Development
- ➔ European Investment Bank
- ➔ International Finance Corporation
- ➔ International Monetary Fund
- ➔ World Bank

CHAPTER 5

Harnessing the Power of Business for Good

Achieving the 2030 agenda is in the interest of citizens, governments, and companies alike, and the Sustainable Development Goals provide all of these stakeholders a shared map to guide the journey forward. Yet to achieve the global goals, and to respond to Goal #17 and its call for multi-stakeholder partnerships, a mental shift in just how to address development is necessary. Clearly, a major obstacle that stands between the development community and the implementation of the SDGs is financing. In this sense, it is absolutely essential that philanthropists, institutional investors, governments, and companies alike do their part to fund progress. Yet achieving the goals will require much more than financing — it will also require a global understanding that development is not about trade-offs between profitability and investments in sustainability, but rather about a merging of the two.

The IDB has long recognized that, in making their own operations more sustainable, companies have much to gain and much to contribute. These efforts can manifest in a transformed and inclusive value chain, product innovation, efforts to make products and services available to isolated and low-income communities, and investments in a businesses' own human capital. In these areas and more, the IDB believes its corporate partners can find the sweet spot between doing well and doing good, thereby making sustainability a byproduct of doing business as usual. In this section, you can read just how the IDB and its private sectors partners are harnessing their business models to advance development.

From Disruption to Data Exchange: A New Partnership with Airbnb

When it comes to partnering for development, companies bring much more than financing to the table. They are also sources of information, innovation, and creativity that enrich efforts by the IDB and other key players to generate economic and social progress in the region. With this in mind, in 2017 the IDB minted a new partnership with the online marketplace and hospitality company **Airbnb**. The partnership was launched with a joint effort to study the impact home sharing has on local communities and to aggregate information on travel trends across LAC. In 2018, the partners will hit the ground running to jointly promote sustainable tourism, foster a digital economy in the region, and explore applications of the shared economy that can improve quality of life.



PepsiCo and the IDB: A Testament to the Power of Corporate Citizenship

The collaboration between **PepsiCo**, **PepsiCo Foundation**, and the IDB continued to grow in 2017 through the creation of the *Agro with Purpose* initiative and the *Hydro-BID Support Center*.

Driven by a shared commitment to developing the agricultural industry in the region, *Agro with Purpose* taps into PepsiCo's value chain and IDB expertise to enhance productivity, empower smallholder farmers, and encourage environmental sustainability. The initiative's first accomplishment was a study by **AgriStat** on the potential of the high-oleic sunflower oil industry in Argentina. The study highlighted the opportunities and challenges that country faces in becoming a global leader in this industry, which is expected to experience high demand in coming years.

Also in 2017, PepsiCo Foundation financed the *Hydro-BID Support Center* to help countries maximize the utility of *Hydro-BID*, the water resources modeling tool that allows governments to analyze and predict water availability while factoring in the impacts of climate change. To date, the Center has worked in Argentina, Brazil, Ecuador, Guatemala, and Peru, and is expected to reach at least three more countries and a total of 735,000 beneficiaries by the end 2025. The Center is part of the *From Source to Home* program launched by the PepsiCo-IDB partnership in 2016 to improve access to water and sanitation, while the Hydro-BID tool itself was financed by the IDB's multi-donor *AquaFund* and its partners **PepsiCo Foundation** and the **Governments of Austria, Spain, and Switzerland**.

Building Up the ICT Ecosystem in Latin America and the Caribbean

In 2017, **NEC Corporation**, the IDB, and a series of global partners teamed up to study data centers and their impact on information and communications technology (ICTs). Recognizing that ICTs are an essential driver of development progress, the study provided a detailed assessment of data centers and related infrastructure across the IDB's 26 borrowing member countries, drawing comparisons with other countries around the world.

The IDB-PepsiCo partnership was renewed for another half-decade in 2016. To date, it has benefitted more than one million people across at least 15 countries in areas including recycling, youth development, disaster relief, and nutrition.

IDB and Danone: Leveraging Public and Private Strengths to Improve Lives

The IDB and the French multinational food-products company **Danone** joined forces to develop business solutions to boost economic growth. The three-year strategic partnership will harness Danone's value chain to develop inclusive development initiatives and has pledged to co-finance more than US\$6 million in grants over the next few years. In its initial phase, the partnership will strengthen and scale those projects currently being implemented by the **Danone Ecosystem Fund** and the **Livelihoods Funds**, an investment fund supported by private companies, while empowering local communities and protecting the environment. The scope of the partnership will encompass five key areas: sustainable agriculture, inclusive recycling, watershed protection, clean water access, and CO2 reduction.

One of the first activities developed by the partners was a study intended to build a business case to motivate farmers to invest in climate resilience in milk sourcing regions. Its findings were discussed in a workshop in

São Paulo, Brazil in December 2017 and shared with Brazilian counterparts interested in how climate resilience affects small farmers' productivity and profitability in the long-term.

Overall, the partnership builds upon the success of joint projects previously co-financed by the IDB, Danone, and the Danone Ecosystem Fund. These include the *Kiteiras* micro distribution project, which has provided training and professional empowerment for 2,000 underprivileged women in Brazil, as well as recycling projects that have improved working conditions for over 3,700 grassroots recyclers in Argentina, Brazil, and Mexico.

“At Danone, we believe private and public sector collaboration is central to fostering sustainable development, reducing social inequalities, and protecting the environment. As a major global company operating in the Latin America region, we are committed to playing a part in its economic development.”

- Emanuel Faber, Chief Executive Officer, Danone

This three-year partnership hopes to inspire others in Danone's value chain to get involved in development projects in the emerging or frontier markets in which they operate.

Promoting Sustainable Business Models

As part of the *CSR Innolabs* program, a webinar was held to promote the “circular economy” as an opportunity for businesses in the region. The circular economy (see page 7) is an alternative to a traditional linear economy in which resources are kept in use for as long as possible to extract their maximum value before recovering and regenerating products and materials. Speakers from **Foretica** and the IDB highlighted the synergies between the circular economy and social impact and how business models can advance both.

CSR Innolabs was established four years ago between the IDB and corporate partners including **ACCIONA**, **CEMEX**, **Danone**, and **PepsiCo** to create a forum for private sector leaders to share best practices for engaging in corporate social responsibility. Highlights from 2017 include the design and execution of a session focused on the circular economy, which received support from PepsiCo, and an event in Mexico hosted by CEMEX.

**CHAPTER 6**

Embracing the Digital Wave

Digital technologies make life easier. From intelligent processes that are changing the way we live, work, and communicate to the devices that keep us connected to information and with each other, the digital world affords us greater efficiency, connectivity, convenience, and opportunities for growth. Today, the digital economy contributes between 5 and 9 percent of total GDP in developed countries, and between 15 and 25 percent in the developing world.

Yet the digital revolution is also fraught with challenges. Sometimes regarded as the Fourth Industrial Revolution, it is transforming our world at an exponential pace, turning the labor market on its head and disrupting business models across manufacturing, finance, transportation, education, and other industries. In Latin America and the Caribbean (LAC), societies are struggling to adapt to the technologies needed to harness the digital transformation as a source for development. Access to digital infrastructure and networks remains an obstacle, and the lack of a strategy for structural change has stunted the growth of the digital economy there as well.

The LAC region is at a crossroads. If it neglects to address the digital economy's challenges and make the most of its opportunities, communities may suffer. But if it does so effectively, it stands to unlock substantial growth. To ensure the latter happens, the IDB is actively partnering with companies, governments, universities, and others who have the will and the ways to help Latin America and the Caribbean not only survive this digital wave, but also to ride it to success.

This digital collaboration for Latin America and the Caribbean was announced after a two-day retreat in August at Microsoft's headquarters in Redmond, Washington, where a high-level delegation from the IDB had the opportunity to engage the company's executives on LAC's development challenges, and to explore how artificial intelligence, big data, cloud computing, and cyber security will impact the region.

Microsoft and the IDB Make Digital Transformation an Agent of Progress

Opening a new chapter in their longstanding partnership, in 2017 Microsoft and the IDB unveiled a new workplan to foster digital transformations in Latin America and the Caribbean. The effort will help government agencies, youth sectors, and companies to quickly adopt new technologies such as cloud computing, big data, data analysis, and the "Internet of Things" as pathways to accelerated development. In particular, the partners will seek to sharpen the digital capacities of public institutions so they may provide better services to citizens and businesses that improve

efficiency, reduce costs, and develop greater dynamism and new capacities in the economy. The partners also intend to explore the use of platforms such as LinkedIn to improve labor market practices, and to strengthen the region's human capital by promoting digital skills and entrepreneurship, improve access to information, and enhance the transparency and effectiveness of public investments.

“The cloud offers governments, institutions, and organizations unlimited virtual capacity and a secure and reliable platform for digital transformation, which will help in the economic and social growth of nations. This type of agreement allows us to work hand in hand with organizations such as the IDB to create a path ahead and ensure that there is what is necessary to make digital transformation a reality in the communities of Latin America.”

~ César Cernuda, President, Microsoft Latin America

The IDB has teamed up with disruptive companies like **LinkedIn** to bring greater innovation and new skillsets to our clients and partners in the region. Beginning with a pilot project in the Pacific Alliance countries, the partners will explore such topics as the role of big data in improving public sector hiring practices, and how to help governments use data to gain insights regarding labor market trends, skills gaps, and more.

A Public-Private Partnership with a High-Tech Focus Looks to the Future

Since 2012 the strategic alliance between the IDB and **Telefónica**, one of the world's largest telecommunications companies, has delivered progress across diverse areas including ICTs, microfinance, education, big data, and the expansion of small businesses.

In 2017, the partners renewed their collaboration for another three years. The agreement, which includes the IDB's private sector arm IDB Invest, reflects a focus on private sector development and promoting digital transformation in collaboration with governments, civil agents, and other private actors. The partnership will prioritize projects along six courses of action: big data analysis and applications to public interest solutions; digital economy; entrepreneurial support; smart cities; Internet accessibility and appropriate regulatory policies; and initiatives in the areas of education, health, and security.

“We are very proud of our alliance with the IDB as it represents a strong example of how public-private partnerships can harness the power of the digital economy and the digital transformation as a key driver for economic growth and improved social inclusion across Latin America and the Caribbean.”

~ Jose Maria Alvarez Pallete, President, Telefónica

An Accelerator for Socially-Minded Startups

One of the first initiatives under the IDB-Telefónica agreement is a collaboration with **Fundación Telefónica** to accelerate Peruvian startups that address social and environmental issues. The initiative, which received US\$2 million from the Telefónica Group and regional governments, will support more than 150 entrepreneurs through *Telefónica Open Future's* crowdworking incubation model, providing them a physical space to work as well as training and consulting services delivered by Telefónica's own experts. These and other benefits will be provided by partners including the **Regional Government of Ica** and the **University of Piura (UDEP)**.

Satellite Supervision Takes Project Monitoring to the Next Level

The Bank strives to innovate not only in the design of solutions, but also in their evaluation. As such, in 2017 the IDB teamed up with the Romanian big data company **TERRASIGNA** to tap into its satellite technology and expertise processing data as a means of improving project due diligence, monitoring, and evaluation. Through the collaboration, TERRASIGNA has already provided reports on nine IDB projects and shared findings at in-person seminars at IDB headquarters and country offices in Bolivia and Trinidad and Tobago. Work with TERRASIGNA began in 2014, and all projects utilize open data provided by the **European Space Agency**.



The sharing economy, defined as an economic system in which assets or services are shared by private individuals through the Internet, is on the rise. To study its potential impact on the region's cities, in 2017 the IDB and its Multilateral Investment Fund joined forces with the **Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC)** and the **International Development Research Centre (IDRC)** to improve the evidence base for policies and programs that harness the sharing economy to address urban challenges. Specifically, the partners seek to research the relationship between urban resources and consumers through digital platforms, and how these elements impact the quality of urban life. Following a Call for Concept Notes, the partners spent the past year working with select researchers and financing a series of case studies that will be released in the summer of 2018.

This past May, **BBVA** and the IDB hosted a seminar with the region's top officials, providing them a platform for analyzing how to apply and regulate innovation in the ever-evolving banking industry. The event, held in Mexico City, provided authorities with a unique opportunity to discuss the future of financial services and digitization in the region, and to learn about the experience of European countries in adapting to this new reality. To ensure all stakeholders were able to contribute to this important dialogue, the partners convened a number of Latin American officials, speakers from European regulatory bodies, Mexican banks, international organizations, and leading tech companies like **Microsoft** and **Amazon Web Services**.

Blockchain as a Tool for Inclusion in Buenos Aires

The blockchain has been described as an incorruptible digital ledger of economic transactions that can be programmed to record not just financial transactions, but virtually everything of value. Because they are inherently resistant to modification of the data, they provide an immutable registry that can eliminate intermediaries and drastically reduce the time and cost to securely process transactions over the Internet. The blockchain has the potential to transform vast sectors of the economy — not just private industries like finance or international trade, but also how the public sector interacts with its stakeholders. As the IDB continues working to implement digital solutions to development challenges, in 2017 it joined forces with key partners to explore the applications of blockchain for development. In collaboration with **Asociación Civil para el Desarrollo de Ecosistemas Descentralizados (DECODES)** and the global management consulting firm **Accenture**, the Bank through its Multilateral Investment Fund is pioneering a blockchain initiative that will develop a digital identity for vulnerable people living in low-income neighborhoods in Buenos Aires. The partners' end goal is to reduce poverty in these communities while fostering social, civic, and economic integration.

Teaming Up with the World Economic Forum to Embrace the Fourth Industrial Revolution

The Fourth Industrial Revolution is transforming economies and societies at an unprecedented pace. Thus far, this phenomenon has been most apparent in the experiences of consumers who can now use the Internet to order a taxi, purchase and pay for products and services, or access entertainment at the touch of a button. Yet while these advancements have the potential to deliver long-term gains in efficiency, productivity, and economic growth, the revolution also has the potential to yield greater inequality.

