

INTER-AMERICAN DEVELOPMENT BANK

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on the Environment
and Natural Resources
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**Environment and
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WASHINGTON, D.C

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I. Introduction

The year 2002 has been critical for the environment, both globally and within the Inter-American Development Bank (IDB) and its member countries. The World Summit on Sustainable Development (WSSD), held in Johannesburg ten years after the Rio Earth Summit, reinforced global commitment to implement development that is socially, economically, and environmentally sustainable.

Within the IDB, 2002 was a period of intense consultations, intellectual debates, and priority setting exercises associated with the preparation of the first Environment Strategy, which should lead, in 2003, to the drafting of a new Policy for the Environment for the IDB. At the same time, the Bank continued its regular environmental work of designing, reviewing, and implementing environmental measures in operations throughout the institution, and furthering knowledge on the environment and its management within member countries.

These have also been very challenging times for Latin America and the Caribbean (LAC) as a whole, with some of the largest countries experiencing financial instability, economic hardship, and social unrest, all of which has made more difficult for both the public and private sectors, to maintain energies focused on environmental issues.

The good news is that there is no obvious sign, at this stage, that governments in the region have sacrificed their environmental agenda in the face of financial difficulties, as shown by the diversified environmental portfolio of loans and technical cooperation that have been signed over the year with most countries of the region, as summarized in this 2002 Annual Report on the Environment and Natural Resources.

II. The Year in Perspective

1. Elaborating an Environment Strategy for the IDB

In 2002 the IDB engaged in the preparation of its Environment Strategy, carrying out all activities necessary for its submission to the Board (Approval is scheduled for early 2003). The Environment Strategy builds upon more than two decades of experience and contributions by the Bank to advance environmental management in the region, which began with the Environmental Policy issued in 1979 and was later fostered by the mandates of the Eighth Replenishment of Capital.

The current Environment Strategy sets forth guiding principles and general priority areas of action that the Bank will promote through its financial and non-financial instruments. In particular, environmental governance and the formulation of policy frameworks that create an appropriate set of incentives for environmental management are identified as the main areas in which the Bank should focus its attention. The Strategy also identifies areas of support that are consistent with advancing the objectives of the IDB Institutional Strategy (poverty reduction and the promotion of social equity, as well as sustainable economic growth) and its four priority areas (modernization of the state, competitiveness, social development, and regional integration).

In addition, the Environmental Strategy proposes specific actions for improving overall environmental performance in terms of the Bank's internal work and procedures, linked to the cycle of programming, design, and implementation. In this regard, an indicative implementation plan defines 10 priority actions with activities, lead and support responsibilities, and a timeframe, which are to guide the central and regional departments in pursuing the main objectives of the Strategy.¹ Its preparation has benefited from a broad internal consultation, drawing on the experiences of the various divisions and departments of the IDB, and from the technical support provided by the country offices and by an interdepartmental advisory group.

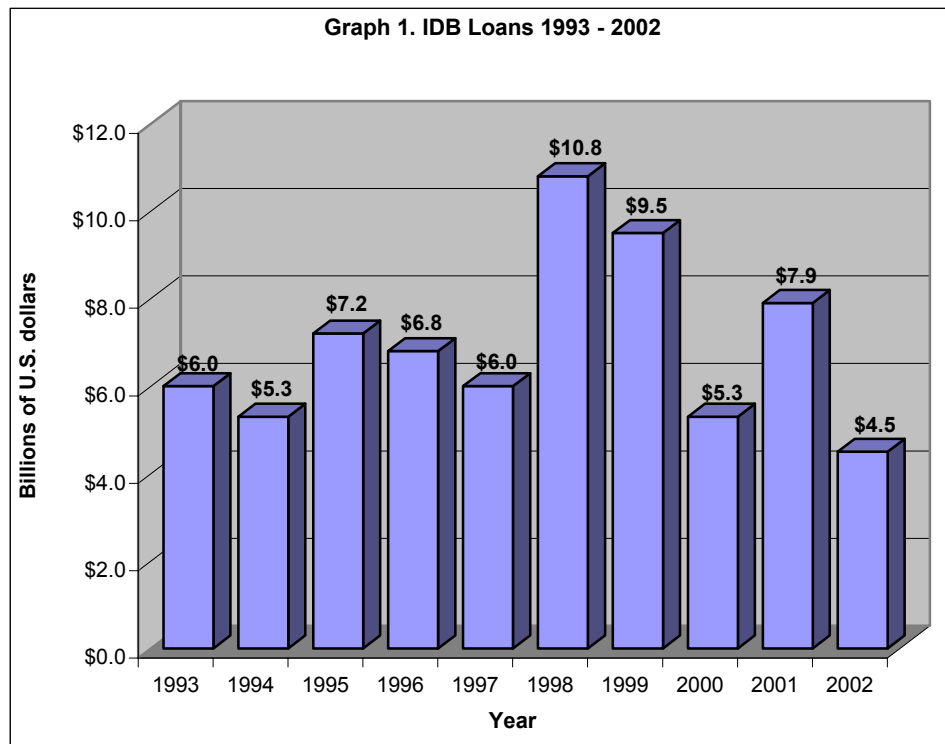
The activities undertaken explicitly to support the process of preparing the Strategy included workshops and seminars; focus group sessions; inter-departmental retreats; electronic consultations; and direct regional and extra-regional dialogues with the governments of borrowing and non-borrowing countries, representatives of civil