To prepare for these challenges and capitalize on these opportunities, the IDB and the **World Economic Forum (WEF)** have pledged to pilot policy and regulatory frameworks to help the region better harness technology. Working through WEF's *Center for the Fourth Industrial Revolution*, a global platform for accelerating the applications of science and technology, this partnership will focus on such technologies as artificial intelligence, blockchain, the Internet of Things, and machine learning in the context of jobs and skills, among other challenges.

The IDB-Korea Alliance Drives the Digital Economy Forward

Korea's leadership in technology makes it an ideal partner for IDB efforts to foster the digital revolution. In 2017, the Bank formalized a collaboration with Korea's **Science and Technology Policy Institute (STEPI)** to promote science, technology, and innovation — beginning with projects in Chile, Uruguay, and Paraguay — that will receive funding from the IDB-managed Korean trust funds. The IDB also cemented ties with the **Korea Internet and Security Agency (KISA)**, with which it will work to advance digital infrastructure protection, connectivity, Internet service, and other key issues through joint research, capacity building, and co-financing. Finally, the Bank and the **Ministry of Science and ICT of Korea (MSIT)** co-organized the *Third Ministerial Forum for Broadband Development in LAC*, which discussed obstacles to connectivity in the region, possible solutions, and the importance of strong cooperation between LAC countries and Korea in this topic.

With Estonia, Tapping into the Experience of an E-Government Pioneer

As part of its Digital Economy initiative, the IDB welcomed the **Government of Estonia** to its headquarters to discuss the country's transformation into a global leader in e-solutions. At the seminar, the Estonian consulting firm e-Governance Academy discussed new approaches to delivering government services and the role of public-private partnerships in fostering innovation. Toomas Hendrik Ilves, former President of Estonia, also delivered a presentation on his experience building a digital society.



CHAPTER 7

Bridging Gaps, Promoting Equality

The IDB is firmly and actively committed to promoting diversity and gender equality because, as a practical matter, these goals are critical to achieving social and economic progress in LAC and to improving lives. Because of the pervasiveness of gender and diversity issues across a broad range of education, health, labor, financial, and business challenges, the Bank works to enlist partners who can help eliminate barriers to women and girls, as well as indigenous peoples, African descendants and other vulnerable groups, and thereby expand opportunity, social progress, and development.

In 2017, the IDB launched the *100% Committed to Gender Equality* campaign, a communications initiative aimed at sharing stories on how the Bank, in collaboration with its clients and partners, is bringing gender equality to areas as diverse as energy, transportation, water and sanitation, and health, among others.



With Canada, Empowering Women and Fast-Tracking Climate Solutions through Blended Finance

There is wide agreement that the global investments required to address climate change are going to be huge. And while climate investment is growing, it continues to face a gap between the risks private sector investors are willing to assume and the returns on clean energy, low-carbon, and climate resilient projects.

To fill this gap, in 2017 the IDB and the **Government of Canada** continued collaborating in the context of the *Canadian Climate Fund for the Private Sector in the Americas (C2F)*. This US\$250 million fund uses blended finance to lend at below-market rates, assume more risk, and enable private investors to support otherwise unviable projects. Aiming to shift billions of private investments into lower-carbon and climate-proof projects, the fund prioritizes renewable energy, energy efficiency, agriculture and forestry, and resilient infrastructure, while promoting gender inclusive models across the board. In pursuit of this last objective, the C2F seeks to put gender at the center of climate investments by supporting projects that create better social and economic opportunities for women and by incorporating socially inclusive knowledge sharing activities into the projects it supports.

In 2017, seven new operations valued at US\$1.37 billion were approved with fund co-financing of US\$77.5 million, while the Fund continued supporting projects that reveal the connection between climate and gender. In one example, the Fund worked to develop a financing structure for replacing traditional roadway lights with high-efficiency LED alternatives in Chilean cities. The first structure of its kind in Chile, the project is targeting up to eight municipalities and is supporting the client company Itelecom as it works to obtain the Chilean national gender certification for its employment of women. If successful, the company will be only the fourth in Chile to receive such certification. With a total cost of US\$37.7 million, the project is also incentivizing the client to reward installation contractors for prioritizing gender equity in their hiring practices.



Sweden Joins IDB Efforts to Put Gender and Diversity Front and Center

The IDB's focus on advancing promoting inclusion and diversity is bolstered with financial support from its *Multi-donor Gender and Diversity Fund*, a financing instrument established in 2009 with US\$10 million in grant resources to support gender and diversity mainstreaming in the region. Specifically seeking to finance initiatives that advance gender equality, reduce discrimination, and support equitable development, in 2017, the IDB welcomed the **Government of Sweden** to this effort. Sweden's commitment of US\$500,000 complements the support provided by fellow donors the **Governments of Austria, Canada, Denmark, Norway, and the United Kingdom**. This new financing will help the IDB continue its efforts to integrate gender and diversity components into its work across sectors, ensuring that inclusion and equity remain at the heart of the IDB's work in all sectors.

According to the WEF, “even though more women than men are enrolling at university in most countries, men still outnumber women in skilled jobs and the gender gap in senior management roles is over 70 percent. This suggests that though many countries are ideally poised to maximize women’s participation in the labor market they are failing to reap the returns from their investment in female education.”

A Task Force with a Mission: Shatter the Glass Ceiling in LAC

With the aim of maximizing returns on investments in women’s education, particularly by addressing the complex, inter-connected issues that can frustrate the ascension of women into leadership roles, the **World Economic Forum (WEF)** and the IDB in 2017 continued the implementation of the *Gender Parity Initiative (IPG)* in the LAC region. Building upon a global initiative led by WEF, this endeavor relies on public-private collaboration to boost female participation in the workforce, increase female representation in leadership positions, and reduce gender wage gaps.

In December 2016, the IDB Group and WEF, along with the **Government of Chile** and **Comunidad Mujer**, supported the launch of an IPG in Chile. By January 2018, the partners had welcomed more than 100 private sector companies to this effort to identify and close gender gaps in that country. Based on this experience, the IDB and WEF were able to effectively launch a second IPG in Argentina in December 2017, a third in Panama in January 2018, and lay the groundwork for the launch of an IPG in Peru in the first quarter of 2018. To complement these efforts, in 2017 the IDB approved a *Regional Public Goods* project to share lessons learned and develop common metrics among countries implementing the IPG model.

Race and Gender Coalition

São Paulo Diverso, an inclusive economic development forum, was launched in partnership by the **Mayor of São Paulo**, the private sector, and the IDB in October of 2014 to foster dialogue and promote employment and advancement opportunities for vulnerable racial and ethnic groups. The network has since expanded to form the *Race and Gender Coalition* (or “*Coalizão Empresarial para Equidade Racial e de Gênero*” in Portuguese), which brings together partners including the **British Embassy** in Brazil, the **Center for Labor and Inequality (CEERT)**, **Instituto Ethos**, and the United Kingdom’s **Institute for Human Rights and Business (IHRB)**. The coalition has an active secretariat in São Paulo that convenes meetings between a core group of 40 companies throughout Brazil and includes a CEO network intended to share best practices with corporate leaders.

The Journey Toward Gender Equity in STEAM

In partnership with
Sesame Workshop and
Dubai Cares, in 2017

the IDB launched the
Pequeñas Aventureras
campaign to encourage
the participation of girls

in math and science. This ambitious partnership has already generated results, including a research-based curriculum intended to increase the appeal of these subjects for girls.

In addition, the partners developed 18 *Pequeñas Aventureras* webisodes and three public service announcements in which Lola, a beloved character on the *Sesame Street* co-production *Plaza Sésamo*, interacts with female Science, Technology, Engineering, the Arts and Mathematics (STEAM) role-models and encourages girls to engage in STEAM.

These tools were complemented by a digital campaign to promote gender equity in STEAM. Using social media and five e-books, to date the campaign has reached nearly two million people throughout Spanish-speaking Latin America and received media coverage in more than 30 digital and print platforms. By the end of 2018, the partners hope to have reached nearly 40,000 children through additional community outreach materials intended to transform how young girls think about STEAM learning.

Empowering Women Entrepreneurs through We-Fi

Some 70 percent of formal women-owned small and medium enterprises (SMEs) in developing countries are shut out by financial institutions or unable to receive financial services that meet their needs. This results in a credit deficit of at least US\$287 billion annually and, because women tend to reinvest up to 90 percent of their earnings in their families and communities, negative consequences for development more broadly.

To empower women entrepreneurs as engines of development, in 2017 the IDB and IDB Invest formalized their partnership with and accreditation by the *Women Entrepreneurs Finance Initiative (We-Fi)*. Administered by the **World Bank** with the support of 14 donors, We-Fi seeks to advance women's entrepreneurship by helping women in developing countries access finance, markets, technology, and networks. Through this partnership, the IDB Group will unlock We-Fi resources to address the financial and non-financial constraints faced by women entrepreneurs and female-led SMEs in the LAC region.



CHAPTER 8

Investing in Sustainability, Conserving the Region's Natural Bounty

Social inclusivity and environmental sustainability form the essential foundation to achieving poverty reduction and long-term economic growth in Latin America and the Caribbean. Accordingly, the IDB strives to ensure that maximizing positive environmental and social outcomes is at the center of all its partnerships. Working across the region, the IDB remains focused on protecting and investing in LAC's natural resources, responding to the challenges of climate change, promoting sustainable infrastructure solutions, and ensuring social inclusion and accountability.

The IDB's guiding principle is that projects grounded in environmental and social sustainability are simply better projects.

IDB Partners Rally to Support Sustainable Development in Post-Conflict Colombia

After years of armed conflict and with a broadly supported peace process now in place, the **Government of Colombia**, with the IDB's support, created the *Colombia Sostenible* program to combine conflict resolution with efforts to generate job opportunities and drive sustainable rural development. In particular, the program, seeks to address the vastly increased deforestation rates in municipalities with the highest conflict levels, as well the dangers of climate change in reducing the country's yields of corn, rice, and potatoes.

To channel needed financing to the program, the IDB created the *Colombia Sostenible Multi-donor Fund* in 2017, securing a first round of funding from the **Governments of Norway, Sweden, and Switzerland**. The fund's partners will help the IDB to design projects that systematically address rural development, climate change, environmental sustainability, and social inequality in areas characterized by armed conflict.

Planned on a 15-year horizon with three tranches, *Colombia Sostenible* will follow international benchmarks and use monitoring systems to ensure transparency and standardization of data collection, processing, and verification. Its social and environmental indicators will be in line with existing national and international commitments including the country's National Development Plan, the SDGs, and Colombia's Nationally Determined Contributions (NDCs) to the Paris Climate Agreement.



Canada and the IDB Drive Sustainability Forward in LAC

Throughout the year, the IDB and **Global Affairs Canada (GAC)** continued implementing a major initiative to boost the sustainability of natural resources-based industries. Through the *Canadian Extractives Facility (CANEF)*, the partners are developing regional public goods including geo-referential maps, tax assessments, national governance analyses, and capacity building efforts to ensure the social and environmental wellbeing of communities with large extractives operations. Driven by a focus on innovation, the partners seek to design and pilot novel approaches to enhancing productivity and institutional capacity in participating communities in Argentina, Colombia, the Dominican Republic, Guyana Mexico, and Peru. Consistent with the IDB and Canada's shared commitment to empowering women across the region, the partners strive to integrate gender components into activities across the initiative.

Prioritizing Inclusive Growth in the Region's Mining Communities

In 2017, the IDB continued working with **Anglo American** through their joint program *Beyond Extraction: Economic Opportunities in Mining Communities* to drive inclusive, sustainable growth in the region's mining communities. Specifically working to strengthen the capacity of local institutions and promote access to markets, the partnership also seeks to drive economic growth by enabling complementary businesses to generate employment opportunities. Leveraging Anglo American's existing investments in these communities and another US\$5.8 million invested by the partners, the collaboration is advancing quickly in its efforts to drive entrepreneurial development in Brazil, Chile, and Peru.

Conserving the Region Together

Since it was created 30 years ago, the non-profit **Conservation International** has shared the IDB's focus on working with communities to invest in nature, biodiversity, and societal well-being. It is this common set of priorities that brought the actors together in December to formalize their partnership and turn their vision into action. The new collaboration will work in Bolivia, Brazil, Colombia, Ecuador, Guyana, Panama, Suriname, and other countries on biodiversity, climate change, coastal restoration, infrastructure and energy, knowledge and learning.



IN THE SPOTLIGHT: Agriculture

At a time when the world's population is expected to grow by another two billion to nine billion people by 2050, policy makers are looking at the Latin American and Caribbean (LAC) region to deliver on its potential to become a global breadbasket. While LAC is already the world's largest net food exporting region, it still has achieved only a small fraction of its potential to expand agricultural production. At the same time, the region's farmers, ranchers, and agribusinesses face enormous challenges in moving toward healthier, more productive, and more environmentally sustainable agricultural systems that will ensure productive capacity for many generations to come. In response to these challenges, the IDB and its partners are committed to working with governments in the region to create environmentally sustainable, market-driven systems of agriculture and food production.





SAFE: A Partnership Platform to Advance Sustainable Agriculture

In 2017, the *Sustainable Agriculture, Food and Environment (SAFE) Platform*, which improves business processes and works with smallholder farmers in global value chains, again revealed the powerful role partnerships can play in promoting sustainable agriculture. Led by the IDB's Multilateral Investment Fund in collaboration with **Hivos**, SAFE is a collaborative platform that addresses challenges in value chain development, financial access and literacy, climate-smart agriculture, and youth and gender.