¹ The implementation plan of the Environment Strategy is formalized in the Integrated Implementation Plan for a package of seven components (corresponding to two objectives, four priority areas, and the environment strategy in itself) prepared by SDS for approval by the Board.

society, multilateral agencies, specialized international cooperation agencies, and NGOs.²

2. IDB Environmental Operations and Activities: A 10-Year Perspective

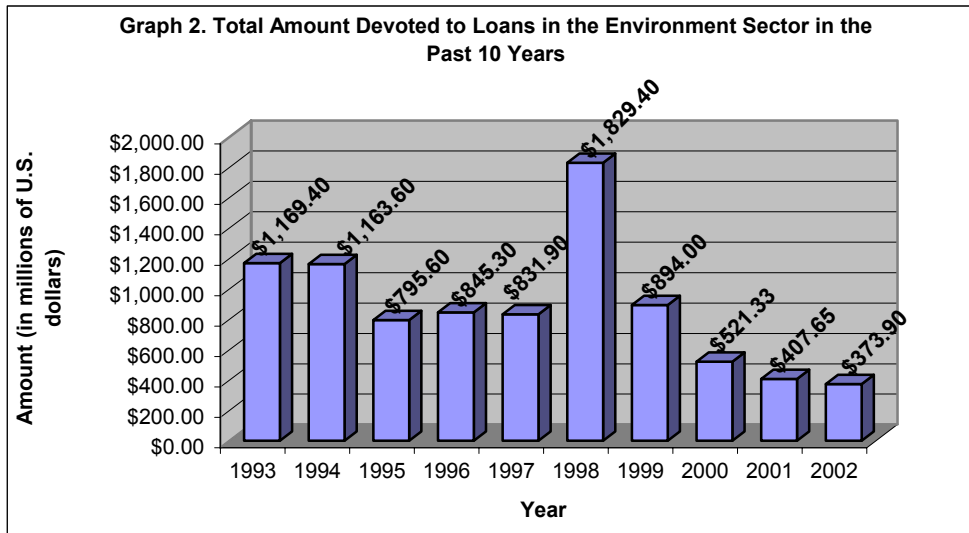
Financially, 2002 has been a challenging year for the region. This is reflected in the overall lending activity of the Bank, which has registered the lowest level of borrowing in the decade at \$4.55 billion, even though the IDB remained the largest source of multi-lateral financing for the region for the ninth consecutive year (Graph 1).