An important initiative for SAFE in 2017 was the *Farmerlink: Coffee for Colombia* project. A collaboration between **COEX, de los Andes Café, Grameen Foundation**, and **Starbucks**, the project uses technology, field agents, and financial services to help smallholder farmers improve coffee crop quality, productivity, and sustainability. Specifically, this US\$4.6 million effort helps individual farmers to prepare farm management and investment plans, adopt good agricultural practices, and unlock access to credit. The project is slated to empower 2,000 small coffee producers by boosting their productivity by 8 percent, while helping 1,500 new farms access long-term credit.

SAFE Partners

Catholic Relief Services • Coalition for Coffee Communities • Ecom Trading • Farmer Brothers • Grameen Foundation • Hanns R. Neumann Stiftung • Hivos • Keurig Mountain Coffee • Rainforest Alliance • Root Capital • S & D Coffee & Tea • Solidaridad • Starbucks • Sustainability Commodity Assistance Network (SCAN) • The Committee on Sustainability Assessment (COSA)

AgroLAC 2025 and its partners prioritize three pillars of action: trade and access to markets; increased productivity through sustainable intensification; and agri-environmental planning.

AgroLAC 2025: A Partnership for Sustainable Agriculture

In 2017 AgroLAC 2025, a multi-donor funding platform led by the IDB in partnership with **DOW**, the **Government of Canada**, and **The Nature Conservancy (TNC)**, continued advancing sustainable

agriculture. It approved its first six projects for a total of US\$2.9 million with the objective of creating environmentally sustainable, market-driven agriculture and food production systems.

One noteworthy AgroLAC-supported project strives to leverage the investments of the IDB and its partners in other initiatives, ensuring strategic alignment, minimizing the duplication of efforts, and amplifying impact overall. This effort, in which TNC is the implementing partner, supports public and private enterprises in reducing deforestation while strengthening low-carbon agriculture. Targeting Argentina, Brazil, and Colombia, it does this by implementing climate-smart and environmentally sustainable agriculture practices in line with the methodology embodied by TNC's *Green Growth Compact (GGC)*. Already, the project has worked in Pará, Brazil to help value chains access funds from the *Rural Sustentavel* initiative, which boosts sustainability while preserving the environment and reducing carbon emissions. And in Colombia, it will facilitate farmer access to resources provided by the *Sustainable Colombia Facility*.

The GGC is a multi-stakeholder initiative led by TNC that brings together producers, governments, companies, financial institutions, and other stakeholders to align conservation, production, and socio-economic agendas. The IDB's participation in this effort is effectively leveraging nearly US\$90 million in contributions from GGC partners.

A new agreement signed in 2017 is expanding the *Agrimonitor* initiative and its Producer Support Estimates (PSE) country-level database. Formalizing ties between the IDB and the **Food Agriculture Organization (FAO)**, the **International Food Policy Research Institute**, the **Organisation for Economic Co-Operation and Development (OECD)**, and the **World Bank**, the agreement will facilitate joint research to inform *Agrimonitor*, which enables policy makers and analysts to track agricultural policies and their impact on a particular country's agricultural industry. This research partnership is an important opportunity for *Agrimonitor* and its thousands of users to benefit from high-level cooperation, global visibility, peer-based quality control, and analytical exchanges that draw from other parts of the world.



Giving Haiti's Smallholder Farmers a Hand

Empowering smallholder farmers in Latin America and the Caribbean remains a critical IDB priority for the agricultural sector. In this context, the Bank teamed up with the **Global Agriculture and Food Security Program (GAFFSP)**, which committed US\$10 million to finance the IDB's Agricultural and Agroforestry Technological Innovation Program. Complementing a US\$55 million IDB grant, these funds will boost agricultural income and food security for smallholder farmers in select Haitian communities. Specifically, the partnership will work with farmers to increase agricultural productivity and strengthen natural capital through the adoption of sustainable technologies.

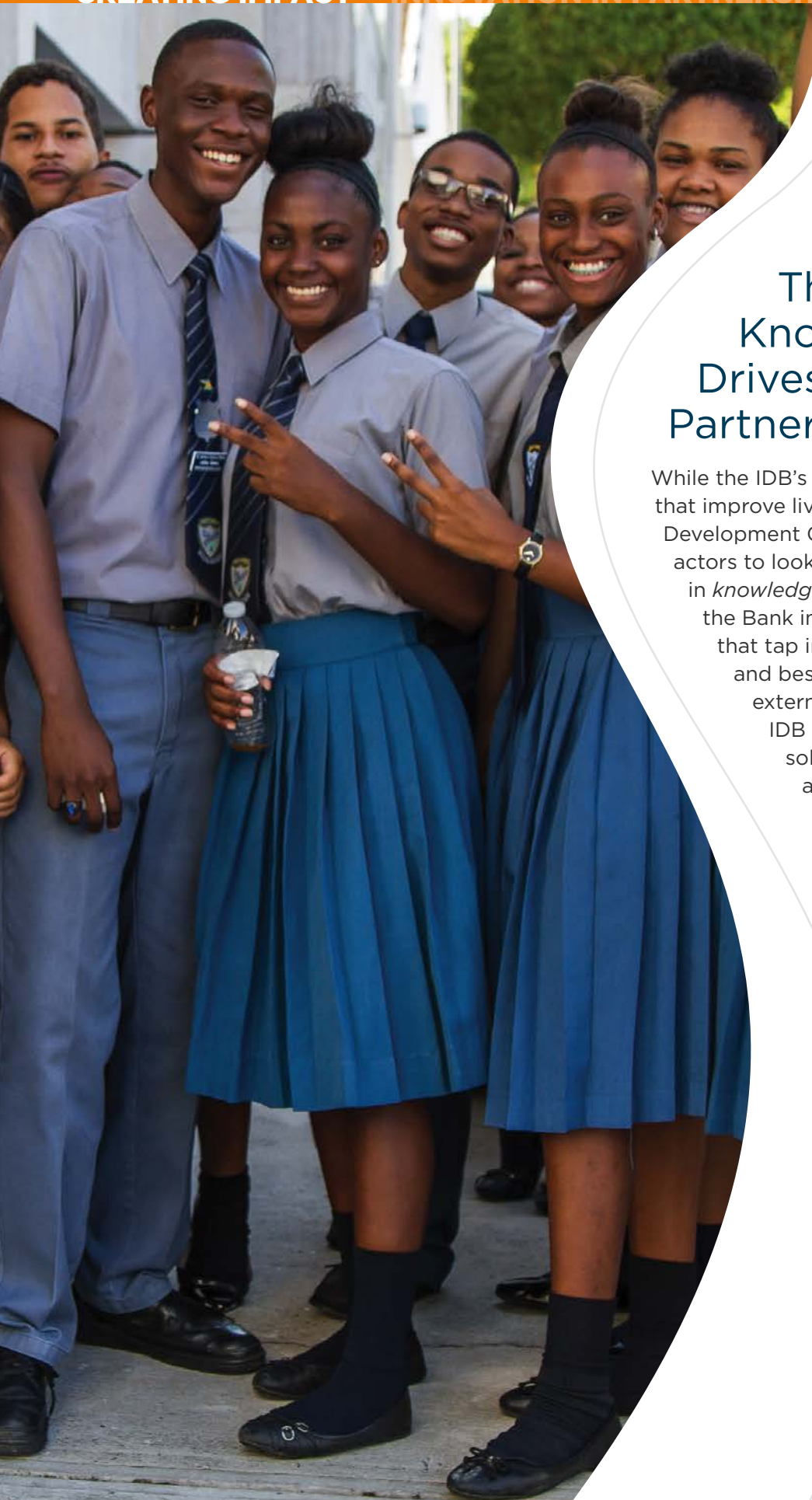
Regional Platforms: The Key for Agriculture Innovation in LAC

FONTAGRO, a regional cooperation mechanism administered by the IDB that promotes innovation in family agriculture, further leveraged regional platforms to expand knowledge sharing with partners in 2017. One of three key highlights from the past year is the *Sustainable Livestock Production Platform*, which establishes partnerships to drive the sustainable intensification of livestock production system in the region.

Another — which is supported by FONTAGRO but led by **the Government of Argentina** in collaboration with **Costa Rica, the Dominican Republic, and Uruguay** — is *RedLAC, Beekeeping as a Development Tool in LAC*, a

platform providing knowledge products and a network of relevant actors to promote apiculture in the region. In 2017, a striking result of this platform was the creation of a Bachelor's degree in Beekeeping for Development, which will build up the capacities of those working in the apiculture industry and disseminate critical knowledge to new audiences.

And finally, an important milestone of FONTAGRO's work in 2017 was the creation of *FONTAGRO's Regional Agricultural Communications Network*, which brings together researchers and communications specialists to better communicate best practices and project results to technicians and farmers.



CHAPTER 9

Thirst for Knowledge Drives Innovative Partnerships

While the IDB's mission is to finance projects that improve lives, achieving the Sustainable Development Goals will require all development actors to look beyond financing and to trade in *knowledge* as well. That's why each year the Bank increasingly values collaborations that tap into the expertise, fresh ideas, and best practices cultivated by external partners, a form of currency IDB specialists use to test novel solutions and generate innovative and scalable projects across sectors. Universities are key in this mission to ramp up knowledge exchange. But the IDB is working actively to establish knowledge-based collaborations with fellow multilateral development banks, government partners, companies, and foundations as well.



Islamic Development Bank Group and IDB Announce New Partnership

The IDB Group and the **Islamic Development Bank Group (ISDB Group)** have formalized a new partnership to facilitate joint knowledge sharing and technical assistance opportunities including the co-financing of projects in Guyana and Suriname, the member countries they have in common and both of which have significant Muslim communities. Under the partnership, the IDB and the ISDB will work jointly to improve access to services and opportunities for marginalized groups, enhance trade through technical assistance, and improve the capacity of the public sector in the two countries. The partners will also explore opportunities for collaboration in other IDB member countries with Muslim communities.

The Islamic Development Bank Group is an international Islamic financial institution, established in 1975 to foster the economic development and social progress of member countries and Muslim communities individually as well as jointly.

The Asian Infrastructure Investment Bank and the IDB Group Expand Ties

Amid the growing importance of Asian countries as critical trade, investment, and business partners for Latin America and the Caribbean, the IDB and the **Asian Infrastructure Investment Bank (AIIB)** in 2017 formally agreed to strengthen their cooperation on co-financing sustainable infrastructure in their respective regions, as well to facilitate knowledge exchange and policy dialogue between the two institutions. The AIIB is a new multilateral development bank, established in 2016, with a mission of improving economic and social development in Asia by investing in high quality, financially viable, and environmentally friendly infrastructure projects.

Bringing Top Talent to the IDB

In 2017, the Bank continued working through the *Knowledge and Education Unpaid Internship Program* to attract fresh talent. Drawing from its global partnership network, this past year the IDB was able to host interns from the **Governments of Brazil and Spain, Università di Bergamo, Georgetown University, Johns Hopkins University, the Shanghai University of Finance and Economics, Universidad de Comillas, and Universidad de Oviedo**. Thanks to these efforts, and to the financial backing provided by the partner institutions themselves, a total of 38 interns brought new perspectives and ideas to the IDB's day-to-day work.



Tapping Student Creativity to Improve Supply Chain Performance

The Peruvian coffee industry supports more than 200,000 small coffee growers and accounts for US\$1 billion in annual revenues. Yet the industry has struggled to achieve sustainability, and farmers have struggled to ensure their livelihoods, due to lack of coordination and low-quality production. To help these coffee growers thrive, the IDB and **Columbia University's School of International and Public Affairs (SIPA)** set out to assess the potential of digital technologies to improve the coffee supply chain, enhance coffee quality, and boost production levels. To do so, SIPA students worked closely with Columbia faculty and IDB specialists on a capstone project through which they interviewed technology experts, researched agricultural technologies, and observed seven different coffee cooperatives in Peru's Selva Central coffee-growing region. After months of in-depth study, the capstone team recommended that an independent advisory panel develop quality guidelines for coffee production, and encouraged the use of a centralized data management platform to inform future production forecasts and improve quality.

Secondments: An Important Source of Development Expertise

In 2017, secondees remained an important channel for transmitting the expertise of the Bank's partner organizations to the LAC region. Through the IDB's secondment programs, diverse partner organizations continued deploying specialists to work at IDB headquarters, helping to enrich the Bank's work with new perspectives. Secondees from 2017 came from the following organizations:

Bank of Tokyo-Mitsubishi UFJ • Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) • Export-Import Bank of Korea • French Development Agency • Government of China • ICEX Spain Trade and Investment • Japan Bank for International Cooperation • Japan International Cooperation Agency • Korea Expressway Corporation • Korea Land & Housing Corporation • Korean Ministry of the Interior • Korea Trade-Investment Promotion Agency • Yokohama National University

In 2017 the IDB continued working alongside **Fundación Bancaria la Caixa** to advance social entrepreneurship in the region, combining grants (including a new commitment of a half-million dollars from Fundación Bancaria la Caixa), lending resources (including US\$1.5 million in financing from the Multilateral Investment Fund's Social Entrepreneurship Program), and corporate volunteerism to empower smallholder farmers. Specifically, the partners worked to impart new capacities to micro and small quinoa and avocado farmers in Peru, drawing from the expertise of **CaixaBank** volunteers to improve their management skills. This effort builds upon the partners' shared experience training smallholder coffee farmers in Colombia and Ecuador, where they have been working for many years to foster the development of a farmers cooperative and rural microfinance institutions.



Showcasing Entrepreneurs, Promoting Innovation

Demand Solutions 2017: Bringing Together Creative Minds

As the IDB's flagship event on innovation and entrepreneurship, *Demand Solutions* has evolved into an influential platform for connecting LAC's most creative entrepreneurs, investors, thought leaders, government officials, and development practitioners. In 2017, three editions of the event were organized across the Americas. In October, the Bank worked alongside event host Miami Dade College to organize a full day of presentations featuring innovative solutions to improve lives. The partners also organized a *Venture Night* in which 18 disruptive startups from Miami and across the region pitched their socially-focused business models before a live audience. Other editions of *Demand Solutions* were held in Santo Domingo in collaboration with the **Government of the Dominican Republic** and diverse local partners, and with the **Government of Paraguay** in the context of the IDB Group's 2017 *Annual Meeting of the Boards of Governors* in Asunción.