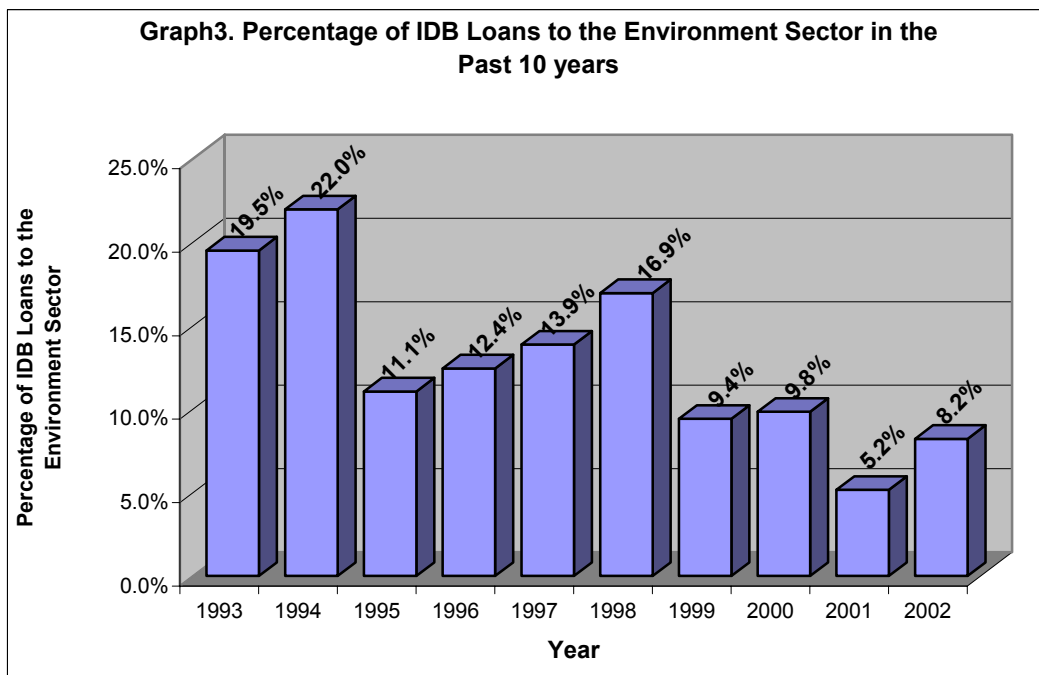
This pattern of decreasing lending was reflected in the environment sector, which also registered its lowest lending level for the decade in absolute value, at \$374 million (Graph 2). It is worth noting, however, that the decrease has been significantly less for environmental loans (less than a 10% drop from 2001) than for all Bank loans (45% decrease from 2001).

² Regional consultations were held in Brazil, Ecuador, Jamaica, and Panama. In Costa Rica, discussions took place as part of the process of dialogue on other priority strategies of the IDB, with the participation of representatives from leading NGOs of Central America. Extra-regional consultations were conducted in Washington, D.C. and France with representatives of non-borrowing countries and NGOs.

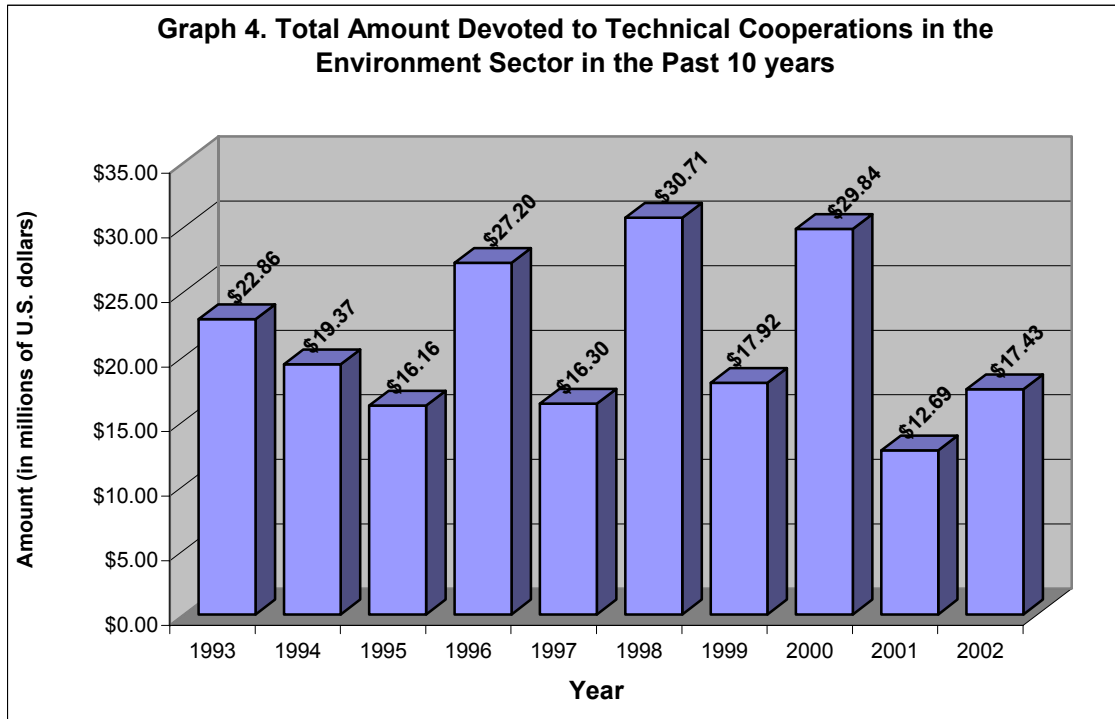
Similarly, what appears to be a trend of diminishing environmental investment over the last five years hides, in fact, some good news, as explained below.



The \$374 million in environmental loans approved in 2002 represent, in relative terms, 8.2% of total loans for that year (Graph 3). This proportion is actually a significant improvement from the previous year, where environmental loans, as a percentage of total loans, represented just 5.2% of the Bank's portfolio. In relative terms, then, environmental loans are on the rebound and closer to their historic averages, after having reached a low point for the decade in 2001.



This upward trend is confirmed by a similar positive tendency regarding grants for environmental technical cooperations (TC), which reached over \$17.4 million in 2002, up from \$12.7 million in 2001 (Graph 4). This 37% increase over the previous year, in absolute value, is significant, because TCs often serve as a source of funding for technical studies in the preparation of future loans.



Beyond these figures, it is important to understand the nature of “environment loans”, in order to assess better the level of environmental lending by the Bank. The large yearly fluctuations in lending, as presented on Graph 1, are often caused by a few large water supply or sewage treatment programs. Such programs may easily boost the year’s environmental lending by 20 to 50%, and therefore do not always reflect the appetite in the region for environmental investments as such. A second cause for large fluctuations is found in natural disaster relief programs, which, for example, took “environmental lending” to record highs in 1998, following the 1997/1998 El Niño events and hurricanes. To illustrate the point, in 1998, a record year, \$829 million (45% of total environmental loans) were invested in water supply and treatment, while an additional \$480 million (26%) went to natural disaster relief. Together, these two areas absorbed 71% of environmental lending, leaving \$520 million for other environmental programs.

Even though the figures above represent only those loans that are classified as “environmental”, there is evidence that significant environmental activities occur in many non-environmental loans, which might, for example, incorporate an environmental component or environmental studies. Such activities are not compiled at this

stage, but will be analyzed in the coming years to provide a more accurate picture of environmental activity within the Bank.

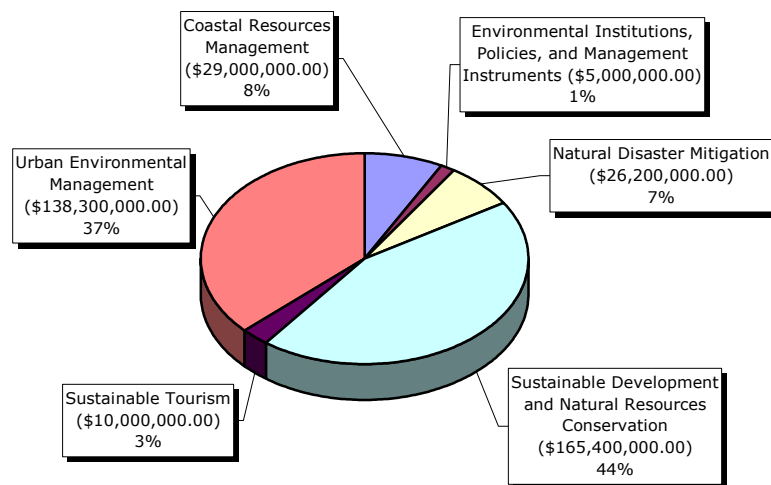
3. Summary of Environmental Activity in 2002

A. New Operations in the Regional Departments

The newly approved environmental projects in the three regional operations departments (RE1, RE2 and RE3) confirm two tendencies in the region, and therefore in the constitution of the Bank's environmental portfolio. First, environmental loans continue to represent close to 9% of the total dollar value of the loans approved annually since 1999. Second, the types of loans approved in 2002 reflect a need to adopt more integrated approaches to development, natural resource management, and environmental protection. In other words, the region requires solutions to development problems that address natural resource sustainability, while providing sound environmental policies.