WeXchange: Focusing on Women Entrepreneurs and their Solutions

Established in 2013, the annual *WeXchange* event, organized by the IDB Group's Multilateral Investment Fund, has become the region's premier event for unlocking the potential of women entrepreneurs through networking, mentoring, and access to investors. The December 2017 event in Santiago, Chile, which was promoted in partnership with **NXTPLabs**, brought together more than 200 high-growth women entrepreneurs, enabling them to broaden their network of contacts and gain access to mentors and investors. In addition to workshops and mentoring sessions organized by **Endeavor Chile**, the event included panels on women entrepreneurs in non-conventional industries, intelligent growth, international business expansion, and more. **RedEmprendia** was also a sponsor of the event.

In just a few years, WeXchange has connected 5,000 women entrepreneurs in LAC with mentors, investors, and experts who can help them improve their businesses.

Florida International University: An Academic Partner for LAC

An important partnership formalized in 2017 was the IDB's relationship with **Florida International University (FIU)**, a Miami, Florida-based university with a keen focus on engaging the Latin American and Caribbean through knowledge sharing. The agreement solidified the participation of FIU's College of Business as the academic anchor partner in the *IndexAmericas* initiative (see page 5), which recognizes corporate sustainability champions in LAC based on their commitment to environmental, social, corporate governance, and development criteria. It also pledged the partners' shared commitment to launching the *Impact MBA* program, a Master's in Business Administration program that will kick off in 2018, targeting young professionals in the region interested in generating positive social and environmental impact through business.

In Partnership with Korean Universities, the Korea-LAC Scholarship Program Takes Off

The *Korea-LAC Scholarship Program (KLSP)*, which provides 26 public officials from 16 LAC countries a full scholarship to complete their graduate degrees, is now in full swing. Participating students are pursuing Master's degrees in Public Management or Public Policy at two of Korea's most reputable academic institutions — the **Korea Development Institute School of Public Policy and Management (KDI School)** and the **Sungkyunkwan University (SKKU) Graduate School of Governance**.

A highlight of the program in 2017 was the creation of an internship program permitting students to research the Korean development experience, assess its applicability to the LAC region, and make policy recommendations while developing policy studies, field research, and country reports. Internships have already been offered at **KDI's Development Research Center, Capacity Building Center, and Center for International Development**, while others are scheduled to begin at the **Korea Rural Community Corporation** and the **Korea Environment Corporation**. Another milestone was the development of a short-term training program by SKKU and **Samsung's Human Resource Development Center**, through which students will learn about Korean public-private partnerships and their role in accelerating development.

An external midterm evaluation conducted at the end of the year predicts a bright future for the KLSP. It found the program to be uniquely designed to train LAC officials and recommends an expansion of the program moving forward.

With an Initial Focus on Labor and Skills, LSE and the IDB Group Team Up

The **London School of Economics** and the IDB Group formalized a new partnership, pledging to jointly create and share knowledge products that can advance development in the region. The partners also intend to jointly organize seminars, conferences, and other activities related to the advancement of the Latin America and Caribbean region.

At LSE, the relationship with the IDB Group will be led by the Latin American and Caribbean Centre (LACC), which leads the university's

research and public engagement with the region.

The partnership announcement was made at the first event produced by the partners, titled *Skills for Development in a*

Changing World. The event focused on the IDB's flagship publication *Learning Better: Public Policy for Skills Development* as a starting point for exploring the obstacles and opportunities related to the region's skills gap and expanding debate on this topic at a global level.

A partnership to highlight LAC's rapidly evolving labor market and on investments and innovations in workforce skills development.

In line with the IDB's focus on boosting climate financing both within its organization and across the region, an agreement signed in 2017 formalized the IDB's collaboration with the Spain-based **Instituto de Estudios Bursátiles**. Through this new partnership, IDB specialists will remotely deliver two courses to students in the Master of Financing for Climate Change program. In exchange, three prestigious fellowships will be offered to representatives of the IDB's regional executing agencies.

Collaborating through Knowledge with Chinese Partners

In 2017, the IDB achieved a new milestone in Bank efforts to engage academic partners from around the world, formalizing a new collaboration with the **Shanghai University of Finance and Economics (SUFE)** — the IDB's first agreement with a Chinese university. The partnership has already produced a summer internship program for SUFE students at the IDB. Looking ahead, the partners will work to foster knowledge exchange, develop joint research and knowledge products on topics of mutual interest, and identify additional opportunities for collaboration.

Other important knowledge partners from China include the **People's Bank of China (PBC)**, with which the IDB organized a series of events

to explore the application of green finance in the region, as well as trade relations between China and LAC. With the **Chinese Academy of Social Sciences (CASS)**, the IDB renewed its partnership agreement and organized the *4th LAC-China Policy and Knowledge Summit: Shaping the Future of Financial Services in the Digital Economy* in Shanghai and Hangzhou, convening hundreds of government officials, scholars, and sector experts to discuss the digital transformation of economies and to share best practices for building a robust ecosystem for digital finance. In addition, the **China Center for Urban Development (CCUD)** teamed up with the IDB to develop a series of articles on smart cities, sharing case studies from Brazil and Colombia.

CHAPTER 10

Cities that Grow — Sustainably

Latin America and the Caribbean is the second most urbanized region on the planet. It has gone from a 64 percent urbanization rate in 1980 to 79 percent in 2010. If this trend continues, approximately 90 percent of the region's population will be living in cities by 2050. With more than a half-century of experience in supporting urban development in the region, the IDB works with a broad array of partners to develop solutions to the challenges presented by this explosive urban growth. At the center of this collaborative effort is the Emerging and Sustainable Cities Initiative (ESCI), a special five-year program led by the Bank with ample partner support, as well as the IDB's own efforts to design and implement projects and provide loans to support them.

To respond to the evolving dynamics of the region in terms of urbanization, environment, and emerging technologies, the IDB is taking a novel approach to projects by creating its very own *Cities LAB*, an urban laboratory to experiment, evaluate, and upscale innovation, as well as expanding its *Cities Network* to improve the relationships and flow of information between cities and the Bank. The IDB is also strengthening its research and dissemination activities. In all of these efforts, the Bank continues to prioritize partnerships, putting them at the center of their efforts to identify novel solutions to improve lives in cities.

Sourcing Urban Solutions from LAC's Universities

The IDB partnered with **CAIXA** and the **Ministry of Cities of Brazil** to launch the first nationally-focused edition of the *IDB Urban Lab* university competition. Typically run at a regional level, *IDB Urban Lab* awards creative solutions to urban development challenges. This edition, directed only at Brazilian universities, invited students, researchers, and young professionals to submit proposals for social, cultural, or urban development projects targeting the city of Natal's Ribeira neighborhood. The winner, the **Federal University of Rio Grande do Norte (UFRN)**, will continue working with the IDB and the **Municipality of Natal** to develop the proposal, which seeks to set up a crowdfunding platform and investment fund to repurpose abandoned housing in Ribeira.

Additionally, in Argentina, the IDB has partnered with the **Province of Mendoza**, the **Council for the Coordination of Public Policy for Mendoza (UNICPIO)**, and the **Municipality of Guaymallen** for the competition's third international edition. With more than 100 proposals submitted from across the region, the winner will be selected during a final competition at the IDB Group's *Annual Meeting of the Boards of Governors* in Mendoza, Argentina in March 2018.



Teaming up with Austrian Partners to Solve Urban Challenges

The IDB joined forces with Austrian partners to develop and test an easy-to-implement planning methodology for cities. The methodology, which is structured in three phases (research, stakeholder dialogue, and project-design), intends to facilitate the elaboration of urban design proposals through both strong analytical and qualitative components. In the implementation phase, the **Ministry of Finance of Austria** deployed interdisciplinary teams composed of Austrian students and young professionals to the region to work on-site with the IDB and local experts, all of whom received guidance from a tutor from the **Technical University of Vienna (TU Wien)**. Through this effort, the new methodology was applied in four partner cities in 2017: Mendoza and Jujuy in Argentina, San José, Costa Rica, and Paramaribo, Suriname.

The **Government of Austria** further bolstered the IDB's efforts to drive sustainable urban growth in 2017, committing more than a half-million US dollars in grant resources to the IDB-managed *Emerging and Sustainable Cities Multi-donor Trust Fund*. This latest commitment from Austria builds upon a US\$3 million contribution the government made during 2012-2014, and complements support from the **Government of Japan** and the **Government of Switzerland**.



Teaming Up with Universities to Improve Urban Life

As part of the implementation of the *Emerging and Sustainable Cities Program* in Mexico, the **North American Development Bank (NADBANK)** signed a Memorandum of Understanding with the IDB to co-finance a comprehensive action plan to guide urban development in the northern city of Hermosillo. **Harvard University's Graduate School of Design (GSD)** joined this partnership as well, supporting the design phase by deploying a group of students to help with research and analysis efforts. The collaboration aimed to create a space to explore cutting-edge urban design and planning ideas, working in close collaboration with Hermosillo's local and state authorities to brainstorm ideas, validate concepts, and refine potential solutions that can prepare the city for the future.

In 2017, the **International University of Menéndez Pelayo (UIMP)**, the **Santander City Council**, and the IDB once again organized the *IV Meeting on Sustainability of Cities*, a summer course exploring how the management of environmental assets drives sustainable urbanization. In its fourth edition, the 2017 program gathered more than 80 experts, mayors, and professionals from European and Latin American cities to share their experiences managing environmental assets (such as water, sanitation, and solid waste) and its impact on the resilience of cities.

In June 2017, mayors from more than 14 Latin American and Caribbean countries gathered with their Spanish counterparts in Santander, Spain at the *II Iberoamerican Mayors Forum*. The **International University of Menéndez Pelayo**, the **University of Cantabria**, and the IDB organized this event, which was hosted by the **Santander City Council**. At the event, mayors from a diverse range of countries were able to engage with each other and with international experts to share experiences on urban development and critical priorities like climate change adaptation, the conservation of cities' historic heritage, local governance, innovation, and the use of technology to foster the development of smart cities.



CHAPTER 11

Partnerships: A Vehicle for Unlocking Social Progress

The LAC region's economic development is contingent on the social wellbeing of its people. That's why the IDB continues to prioritize reducing poverty, enhancing health and education services, improving workplace equal opportunity and productivity, and empowering vulnerable groups. In these efforts, partnerships have become an important vehicle for unlocking progress. For instance, the year 2017 saw advancements in early childhood education (see page 13), the emergence of new collaborations intent on tackling such pressing challenges as malaria (see page 12), and new partnerships to drive equality and inclusion in the region's labor markets (see page 48), with diverse partners coming together to better prepare LAC's young people and adults to thrive in an ever-changing workplace.



Salud Mesoamerica Initiative — Results-Based Financing Plus

Founded in 2010 as a public-private partnership between the IDB and the **Bill & Melinda Gates Foundation**, **Fundación Carlos Slim**, the **Government of Spain**, the **countries of Central America**, and the state of **Chiapas, Mexico**, the *Salud Mesoamerica Initiative (SMI)* continues to support countries to achieve results and improve access to health for women and children in the poorest 20 percent of Mesoamerica's population. To date, the initiative has directly benefitted 1.8 million

women of reproductive age and children aged less than five years, while indirectly benefitting an additional 4.5 million people in the poorest areas of these geographies.

The results are in!

Belize, El Salvador, Honduras, and Nicaragua all completed their second operations and the Institute of Health Metrics and Evaluation completed a household and health facility surveys. All four countries met 80 percent of their targets, resulting in \$3.7 million in incentives for the Ministries of Health. All countries made important advances in quality and coverage of health services in some of the hardest to reach areas of the region:

Improvements in Reproductive Health

- ✓ The use of family planning methods went from 53 percent to 75 percent, which represents an increase of 22 percentage points in five years in El Salvador.

Improvements for Moms and Babies

- ✓ Early prenatal care increased by 31 percent in Nicaragua.
- ✓ Institutional birth increased by 23 percent in Honduras.
- ✓ Early postpartum care increased in Belize by 81 percent.
- ✓ In Honduras, Nicaragua, and Belize, the quality of care during obstetric complications according to international standards improved between 17 percent and 61 percent.
- ✓ Quality prenatal care in El Salvador improved by 24 percent.

Improvement for Children

- ✓ Coverage of measles, mumps and rubella improved in El Salvador by 39 percent.
- ✓ 95 percent of children with diarrhea were treated with both ORS & Zinc in Honduras and Belize, an innovation introduced to health systems by SMI.



Shining the Limelight on Innovators in Early Childhood Development

Several years after it was established, the *ALAS-IDB Awards* have become the premier event for recognizing LAC's early childhood development (ECD) innovators. The 2017 competition drew enormous interest from the educational community across the region, with more than 1,200 nominations submitted from 21 countries for honors as Best Children's Book, Best Teacher, Best ECD Care Center, and Best Innovation. This year's winners were feted at a November ceremony in Washington, DC, which accompanied a larger event on the importance of children's executive functions. **FEMSA Foundation**, an active partner of the IDB in the early childhood development space and an important supporter of the newly launched *Early Childhood Development Innovation Fund* (see page 13), provided financial support to the Awards.

Google and the IDB: Driving Innovation in the Classroom

In line with its goal of “igniting innovation and learning” in Latin America and the Caribbean, **Google for Education** has joined with IDB to generate novel education solutions by integrating technology-intensive activities into IDB-financed projects. More specifically, the partners will bring *Google's G Suite for Education* and the company's Chromebook laptop computers into classrooms across the region as a means of fostering technology-based classroom dynamics to increase access to education and deepen engagement between teachers and students. The organizations will also explore additional opportunities to integrate Google education projects into IDB programs and initiatives. In addition to this focus on technology-based learning, the IDB and Google will focus more generally on the role of innovation in education, creating space for knowledge exchange on this topic.