In 2002, the Bank approved 19 environmental loans for a total of \$374 million (See Appendix 1). These loans are classified in six categories: sustainable development and natural resource conservation (44%); urban environmental management (37%); coastal resource management (8%); natural disasters management (7%); sustainable tourism (3%); and environmental institutions, policies, and management instruments (1%).

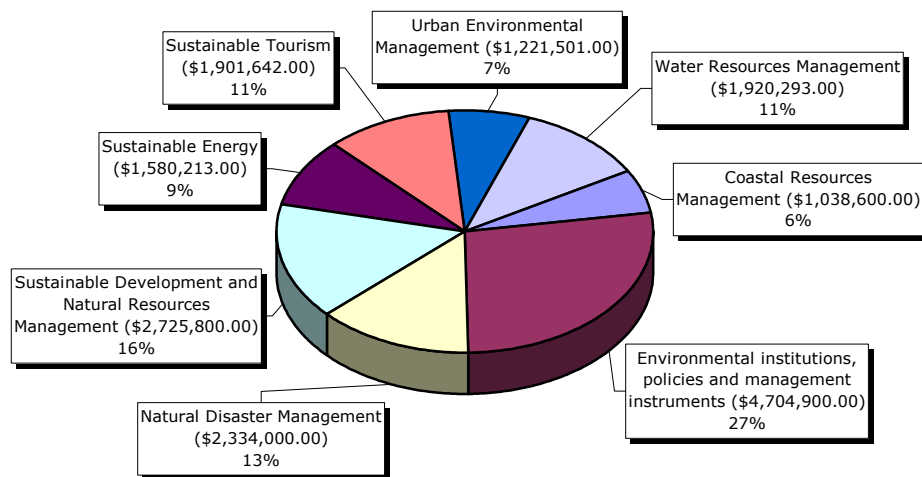
Graph 5. Environmental Loans in 2002



In 2002, the Bank approved 60 environmental Technical Cooperations (TCs) for a total of \$15.5 million (See Appendix 2). The range of activities funded with TCs reflects a continuous support to the operational departments and countries in the region. The main

topics addressed in the TCs are: environmental institutions, policies, and management instruments (17%); sustainable development and natural resource conservation (16%); natural disasters management (13%); water resource management (11%); sustainable tourism (11%); sustainable energy (9%); urban environmental management (7%); and coastal resource management (6%).

Graph 6. Environmental Technical Cooperations in 2002



In the next section a brief description is provided of lending and non-lending operations approved in 2002, by category:

Sustainable Development and Natural Resource Conservation

This area encompasses projects pursuing social and economic development, together with natural resource conservation objectives in extended terrestrial environments. Strong economic drivers in productive sectors such as agriculture, forestry, fisheries and tourism, are combined with regional development objectives and environmental sustainability, thus enhancing the development potential and reducing economic, environmental, and physical vulnerability.

In 2002, the Bank approved several operations to promote economic development and the sustainable management of natural resource in an integrated fashion. Examples include projects regarding sustainable development in the State of Acre, in the far West of Brazil (bordering Peru and Bolivia) and in Bocas del Toro in Panama; a program for resource management in upper watersheds in Guatemala; and a sustainable development program for the Northern Amazon border of Ecuador. Technical coopera-

tions approved in this category include initiatives on forest management, integrated ecosystem management, land management, and support to combat desertification. Most of these TCs are regional in scope (multi-country, country level or subregional within countries), while others focus on subnational entities and local communities.

Box 1. Integrating Development and Natural Resources Management to Ensure Sustainability

The *Acre Sustainable Development Program* addresses the State of Acre's development priorities based on its forest resources, while preserving its natural wealth. Located in western Brazil, the area is threatened by a poverty-deforestation-environmental degradation cycle that needs to be broken to provide sustainability to the region. The Program seeks to modernize Acre's capacity for environmental management and ensure the efficient use of natural resources; increase the growth rate of the agriculture and forestry sectors and generate employment; reduce transportation costs; and increase access to rural electrification. The \$64.8 million loan (out of a total project cost of \$108 million) is based on two complementary lines of action. On the one hand the project will have an environmental component, which aims to limit the expansion of the agricultural frontier, reduce the current rate of deforestation, and restrict access to natural resources. This will be achieved by improving environmental regulations, expanding protected areas, and improving the definition and scope of land property rights. On the other hand it will have an economic component geared towards fostering economic growth in the state by promoting investment in sustainable forestry activities, in order to tap natural resources in an efficient manner. This component will also help consolidate the occupation of geographic areas already intervened, which will be done through the promotion of economic activities with higher yields, the modernization of services, and the improvement of public infrastructure.