A collaboration that enables the IDB to tap into the resources and expertise of one of the world's most forward-looking companies, while providing Google opportunities to work in hard-to-reach communities and impact education at a regional scale.

Additionally, in light of their shared focus on empowering entrepreneurs as engines of economic growth, **Google** and the IDB are also offering free online courses to help entrepreneurs, students, and small and medium enterprises (SMEs) digitize their projects and businesses, while granting them access to the IDB-led *ConnectAmericas* platform (see page 67 for more information on *ConnectAmericas*).



Joining Forces with Corporate Leaders to Get Young People Working

Youth unemployment remains an important challenge in Latin America and the Caribbean (LAC), with one in five people between the ages of 15 and 24 years falling into the category of “NEETs” (or “*Ninis*” in Spanish) — those who neither work nor study. This challenge is compounded by a mismatch between skills taught in schools and those demanded by the labor market, and by the sheer fact that nearly half of the region’s high school students never graduate. Getting these NEETs either back in the classroom or into the workplace is critical to LAC’s continued economic growth, as finding them work can add an estimated 5 percent to the region’s GDP.

With this goal in mind, in 2017 the IDB joined forces with private sector leaders to boost youth employment through the *EmpleaTECH* initiative. Teaming up with **Junior Achievement Americas** and the global software giant **SAP**, the new collaboration has pledged to train 2,400 young people over the next three years and to find work for at least half of them. Initially targeting young people in the Dominican Republic, El Salvador, and Guatemala, the program is designed to be easily replicable in other countries. It will leverage an initial commitment of US\$3 million from the partners in this first phase, and will focus on teaching participants design thinking, coding, and other skills required by STEM (science, technology, engineering, math) positions.

In 2017, the IDB revitalized ties with partner **Nestlé**, supporting efforts to mobilize this company’s corporate peers to help young people in the region effectively enter the job market. An action plan with concrete objectives was presented in Chile at the *II Encuentro de los jóvenes de la Alianza del Pacífico*, an event that provided youth, corporations, and governments a space for discussion regarding opportunities for skills development and youth employment.



Sports for Development

Since 2005, the IDB has utilized sports as a key instrument for child development and the preparation of youth for the workforce — with projects in more than a dozen countries in the region.

Harnessing the Power of Sports to Advance Education with the Real Madrid Foundation

Real Madrid is known primarily for the excitement its players create on the field, but the Spanish football club's impact goes beyond scoring goals and winning championships. It also has a track record of investing in educational development, and of sharing the IDB's focus on leveraging sports as a tool to improve lives. In 2017, the **Real Madrid Foundation (RMF)** joined forces with the IDB to create "socio-sports schools" across the LAC region. Building upon the IDB's experience designing *Sports for Development* programs and the 150 schools created by Real Madrid in the region to date, the partners aim to infuse sports values into wider educational goals and to advance social inclusion among at-risk girls and boys. The partners already celebrated the opening of a school in Costa Rica this past November, which has been developed with support from the **Universidad Latina de Costa Rica** and the **Municipality of San Pedro Montes de Oca**. The school is the second of its kind in Costa Rica and will benefit 100 boys and girls. In Peru, the IDB joined the RMF and the **Peruvian Jesuits** to support three schools in Lima and Ayacucho, reaching a total of 470 boys and girls. Finally, in Argentina the IDB and RMF are working the **Province of Mendoza** and the **UNCUYO University** to establish the first socio-sports school in Mendoza, which is scheduled to be launched during the IDB Group's *Annual Meeting of the Boards of Governors* in March of 2018.

“This new partnership agreement we have signed with the IDB is very important. It is the first agreement we sign after winning the 12 Champions League and it will be for the benefit of boys and girls in Latin America.”

-Florentino Pérez, President, Real Madrid Club de Fútbol

The **Argentina Olympic Committee**, the **City of Buenos Aires**, and the IDB have established a partnership to promote economic and social development through the **2018 Buenos Aires Youth Olympic Games** and their legacy. Kicking off the effort, the partners leveraged the IDB's extensive experience developing Massive Open Online Courses (MOOCs), launching a hybrid in-person and online course to strengthen public management of large-scale events in Argentina. The course builds upon a similar program developed by the IDB and **Ernst & Young** for Brazilian public managers, helping them to develop relevant skillsets that could be applied to the mega-sports event hosted by Brazil in 2016.

In Japan, Talking Sports for Development with a Rugby Legend

The IDB's Office in Asia teamed up with the **Japan Association of Latin America and the Caribbean (JALAC)** and the **Japan Rugby Association** to co-host a workshop for Agustín Pichot, Vice-Chairman of World Rugby Association. A legendary Argentine rugby player, Pichot and his fellow participants at this workshop discussed the important role of sports in advancing development.

On Your Marks, Get Set, Go! Using Sports to Advance Social Inclusion for People with Disabilities

This year the IDB teamed up with the **International Paralympic Committee, Colombia's Department for Sports, Recreation, Physical Activity, and Leisure (Coldeportes), and Colombia's Presidential Agency for International Cooperation (APC-Colombia)** to empower disabled athletes in vulnerable communities. Working through the *On Your Marks, Get Set, Go* initiative, which will be implemented by the International Paralympic Committee and the **Agitos Foundation**, this effort seeks to promote Paralympic activities and strengthen national Paralympic organizations. In line with the IDB's heightened focus on diversity and inclusion, the partnership will set to work in Colombia and four other countries: El Salvador, Ecuador, Nicaragua, and Peru. The program will target areas with high rates of poverty and social exclusion, along with a high presence of people with disabilities among the local population, working closely with coaches and other stakeholders to break down barriers to their participation in sports and to train regional leaders and local managers of the Paralympic movement. The **Brazilian government** will participate in this effort as a mentor country, which will be carried out in collaboration with the National Paralympic Committees and the National and Municipal Sports Institutes in each country.

An effort to strengthen Paralympic sports institutions to help them reach some of the more than 70 million people with disabilities in LAC.



Big Data and Sports — Catalysts for Development

The renowned cyclist **Nairo Quintana** and **Telefónica's** Global Director for Big Data, Elena Gil, joined President Moreno at IDB headquarters to explore the role of big data in sports and the potential for sports-related technologies to drive development in LAC. The event took place as Telefónica and IDB in 2017 renewed their collaboration on big data and a range of other areas. (see page 23).

Imparting Values through Sports in Cali, Colombia

Fundació FC Barcelona and the IDB further expanded their collaboration in 2017, working side by side to utilize sports as a tool for education and social inclusion. Building upon the success of a 2016 project in Cartagena, Colombia, the partners teamed up with the **Municipality of Cali** to deploy the FutbolNet methodology in that city. At the Cali Sportfest event, which brought together more than 45,000 participants, the partners gathered to discuss the importance of sports in community life and to announce the new project that will use sports as a vehicle for teaching important life skills and values to more than 39,000 kids through this innovative methodology.

CHAPTER 12

Stronger Institutions for a Stronger Region

The IDB has long worked with partners in the private and public sectors to bring the best thinking, tools, and experience-based knowledge to governments and other institutions in the region, with an eye toward improving their abilities to serve citizens and implement sound programming — as well as to use cutting-edge technologies to make service delivery more effective and transparent. These partnerships have supported a variety of initiatives including civil service reform, improving governance, fiscal and economic efforts, as well as the development of capital markets and financial institutions in an effort to improve business competitiveness at the national, regional, and local levels.

In addition, the IDB works with partners to assist governments in the region in meeting the challenges of improving citizen security and thereby enhancing not only the quality of life but also the climate for investment.



Switzerland and the IDB Continue to Partner for a Safer Honduras through US\$10 Million Commitment

Crime remains one of the region’s costliest challenges. The new *Costs of Crime and Violence* report, published by the IDB in 2017, calculates the damage at US\$261 billion a year, or 3.55 percent of the region’s annual GDP.

In this context, in 2017 the IDB and the **Swiss Agency for Development and Cooperation (SDC)** pledged to revitalize their joint citizen security efforts in Honduras. Applying a Swiss commitment of US\$10 million, the partners will work with the Honduran government to strengthen crime prevention, law enforcement, and justice between 2018 and 2029 through technical assistance and capacity building support.

This renewed support builds upon previous commitments from SDC of US\$6.6 million in 2012 and US\$5.4 million in 2016, which have helped Honduras train 2,000 police officers and have led to a reduction in the homicide rate since 2011.



Working with the U.S. and Northern Triangle Countries to Create a Pathway to Prosperity

In recent years, a lack of economic and social opportunities and a rise in citizen security challenges has prompted many citizens in the Northern Triangle countries of Central America (El Salvador, Guatemala, and Honduras) to migrate. In 2014, following an unprecedented increase in migration, Northern Triangle governments requested Bank support with the design and implementation of a joint initiative to tackle the situation.

The *Plan of the Alliance for Prosperity in the Northern Triangle (A4P)*, a strategy to work alongside the private sector and civil society to address the structural causes of migration, is the product of these efforts. To bring the Plan to life, the IDB draws from its experience as the leading source of development financing in the three countries (and its active portfolio of

The goal of the IDB and U.S.-supported Alliance for Prosperity is to create employment opportunities and improve the quality of life in the Northern Triangle.

31 loan operations with an available balance of US\$1.3 billion) to facilitate national and regional dialogues, promote coordination, disseminate and monitor progress, and mobilize support from key partners.

As a result, the Bank officially welcomed the **Government of the United States of America** to the Alliance in 2017, applying a US\$3 million commitment from the **U.S. Agency for International Development (USAID)** to support ongoing initiatives that improve economic growth, competitiveness, and job creation. In addition, the partners will help Northern Triangle governments enhance their security, justice, and migration systems by strengthening their coordination, management, communication, reporting, and monitoring and evaluation capacities.



Israeli Knowhow and Financing Breaks New Ground in Cybersecurity Development

The LAC region is highly vulnerable to cyberattacks. A report released by the **Organization of American States** and the IDB in 2016 confirmed this, surveying 32 countries and determining that most exhibited low levels of cyber preparedness, lacked a national cyber security strategy, and suffered from nascent education efforts, incomplete legal frameworks, and low usage of technological safeguards. The IDB is stepping up to address these challenges thanks to new financial support from the **Government of Israel**.

Complementing these funds is an international knowledge exchange effort that has become an indispensable component of the Israel-IDB collaboration on cybersecurity. In one example, key government officials from 22 LAC countries participated in a cybersecurity executive training program at Hebrew University in Jerusalem, Israel. Through engagement with renowned academic institutions, government officials, and industry practitioners, participants in this March 2017 training course were able to acquire skills for protecting critical infrastructure, supporting the private sector ecosystem, promoting professional training, and modernizing legal frameworks in their own countries. State-of-the-art attack methods and corresponding protection technologies were presented, culminating in a tour of the Israeli National Cybersecurity Operations Center. The partners facilitated similar knowledge sharing efforts by deploying a delegation to Tel Aviv University's *Cyber Week* in June, and by participating in the *Cybersecurity Forum of the Americas* event in Montevideo, Uruguay in September.

Recognizing the importance and effectiveness of these efforts, the Israeli government increased its financial commitment to cybersecurity capacity building through the IDB from US\$1 million in 2016 to US\$3 million in 2017. This will allow new countries, in addition to the five nations currently working with Israel and the IDB on cybersecurity issues, to receive customized technical support. Specifically, this grant will help to finance consulting services, pilot projects, capacity building, and training.

The IDB has expanded its longstanding partnership with **Citigroup** in the context of *Citi Tech for Integrity (T4I)*, an open innovation initiative seeking to source technology solutions that promote integrity, accountability, and transparency in the public sector. Through this effort, IDB personnel encouraged innovators from around the world to create technology-based solutions to help public sector entities increase transparency and promote integrity. At the same time, the initiative worked to bring forth new information regarding the public sector's evolving needs and challenges while assessing proposed solutions.

A key element of the IDB's expansive partnership with the **European Union (EU)** is *EUROsociAL+*, a cooperation program funded by the **European Commission** that seeks to improve social cohesion and institutional strengthening in LAC countries. Specifically working to support the design, reform, and implementation processes behind public policy-making in the region, the initiative prioritizes policies related to gender, governance, and the social sector. The partners began collaborating on the initiative in June and have since worked together to identify specific activities in select countries. Importantly, this collaboration is a testament to the capacity of the IDB-EU partnership to rely on knowledge sharing to strengthen the social agenda in the region.



A Partnership to Monitor Development in Haiti

In 2017, the IDB joined forces with **Global Affairs Canada**, the **Government of Haiti**, and the **World Bank** to support the fifth population census in Haiti. To make the census a reality, the partners pooled their resources to facilitate implementation, working to update the data collected during the last census in 2003. Particularly important given the impact of the 2010 earthquake, the data obtained by this survey will inform all aspects of policy and decision making in the country. Following implementation, the government and its partners will work to use the resulting population data to monitor Haiti's progress in line with the Sustainable Development Goals.

Mapping Transparency with Key Partners

Across Latin America and the Caribbean, enhancing transparency has been identified as top priority by both governments and constituents. That's why the IDB is working with key partners to identify innovative methods for achieving this goal. *MapaInversiones*, or *InvestmentMap*, is one such example. Financed by the IDB-managed *Multi-donor Transparency Fund* and its partners the **Government of Canada**, the **Government of Norway**, and **MasterCard**, this regional initiative seeks to boost the transparency and efficiency of public investments by making information about specific projects available to citizens. The effort is being implemented in Costa Rica, Paraguay, and Peru, and uses the power of data visualization

to reveal the financial and physical progress of public investments to all constituents. Citizen participation mechanisms also allow users to provide feedback to policy makers and help to monitor projects by uploading photos and submitting other updates. The development of *MapaInversiones* was facilitated by **Microsoft**, an active IDB partner that donated hosting services on its Azure cloud computing service during the software design and testing phase. The platform's use of data visualization and geo-referencing draws from the IDB-Microsoft experience with the *MapaRegalías* platform in Colombia, in which the partners worked with **Datawheel** to track the government's use of mining royalties.

In 2017, the IDB's *Transparency Fund* welcomed two new donors aboard. The **Government of Italy** and the **Government of Sweden** joined this multi-donor platform with contributions of €1 million and US\$500,000 respectively, enriching the Bank's primary tool for driving forward the transparency and anti-corruption agenda.

**CHAPTER 13**

Laying the Groundwork for Growth, Filling the Infrastructure Gap

The LAC region's yawning gap in infrastructure financing, estimated at more than US\$100 billion a year over the next decade, stands as a major obstacle to the region's development progress, which is critically reliant on the transportation networks and structures, power grids, water and sanitation, public buildings, telecommunications networks, and other facilities that drive business, health care, education, and community life. Countries in the region are nowhere near investing the 5 percent of GDP that experts say is needed to keep up with accelerating urbanization and population growth, not to mention the increasing cost of mitigating and coping with the impacts of climate change.

The magnitude of this financing gap, and the critical nature of infrastructure as the groundwork for development, has driven the IDB to allocate more of its portfolio to infrastructure than to any other purpose. In 2017, infrastructure represented more than a third of the IDB's lending, creating a multitude of opportunities for the Bank's partners to leverage billions of dollars in lending, grants, and technical assistance to help communities in the region build better, stronger, higher quality, and more sustainable infrastructure to fuel their economic and social progress in the decades to come.



From Korea: Raising the Stakes in a Commitment to Catalyze Infrastructure Development

A longstanding IDB partner that has brought to the region lessons from its own compelling story of economic and social development, in 2015 the **Government of Korea** vastly expanded its partnership with the Bank with the creation of *the Korea Infrastructure Development Co-financing Facility for Latin America and the Caribbean (KIF)*. A fund that is tailor-made to facilitate the joint financing of essential infrastructure projects, the KIF serves as a milestone in a historic partnership that has, since the facility's creation, channeled US\$100 million to finance four projects in the critical areas of broadband, energy, geothermal exploration, and water for cities

In 2017, a new US\$300 contribution from Korea's **Ministry of Strategy and Finance** has quadrupled the size of its original commitment to this co-financing platform, which prioritizes green infrastructure and public-private partnerships to support the region's development. To date, the facility, which is overseen by Korea's Economic Development Cooperation Fund, has financed four projects in Nicaragua, Ecuador, and Bolivia, helping to advance development via investments in broadband, water supply, and clean energy.

In 2017, the Government of Korea replenished its IDB-managed trust funds, committing US\$50 million to the Korea Poverty Reduction Fund and the Knowledge Partnership Korea Fund for Technology and Innovation.

“KIF bears great significance as a catalyst that strengthens development cooperation between the Republic of Korea and the Latin American and the Caribbean region, and as a bridge that overcomes the great distance between them. We look forward to seeing the KIF evolve as a tool to facilitate diverse and advanced forms of development cooperation, such as public-private partnerships, that utilize private finance and capacities to generate greater impact.”

*- Mr. Sanggon Na, Director of Development Cooperation Division,
Ministry of Strategy and Finance, Government of Korea*



The European Commission: A Key Co-financier of LAC's Development

The year 2017 was one of active collaboration for the IDB and the **European Commission (EC)**, a longstanding partner that has worked closely with the IDB to pioneer blended finance models that combine lending and grant resources from multiple financiers. This past year, infrastructure remained a shared priority in the IDB-EC alliance, with the EC committing a generous €64.3 million in grants for projects in Argentina, Bolivia, Jamaica, Nicaragua, in addition to regional support to Central American countries.

In Argentina, the *Integrated Waste Management Program* is leveraging €42.2 million in co-financing from the **European Investment Bank**, €14 million from the IDB, and €13.3 million from the EC to improve the disposal of urban solid waste and increase its recovery and reuse. In Bolivia, working through the *Latin American Investment Facility*, the partners are improving access to clean water and sewage through a €15 million grant from the EC, as well as a €55.6 million senior loan from the IDB and an additional €5 million in financing from the **Spanish Agency for International Development Cooperation (AECID)**. In Jamaica, thanks to financing from the *Caribbean Investment Facility*, an €8 million grant from the EC will complement a combined US\$30 million in lending from the IDB and the **Japan International Cooperation**

Agency (JICA) to improve energy efficiency in government facilities and promote fuel conservation in that country.

In Central America, the EC's investments focused on promoting integration. It provided €20 million in grants to support IDB loans to Nicaragua (US\$55 million) and Costa Rica (US\$100 million) that will facilitate border integration, improve the efficiency and effectiveness of border controls, and reduce the time and financial costs associated with border crossings between San Pancho, Costa Rica, and Las Tablillas, Nicaragua.

It also provided an €8 million grant to maximize the benefits of the Association Agreement signed between the European Union and Central America, which seeks to enhance economic integration and reduce regional constraints to competitiveness and diversification in this sub-region. These efforts are aligned with Central America's *Trade Facilitation and Competitiveness Strategy*, as well as the *Road Map for a Central American Customs Union* and the *Trade Facilitation Agreement* of the World Trade Organization (WTO). While the direct beneficiary of these efforts is the private sector, the leading executing institution is the **Secretariat of the Central American Economic Integration (SIECA)**.

Tracking Infrastructure Investment: INFRALATAM

In 2017, the partners behind *INFRALATAM*, a platform that measures infrastructure investments in the region, signed an amendment to extend their collaboration an additional five years. In this agreement, the **United Nations Economic Commission for Latin America and the Caribbean, Corporación Andina de Fomento (CAF)** and the IDB pledged to continue working together to report on public and private investments in this sector, assess their value, and communicate the results with a broader audience. Last year, the platform was updated to include two additional years of data (2014 and 2015) and expanded to cover 19 countries across the region.

Partnering with The Nature Conservancy on a “Smart from the Start” Approach to Infrastructure

In the context of the infrastructure financing gaps seen across the LAC region, there is now wide consensus that, to be successful, projects must be environmentally sustainable — and should incorporate vigorous risk assessment, climate vulnerability concerns, and wide stakeholder engagement at the earliest stages of the planning process.

Accordingly, the IDB and **The Nature Conservancy (TNC)** joined forces to create an *Early Planning Facility* to finance smart planning for sustainable projects within the transportation, renewable energy, and water sectors. The facility will help project coordinators use state-of-the-art planning and mapping tools to meet functional needs, while minimizing or compensating for impacts on high-priority conservation areas, ecosystem services, and local communities. The key to this approach is early action as a way of drawing out potential environmental or community concerns at a stage when they can be more expeditiously and fairly resolved.

The initial idea for this “smart from the start” fund came from the **Latin America Conservation Council (LACC)**, which brings together global leaders committed to balancing development and conservation. With the IDB providing US\$1 million for the fund, TNC, which serves as the Secretariat to the LACC, will carry out its design and to initiate a pilot program to conduct a holistic approach to hydropower planning in the Coatzacoalcos watershed in Mexico.

Expanding Co-financing with Key Partners

For the IDB, in 2017 co-financing once again proved to be an effective method for engaging donors and leveraging additional funds for development projects. For instance, in the IDB’s active partnership with the **People’s Republic of China**, the *China Co-financing Fund for Latin America and the Caribbean* again served as an important platform for channeling development financing to the region. Originally established in 2013, this past year the fund continued working to finance projects in both the public and private sectors, including efforts to improve access to water and sanitation, improve transportation, enhance competitiveness, boost private sector investment, mitigate the impacts of climate change, and more. In 2017 alone, 11 new projects for a total of US\$240.2 million were approved in

Brazil, Colombia, Costa Rica, Honduras, Mexico, Paraguay, and Uruguay. Of these projects, nine targeted private sector activities for a total of US\$152.6 million, and two financed public sector projects for a total of US\$87.6 million.

Another example lies in the IDB’s work with the **Government of the United Kingdom (UK)**, with which the Bank jointly launched the *UK Sustainable Infrastructure Program (SIP)* — see page 9). The new program will apply an expected contribution of £177 million from the **UK’s Department for Business Energy, and Industrial Strategy (BEIS)** to catalyze private sector investment in low carbon, climate resilient infrastructure as a means of helping countries in the region implement their commitments to the 2016 Paris Climate Agreement.





IN THE SPOTLIGHT:

Transportation

Co-financing Better Commutes and Improved Quality of Life in Lima

To facilitate public transportation in Lima, Peru, the IDB has worked with diverse co-financing partners to fund an expansion of the city's metro system. The Lima Metro Project pools resources with the objective of reducing travel times, minimizing the operational costs of service, improving connectivity, enhancing security, and diminishing greenhouse gas emissions. **KFW Bank Group** joined this effort with a commitment of US\$200 million in 2017, complementing previous commitments of US\$150 million from partners **Corporación Andina de Fomento** and the **French Development Agency**. To date, the IDB has committed US\$750 million of its own resources, including support drawn from the *China Co-financing Fund for Latin America and the Caribbean*.

With WHO and PAHO, Evaluating the Effects of Driving Under the Influence

A collaboration between the **Pan American Health Organization (PAHO)**, the **World Health Organization (WHO)**, and the IDB has worked to develop a study on the effects of driving under the influence of alcohol and drugs. The partners seek to help countries conduct a scientific evaluation of the prevalence of alcohol and drugs in victims of traffic accidents who enter hospital emergency rooms. The study began in 2017 in Chile and Jamaica and is expected to be extended to at least two more countries in 2018. Through this scientific tool, the partners hope to alert governments to the close relationship between alcohol, drugs, and road accidents, thereby reinforcing the need for stricter regulatory frameworks as a means of reducing traffic deaths and injuries in the LAC region.

With FIA, Exploring How to Improve Lives on LAC's Roads

The IDB's longstanding partnership with the **Federation Internationale de l'Automobile (FIA)** grew further in 2017, with leaders of the two organizations continuing to work to identify priorities for promoting road safety in the region and saving lives. The partners used Facebook Live and in-person meetings with business and government leaders on the issue, exploring how to work with insurers in pursuit of this goal. Looking to encourage and improve knowledge sharing on road safety issues and concerns, the IDB and FIA are working together to promote an IDB Massive Open Online Course (MOOC) on the subject.

Water & Sanitation



Switzerland and the IDB Improve Water Utilities' Performance and Corporate Governance

The **Swiss State Secretariat for Economic Affairs (SECO)** has pledged US\$15.5 million to improve the performance and corporate governance of water and sanitation utilities in large and mid-size cities in Colombia. In partnership with the IDB, SECO's contribution will drive forward reform through *AquaRating*, an evaluation and certification process developed by the IDB and financed by the multi-donor *AquaFund*, that helps to identify challenges faced by water and sanitation providers. *AquaRating*, an international standard, evaluates these service providers by reviewing specific indicators and practices, and applying information verified by independent auditors. Switzerland's contribution will advance the implementation of *AquaRating*, as well as the identification and implementation of activities to promote providers' operational and financial sustainability, and the development of new policies that respond to the needs of the water sector. Switzerland joins fellow partners **PepsiCo Foundation** and the **Governments of Austria** and **Spain** as an *AquaFund* donor.

Taking the Waste out of Wastewater and Keeping an Eye on LAC at *World Water Week*

Latin America and the Caribbean is in need of a revolution that recognizes wastewater as resource rather than a useless byproduct. That revolution is already underway with the emergence of the circular economy model, in which a constant feedback loop of waste is inserted back into the system and reused. This process requires unconventional thinking, as noted during the *Eye on LAC* sessions led by the IDB at *World Water Week 2017*. Bringing together a group of high-profile experts from both the public and private sectors with extensive experience in water and sanitation, the discussions centered on challenges and opportunities related to applications of the circular economy model in the water and sanitation sector, as well as methods for advancing this model in the region's communities.

The event was coordinated with several IDB partners including **Agua y Saneamientos Argentinos**, the **Corporación Andina de Fomento (CAF)**, **FEMSA Foundation**, the **Mexican National Water Commission**, the **Ministry of the Interior, Public Works and Housing of Argentina**, **One Drop Foundation**, **PepsiCo Foundation**, the **Spanish Agency for International Development Cooperation**, the **Swiss Agency for Development and Cooperation**, **The Nature Conservancy**, **Water Center**, the **World Bank Group**, and the **World Resources Institute**. In preparation for the 2018 edition of World Water Week, the IDB will once again work with the **Stockholm International Water Institute** to identify innovative solutions for improving water and sanitation services across LAC and around the world.





Setting the Stage for Co-financing, Spain and the IDB Expand their Historic Collaboration

Building upon an IDB tradition of tailoring funds to meet donor needs, the Bank and the **Government of Spain** inked a new co-financing framework agreement at the IDB Group's 2017 *Annual Meeting of the Boards of Governors* in Asunción, Paraguay. The agreement establishes conditions meant to govern, and thereby facilitate, reimbursable co-financing between the partners, who intend to ramp up their collaboration to help LAC countries finance the implementation of the Sustainable Development Goals.

Three operations have already been co-financed as part of this new phase of collaboration with Spain, leveraging Spanish commitments of US\$25 million for the *Rural Roads Improvement Program*, US\$20 million for a water program targeting small cities in Paraguay, and US\$50 million to help improve sanitary conditions and reduce pollution in urban waterways and rivers in Panama. Spain also committed approximately US\$1 million in grants to the *Multi-donor AquaFund*, which builds upon the US\$6 million provided by this donor in previous years.

Sourcing Startups and Solutions to Address Water and Sanitation Challenges

Building upon a history of collaborating in the sector, in 2017 the IDB and **FEMSA Foundation** jointly launched the eighth edition of the *IDB-FEMSA Water and Sanitation Prize for Latin America and the Caribbean*, which rewards groundbreaking solutions to water, sanitation, and solid waste challenges. Open to startups, projects, products, or services that improve lives through the water and sanitation sector, six finalists traveled to Buenos Aires to pitch their proposals to a live, global audience at the International Water Association's *Water and Development Congress and Exhibition* in November. First place in the competition went to WaterAir, a device that generates water from the air through an innovative refrigeration system. The equipment is powered by clean and affordable energy, which makes it accessible to low income communities. Second place went to Ekofil, a portable filter unit that grants access to clean and safe water from sources of dubious quality. Third place went to Fluid, an artificial intelligence system that uses sensors attached to the hydrometers to detect spills in the pipes on the water distribution networks. All Water and Sanitation Prize winners received a monetary award.

Lazos de Agua, Changing Water and Sanitation Behavior through Social Arts

One Drop, an NGO founded by Cirque Du Soleil creator Guy Laliberté, officially launched the *Lazos de Agua* partnership at a Las Vegas event in 2017. Working to provide 150,000 LAC citizens with safe and affordable water, hygiene, and improved sanitation services by 2021, the effort kicks off with US\$25 million from partners including the **Coca-Cola Foundation** and **FEMSA Foundation**. *Lazos de Agua* will combine this capital with technical training, and social arts to promote behavioral change and develop business opportunities around water and sanitation. The IDB is currently supporting projects in Mexico and Paraguay.

Energy



Japan and the IDB: Making Infrastructure a CORE Vision

The **Government of Japan** has been a historic infrastructure financing partner for the IDB. The **Japan International Cooperation Agency (JICA)** worked closely with the Bank to establish *the Co-financing for Renewable Energy and Energy Efficiency (CORE)* program in 2012, with an initial target amount of US\$300 million and a geographic focus on Central America and the Caribbean.

Since then, JICA has upped its financing twice — to US\$1 billion in 2014 and to US\$3 billion in 2016 — and the CORE program has broadened its reach to include the entire LAC region. The program has also expanded its sectoral scope from a purely energy focus to include all quality infrastructure efforts that contribute to energy savings.

In 2017, JICA used the platform to commit US\$615 million in concessional lending to a geothermal energy project in Bolivia that aims to build the nation's first geothermal plant, which will generate 100 megawatts of power. And to date, CORE has committed about US\$1.5 billion of its funds to projects in Bolivia, Costa Rica, Ecuador, Honduras, Jamaica, and the Organization of Eastern Caribbean States, helping them to invest in quality infrastructure as a means of driving development, generating energy savings, and mitigating the impacts of climate change.

Japan's strong track record of partnering with the IDB as a co-lender is complemented by an expansive portfolio of non-reimbursable giving. One of the Bank's longest standing donors, Japan has committed nearly US\$400 million in grants since 1988, supporting the IDB-managed Japanese Trust Funds with a minimum of US\$5 million annually in recent years. In 2016, Japan expanded these contributions to include an additional US\$5 million per year, which it will allocate to quality infrastructure projects.

Revitalizing Ties with JBIC

In 2017, the **Japan Bank for International Cooperation (JBIC)** committed US\$50 million in parallel co-financing to energy projects in Ecuador, which will help the country to fund critical energy efficiency projects. For JBIC, this project is noteworthy as the first loan provided to Ecuador and the first to feature parallel co-financing with the IDB under its *Global Action for Reconciling Economic Growth and Environmental Preservation (GREEN)* framework, and it is expected to contribute to the reduction of greenhouse gas emissions in the context of Ecuador's Nationally Determined Contributions (NDCs) to the Paris Climate Accords. It is also in line with the *Actions for Cool Earth: ACE 2.0* initiative announced by the Japanese government in November 2015.

In 2017, the IDB renewed ties with other Italian partners as well, namely the Istituto Italo-Latino Americano, a Rome-based organization that fosters cultural, scientific, economic, technical, and social exchange among its 20 Latin American member countries and Italy. The partnership will promote knowledge sharing related to these areas moving forward.



With Italy, Generating Partnerships to Power the Caribbean

To transform the energy matrix of Caribbean states, in 2015 the IDB and the **Caribbean Development Bank (CDB)** launched the *Sustainable Energy Facility (SEF) for the Eastern Caribbean*, featuring a US\$71.5 million loan and grant package to drive economic competitiveness through energy security. The facility, which will focus on encouraging public-private partnerships, targets six countries of the Organisation

of Eastern Caribbean States (OECS) — Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines — all of which have small and isolated electricity markets and lack the scale to develop their renewable energy potential.

A milestone of the facility in 2017 was a commitment of €5 million from the **Government of Italy** through the **Ministry of Environment, Land, and Sea**, which will be essential to financing the strong pipeline of projects foreseen for the next few years. The new SEF will also provide seed resources to CDB's *GeoSMART Facility*, which supports geothermal energy development in the region. Finally, an important component of this partnership is concessional financing from IDB partner the **Clean Technology Fund**, a program established within the **Climate Investment Funds**.

Lighting Up Lives with Philips

In 2017, the IDB and Philips continued driving forward the Light Up Your Life program, which uses innovative LED technology to illuminate soccer fields across the LAC region. Targeting low-income, isolated communities, the partners seek to extend the social day, provide safe places to play, and strengthen community life.

This past year, the project illuminated three new soccer fields in Oaxaca, Mexico's indigenous and isolated communities using solar LED lighting. In Amazonas, Brazil, the partners illuminated a school soccer field and community center. To date, the partners have installed lights in 22 sports fields and community areas (two in Brazil, six in Colombia, and seven in Mexico and Peru respectively), reaching tens of thousands of beneficiaries in the process.



CHAPTER 14

Improving Trade and Integration and Powering Business to Drive Growth

Latin American and Caribbean is a resilient region, characterized by abundant natural capital and creative people and entrepreneurs. Yet investment in regional integration, which has been identified as a critical driver of growth in a number of important studies, is paramount to making the region more competitive.

The importance of integration has been further underscored by recent shifts in the global economy. With this in mind, the IDB has looked beyond traditional integration challenges (such as trade barriers) to address a comprehensive set of obstacles through its regional integration agenda. Today, it works to tackle these issues by investing in both “software” (regulations and policy frameworks) and “hardware” (physical integration).

A key element in these efforts is the Bank’s continued focus on fostering economic development, creating jobs, and helping businesses grow. The IDB has long viewed small and medium enterprises (SMEs) as engines of economic growth, and therefore continues to prioritize initiatives that help SMEs do business at home, across the region, and around the world. In all of these areas, partnership once again proved essential in 2017.

Cognizant of the potential of public-private partnerships to drive growth, the IDB continues to work with companies and business associations from across the hemisphere through the *Americas Business Dialogue* (ABD), a private-sector led initiative facilitated by the IDB. The ABD works with governments on a public-private agenda to promote trade, transparency, financial integration, the digital economy, innovation, and human capital, while maximizing the potential of natural and energy resources. In 2017, the ABD hosted a series of dialogues to strengthen business engagement in development, while working with its members to finalize policy recommendations and an action plan to guide the Dialogue's work between 2018 and 2021.

The IDB has renewed its partnership agreement with the **Latin American Business Council (CEAL)**, pledging to strengthen the participation of both the IDB and IDB Invest in knowledge sharing activities intended to drive economic and social integration, infrastructure financing through public-private partnerships, and other priorities.

The Regional Integration Fund: A Mechanism for Financing and South-South Cooperation

A critical vehicle for advancing the IDB's integration efforts is the *Multi-donor Regional Integration Fund*. Originally established in 2011 with support from the **Governments of Canada, Mexico, and the United States**, in 2017 the fund was revitalized by new commitments of more than US\$3 million from **Canada, Chile, and Colombia**. Moving forward, the partners will work closely with the IDB to improve and harmonize regulatory and procedural frameworks, train public officials to effectively implement and participate in cross-border infrastructure initiatives, and boost investment in strategic infrastructure projects.

With the Fund in advanced negotiations with the **Governments of Mexico and Peru** as well, a noteworthy quality of this collaboration is the active participation of the IDB's borrowing member countries. This signals a growing recognition on a regional level that integration is critical to driving both national and regional prosperity, and a growing interest in South-South cooperation as a mechanism for sharing knowledge, development experience, and resources among developing countries in their collective journey toward sustainable development.

Catalyzing Competitiveness in the Caribbean

Compete Caribbean, an IDB-led private sector development program, is officially in its second phase thanks to continued support from its partners the **United Kingdom's Department for International Development** and the **Caribbean Development Bank (CDB)**. CDB confirmed its ongoing commitment to the initiative in early 2017, following a similar pledge from the United Kingdom in the previous year. To date, the IDB and its partners have committed US\$21 million in financing to this effort, which today operates in 13 Caribbean territories along the two pillars of (1) business and innovation climate reform, and (2) productivity and innovation in firms. **The Government of Canada** was also an important partner of the initiative in its first phase.

Key achievements from the first phase of *Compete Caribbean*, which began in 2010 and ended in February 2017, include:

- Approximately 6,000 new jobs created in two new sectors.
- Revenue for participating companies increased by 41 percent (to US\$153 million).
- Exports for participating companies increased by 23 percent (to US\$37 million).
- 30 national sector strategies developed.
- 60 knowledge products developed.
- 51 public-private dialogue events hosted and completed.



New Partners Come Aboard *ConnectAmericas*: A Collaboration to Empower SMEs

The year 2017 was an important one for the IDB's *ConnectAmericas* platform, which was established in 2013 to help the region's SMEs go global by providing them relevant information, a network of contacts, and access to financing opportunities. The platform's anchor partners **DHL**, **Google**, and **SeaLand** (a member of the Maersk Group) welcomed **Facebook** and **MasterCard** aboard as new partners, continuing the *ConnectAmericas* tradition of tapping into the expertise and innovation of the world's most disruptive companies.

An agreement signed with Facebook early into 2017 solidified the leading social media company's intention to work with IDB specialists to develop content and training materials on digital marketing, business strategy, and other topics that will be delivered through the platform. The partnership has a particular focus on supporting women entrepreneurs and will seek to identify opportunities to work together in this space.

In addition, the IDB's longstanding partner MasterCard, which has traditionally focused on financial inclusion and transparency efforts, has become an anchor partner of the program. It will work through *ConnectAmericas* to share its expertise in payment solutions and help reduce the costs of doing business internationally.

Building upon the platform's history of partnering with universities like **IE Business School** and **Santa Clara University**, in 2017 graduate business students from **Cornell University** and **Universidad de los Andes** provided added support to *ConnectAmericas* users. In teams made up of students from each university, these MBA candidates traveled to Colombia to deliver *pro-bono* consulting services to select entrepreneurs, providing participating companies guidance on overcoming growth barriers, and identifying new strategies for success.

SeaLand, an anchor partner of ConnectAmericas, has brought further innovation to this online platform through the Transport Cost Estimator, which helps users calculate the costs of inland and maritime transport, as well as the costs of port handling and documentation.

Empowering SMEs in Argentina and Brazil

As part of their shared commitment to empowering micro, small, and medium enterprises (MSMEs), the **Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)** and the IDB formalized a new partnership in 2017. Together, the actors will work through *ConnectAmericas* to encourage trade and help Brazilian MSMEs internationalize. In addition, in response to a request from President Mauricio Macri of Argentina and President Michel Temer of Brazil, the partners have set to work with Argentina's **Secretaría de Emprendedores y PyMEs (SEPYME)** to create an online community for SMEs from each country. Also delivered through *ConnectAmericas*, the community strives to help SMEs from Argentina and Brazil connect and do business across borders.

Going Digital to Boost Trade in Central America

A milestone of the **European Union**-IDB collaboration in 2017 was the partners' joint pledge to boost trade in Central America through the *Digital Platform for Central American Commerce*. The platform, which is considered regional public good for all Central American countries, is intended to advance commercial integration and the technological infrastructure needed to facilitate commerce. Its main goals include improving the interoperability of government systems, streamlining processes related to regional commerce, and providing information related to risk management, customs, and other important topics. The development of the platform began in 2015, but the partners' support will transform the platform from an electronic system for information exchange to a system that facilitates mediation between authorities and other stakeholders.

Fostering Trade with Asia through Landmark Forums

The IDB's Asian member countries have become among the LAC region's most important economic partners both in terms of foreign direct investment (FDI) and trade. Over the past decade, IDB-led business forums have emerged as a key platform for nurturing these ties. Coordinated in collaboration with counterparts in each country, in the past 10 years the IDB has organized 12 business forums to promote trade and investment, capacity building, the exchange of knowledge and best practices, and business relations that bridge the Pacific. This year saw the organization of the *China-LAC Business Summit* in Uruguay in collaboration with the **China Council for the Promotion of International Trade** and the *Korea-LAC Business Summit* in Korea with the **Export-Import Bank of Korea** and **Korea's Ministry of Strategy and Finance**. Attracting a diverse audience of business and government leaders in each case, the forums also successfully fostered more than a thousand business matchmakings at each event, helping to solidify strong economic collaboration for years to come.

Multi-Donor Trust Funds: A Platform for Financing SDG Progress

Because multi-donor trust funds are uniquely positioned to address the 2030 Agenda, in 2017 they remained a vital tool for working with partners to finance the Sustainable Development Goals (SDGs). By bringing together the expertise and financing of multiple partners, these funds serve as platforms for channeling funds to specific SDGs while complying with the global call for working together to drive development progress.



The **AgroLAC 2025 Multi-donor Trust Fund** promotes sustainable agriculture as a means of enhancing food security and reducing poverty. The Fund focuses on the three pillars of trade and access to markets, increased productivity, and agri-environmental planning. *Canada, Colombia, Dow.*



The **Multi-donor AquaFund** responds to the region's water supply and sanitation challenges and coverage gap with the ultimate aim of guaranteeing universal access in Latin America and Caribbean. *Austria, Spain, Switzerland (through its Swiss Agency for Development and Cooperation and State Secretariat for Economic Affairs), PepsiCo Foundation.*



The **Multi-donor Fund for Biodiversity and Ecosystem Services** harnesses the region's comparative advantage in these areas to advance development. Working to integrate biodiversity and ecosystem considerations across sectors, the Fund also promotes policies conducive to protecting the region's biodiversity. *Colombia.*



The **Multi-donor Fund for Citizen Security** helps to improve the effectiveness of citizen security policies in the region. Specifically, the Fund

promotes the use of data in the design and evaluation of policies, strengthens the capacity of countries to manage and evaluate public policies, and encourages knowledge sharing in this space. *Canada, Switzerland.*



The **Compete Caribbean Partnership Facility** supports the Caribbean region in their efforts to help firms grow, innovate, and enter new sectors and markets, while nurturing a private sector ecosystem that is conducive to growth. *Canada, United Kingdom.*



The **Multi-donor Disaster Prevention Trust Fund** helps countries to manage risks related to natural hazards by reducing their vulnerability, and by preventing and mitigating disasters through prevention activities. *Canada, Japan, Korea, Spain.*



The **Early Childhood Development Innovation Fund** supports innovative and scalable approaches to improving the lives of children ages 0-5 in LAC. Targeting the region's most disadvantaged populations, the Fund specifically seeks to improve cognitive, language, motor, and socio-emotional outcomes, to try innovative ways of bringing early childhood programs to scale, and to generate new knowledge. *FEMSA Foundation, Open Society Foundations (regionally), Fundação Maria Cecília Souto Vidigal (in Brazil).*



The **Emerging and Sustainable Cities Multi-donor Trust Fund** supports intermediate cities in addressing sustainability challenges and improving quality of life. The Fund focuses on the three comprehensive dimensions of environmental sustainability and climate change, sustainable urban development, and fiscal and governmental sustainability. *Austria, Japan, Switzerland.*



The **Gender and Diversity Multi-donor Fund** contributes to equitable and culturally appropriate development by fostering gender equality, combating discrimination, and supporting development with identity. The Fund serves three main target populations: women and men in positions of disadvantage resulting from gender-based discrimination and inequality, indigenous peoples, and Afrodescendants. *Austria, Canada, Denmark, Norway, Sweden, United Kingdom.*



The **Knowledge Economy Multi-donor Fund** increases competitiveness and reduces poverty by encouraging countries to promote knowledge sharing and the use of technology to solve social problems. In addition, the Fund seeks to develop the region's human capital and support private sector innovation. *Finland, Spain.*



Nordic Development Fund

The NDC Pipeline Accelerator Multi-donor Trust Fund is a new instrument to increase support for enhancing the planning, design and preparation of marketable infrastructure projects and portfolios. The Fund strives to help countries align public and private-sector investments with their national commitments

under the Paris Climate Agreement and sustainable development objectives. *The Nordic Development Fund.*



The **Regional Infrastructure Integration Multi-donor Fund** supports the implementation of the Bank's integration strategy through technical assistance and the preparation of projects in the areas of "software," or regulations and policy frameworks, and "hardware," or physical integration. *Canada, Chile, Colombia, Mexico.*



The **Sustainable Colombia Facility** offers a holistic approach to addressing post-conflict and sustainable development challenges in Colombia. The Facility places special emphasis on the topics of rural development, climate change, environmental sustainability, deforestation, and social inequality. *Norway, Sweden, Switzerland.*



The **Sustainable Energy and Climate Change (SECCI) Multi-donor Trust Fund** works to expand investment in renewable energy and energy efficient technologies, increasing access to international carbon finance and mainstreaming climate considerations across sectors. *Austria, Finland, Germany, Italy, Japan, Spain, Switzerland, United Kingdom.*



The **Transparency Fund** strengthens the institutional capacity of the Bank's borrowing member countries to design and implement transparency and access to information policies, mechanisms, and practices to prevent and control corruption. *Canada, Italy, Norway, Sweden, MasterCard.*

Financials

In 2017, the IDB continued enhancing its management of donor funds by prioritizing efficiency, transparency, communication with donors, and innovation. The IDB's new Ordinary Capital Strategic Development Programs officially kicked off, permitting the Bank greater flexibility to respond to emerging needs both within the institution and across the region. In their first year, the programs had a very strong performance, with increased funding and approvals, lower cancellations, and virtually no carryovers. The introduction of the OC Strategic Development Programs spearheaded a more effective approach to IDB grant financing, centered on the thematic grouping of the Bank's own funds as well as donor trust funds, aligned with the challenges and cross-cutting issues identified in the updated institutional strategy. Improved reporting mechanisms allowed for enhanced accountability, with more transparency in the allocation and use of resources.

The past year also oversaw a significant increase in donor contributions supporting technical cooperation, grants, concessional financing of loans and guarantees, and equity investments. The following pages detail the approvals that took place in 2017, as well as the contributions received for donor trust funds and project-specific grants.

2017 Grant Financing Approvals by Instrument Type
(in US\$ millions)

Instrument Type	Amount
Investment Grants (IGRs)	66.77
Externally Funded Contractuals (EFW)	6.22
Technical Cooperation (TCP)	220.55
Reimbursable Donor Financing — Loans (LON)*	347.47
Total	\$641.01

* Includes a GEF-financed equity investment.

2017 Technical Cooperation Approvals by Donor Type
(in US\$ millions)

Donor Type	Amount
Single Donor Trust Fund (SDF)	28.00
Multi-donor Trust Fund (MDF)	22.28
Project Specific Grant (PSG)	38.27
Financial Intermediary Fund (FIF)	18.98
OC Special Programs/Grants	113.01
Total	\$220.55

**2017 Approvals by
Beneficiary Country**
(in US\$ millions)

Country	Amount
Argentina	17.79
Barbados	0.43
Bahamas	1.21
Belize	2.81
Bolivia	34.40
Brazil	100.73
Chile	2.93
Colombia	71.46
Costa Rica	2.60
Dominican Republic	2.72
Ecuador	7.60
El Salvador	3.29
Guatemala	7.67
Guyana	3.94
Haiti	14.97
Honduras	14.94
Jamaica	13.40
Mexico	119.74
Nicaragua	27.47
Peru	14.17
Panama	5.68
Paraguay	5.33
Regional	141.60
Suriname	1.67
Trinidad and Tobago	0.52
Uruguay	20.22
Venezuela	1.73
Total	\$641.01

**2017 Credited Contributions by Donor Country
and Partner Institution for Trust Funds**
(in US\$ millions)

Donor Country	Partner	Amount
Chile	Ministerio de Hacienda	0.75
China ¹	The People's Bank of China	193.16
Costa Rica	Ministerio de Agricultura y Ganadería	0.04
Israel	Ministry of Finance	0.17
Italy	Ministry of Economy and Finance	1.18
Japan	Japan International Cooperation Agency	0.05
	Ministry of Finance	12.65
Korea, Republic of	Ministry of Strategy and Finance	27.93
Norway	Norwegian Agency for Development Cooperation	15.05
Spain	Agencia Española de Cooperación Internacional para el Desarrollo	2.75
	Ministerio de Economía y Competitividad	4.33
Sweden	Ministry of Foreign Affairs	1.06
	Swedish International Development Agency	1.68
Switzerland	State Secretariat for Economic Affairs	5.00
	Swiss Agency for Development and Cooperation	0.71
United Kingdom	Department for International Development	3.85
	Department of Environment, Food and Rural Affairs	11.22
United States of America	Bill & Melinda Gates Foundation	20.29
	Open Society Foundations	1.00
	MasterCard	0.19
	PepsiCo Foundation	0.75
	Dow	1.00
	U.S. Department of the Treasury	-0.08
Multilateral	Caribbean Development Bank	2.00
	Nordic Development Fund	11.99
	The World Bank ²	61.80
Total		\$380.52

¹ Net contributions received; includes \$39.4m in returns to donor for repayments, investment income and undisbursed amounts.

² As trustee for the CIFs (CTF, SCX), GEF (FMM,LDC,SCC), FCP, GAF, GIF, HRF, AFF and WEF funds.

2017 Credited Contributions by Donor Country and Partner Institution for Project-Specific Grants
(in US\$ millions)

Donor Country	Partner	Amount
Argentina	Banco Ciudad de Buenos Aires	0.05
Austria	Ministry of Finance	0.11
Canada	Global Affairs Canada	4.99
Chile	Subsecretaria de Economia y Empresas de Menor Tamaño	0.32
Costa Rica	Ministerio de Hacienda	0.15
Europe	European Commission	17.89
Germany	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	0.43
	Büro Führungskräfte zu Internationalen Organisationen (BFIO)	0.00
Israel	Ministry of Economy	1.00
Italy	Ministry of Land and Sea	5.90
Korea, Republic of	Ministry of Public Administration and Security	0.18
	Korean Research Institute for Human Settlements	0.18
	Ministry of Personnel Management	0.17
	Ministry of Strategy and Finance	0.50
Spain	Fundación Bancaria "la Caixa"	0.50
	RedEmprendia	0.02
Switzerland	Argidius Foundation	0.06
	State Secretariat for Economic Affairs	3.65
	Swiss Agency for Development and Cooperation ³	4.22
United Kingdom	Department for International Development	2.83
United States of America	Bloomberg Philanthropies	0.50
	MasterCard	0.11
	MetLife Foundation	1.05
	MGO, Inc.	0.54
	PepsiCo Foundation	0.25
Multilateral	Corporación Andina de Fomento (CAF)	0.30
	IDB Invest	0.01
	Nordic Development Fund	0.04
Total		\$45.93

³ Includes a \$0.49m return of funds to donor

2017 PARTNERS

AB InBev	Consejo Empresarial de América Latina (CEAL)	Instituto Nacional de Estadísticas y Censos (INEC)	Philips
Acciona	Conservation International	International Development Research Centre (IDRC)	Proparco
Agencia Española de Cooperación Internacional para el Desarrollo (AECID)	Cornell University	International Finance Corporation (IFC)	RedEmprendia
Airbnb	Corporación Andina de Fomento (CAF)	Islamic Development Bank	Santander Universities
Airpharm	Costa Rica, Government of	Israel, Government of	SeaLand
Amazon Web Services	Danone	Italy, Government of	Sebrae
Anglo American	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Japan Bank for International Cooperation (JBIC)	Secretariat of Finance and Public Credit of Mexico
Argentina, Government of	DHL	Japan International Cooperation Agency (JICA)	Shanghai University of Finance and Economics
Austria, Government of	Dow	Japan, Government of	Sophia University
Banco Bilbao Vizcaya Argentaria (BBVA)	Dubai Cares	Johns Hopkins University	Spain, Government of
Banco Ciudad de Buenos Aires	European Commission	KFW Bank Group	Starbucks
Banco Nacional de Desenvolvimento Econômico e Social (BNDES)	European Investment Bank (EIB)	Korea Development Bank	Sumitomo Mitsui Banking Corporation
Banco Santander	Export-Import Bank of Korea (KEXIM)	Korea Development Institute	Sungkyunkwan University
Bancomex	Facebook	Korea Research Institute for Human Settlements	Sweden, Government of
Bank of Tokyo-Mitsubishi UFJ, Ltd.	Federation Internationale de l'Automobile (FIA)	Korea, Government of	Swedish International Development Cooperation Agency (SIDA)
Bill & Melinda Gates Foundation	Florida International University	London School of Economics and Political Science (LSE)	Swiss Agency for Development and Cooperation (SDC)
BIO-Invest	France, Government of	Massachusetts Institute of Technology	Swiss State Secretariat for Economic Affairs (SECO)
Bloomberg Philanthropies	French Development Agency (AFD)	MasterCard	Switzerland, Government of
Bolsas y Mercados Argentinos (BYMA)	Fundação Maria Cecília Souto Vidigal	MetLife Foundation	Telefónica
Canada, Government of	Fundació FC Barcelona	Mexico, Government of	TERRASIGNA
Caribbean Development Bank	Fundación Bancaria "la Caixa"	Microsoft	The NAMA Facility
Carlos Slim Foundation	Fundación FEMSA	NEC Corporation	The Nature Conservancy (TNC)
Cemex	Fundación Real Madrid	Nestlé	The World Bank
Chile, Government of	German Investment Corporation (DEG)	Netherlands Development Finance Company (FMO)	U.S. Agency for International Development (USAID)
China, Government of	Germany, Government of	The Netherlands, Government of	Unilever
Chinese Academy of Social Sciences (CASS)	Global Agriculture and Food Security Program (GAFSP)	Nordic Development Fund	United Kingdom, Government of
Citi Inclusive Finance	Google	Norway, Government of	United Nations Economic Commission for Latin America and the Caribbean (ECLAC)
Citigroup	Green Climate Fund	Norwegian Agency for Development Cooperation (NORAD)	United States of America, Government of
City of Santander	Green Environment Facility	Novozymes	Universidad de Cantabria
Ciudad de Buenos Aires	Grupo Clarín	One Drop Foundation	Universidad de los Andes
Climate Investment Fund	IESE Business School	Open Society Foundations	Universidad de Magdalena
The Coca-Cola Company	Instituto de Estudios Bursátiles	PepsiCo Foundation	Universidad Internacional Menéndez Pelayo
Colgate-Palmolive	Instituto Italo-Latinoamericano (IILA)	PepsiCo Inc.	World Economic Forum
Colombia, Government of		Peru, Government of	
Columbia University			

This list may include entities that signed agreements with the IDB, actively engaged the IDB in ongoing projects, and/or made a commitment to an IDB project, fund, or program during 2017. It does not include all those organizations with which the IDB has an ongoing institutional partnership, or other private sector partnership arrangements (including the A/B Loan program). Governments featured on this list may encompass the diverse ministries and government entities with which the Bank collaborated throughout the year.

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