The *Bocas del Toro Program* will foster the development of this western region of Panama through support for local government and civil society institutions, sustainable economic activities, and the provision of basic infrastructure and services. This \$16.2 million loan encompasses three main components: (a) strengthening resource planning and management capacities at the local, municipal, regional, and provincial levels, with complementary assistance in the design of a development agenda for the country, the province and at the bi-national level; (b) investments in natural resources management, including diversification of productive activities, as well as in forestry, fisheries conservation, and sustainable tourism; and (c) priority basic infrastructure. This multiphase program will lay the foundation for a development strategy intended to address the socioeconomic and environmental problems of the region, while strengthening the management capacity of government agencies and civil society organizations involved in managing natural resources in a sustainable manner.

With a loan of \$40 million (out of a total project cost of \$44.5 million), the *Program for Natural Resource Management in Upper Watersheds* in Guatemala addresses the interconnected issues of environmental degradation and a high poverty rate through activities and investments designed to promote sustainable growth and to increase social capital in rural communities. This will be done mainly by improving mechanisms for planning and implementing natural resource management. Specific program activities include: (a) design and set in place instruments at the central and local levels to transfer central government aid to local communities in an efficient manner, and strengthen their organizational capacity for protecting the natural resource base; (b) provide financial assistance, together with technical support and physical inputs, for initiatives to transform sys-

tems of production and natural resource management through productive projects, as well as support for nonagricultural productive projects; and (c) develop capacity at the municipal level for risk management, reduction of vulnerability to the threat of natural phenomena, and valuation of environmental services.

The *Sustainable Development Program for the Northern Amazon Border Zone of Ecuador* sets a new precedent on how to approach economic welfare and sustainability in the Northern Amazon Region (RANE). The program (\$10 million loan, out of a total project cost of \$12.5 million) focuses on raising family income and the consolidation of a System of Protected Areas (SAP) in the geographic area of RANE. Its objectives are: (a) support productive projects that will raise incomes of small-scale rural producers while improving their basic sanitary conditions; (b) protect the natural resources, biodiversity, and genetic heritage of the Cuyabeno Wildlife Preserve (RPFC) and its buffer zone; and (c) support regional and local institutional development. The program is complemented by a \$500,000 TC to strengthen the capacity of indigenous groups to formulate their own initiatives according to the Program's framework.

Urban Environmental Management

The new operations in urban environmental management approved by the Bank during 2002 reflect a predominance of water and sanitation priorities in urban areas of the region. During the last decade, the allocation of Bank resources to water and sanitation, and most notably to sanitation systems with wastewater treatment facilities, reflects existing gaps in infrastructure coverage and a growing deterioration of environmental and health conditions.

In 2000 the Bank approved large multiphase water and sanitation operations for urban areas in three countries (Brazil, Ecuador and Honduras), and a project addressing the needs of water supply and sanitation in small towns in Venezuela. However, some of these initiatives go beyond expanding infrastructure coverage, seeking wider policy objectives and reforms in the water sector (i.e. institutional strengthening, profound administrative modifications, etc.), and to establish environmental performance standards.

In terms of technical cooperations in urban environmental management, the Bank activity in 2002 presents a more balanced picture. Although water and sanitation are still an important component of the TC portfolio, mainly to address priorities in medium size cities, some integrated urban management programs were approved, especially in Central American countries such as El Salvador and Nicaragua. In these two nations, decentralization of environmental management functions has been gradually adopted, and cities are already carrying out environmental action plans to guide investments and generate environmental improvements.

Box 2. Filling Gaps in Water and Sanitation

The general objective of the **Goiânia Water and Sanitation Program** is to improve sanitation conditions for residents of that state and contiguous urban areas by upgrading water supply and sewerage services. Specific objectives are as follows: (a) enhance the continuity and reliability of the drinking water supply in Goiânia and contiguous urban areas; (b) improve the water quality of rivers flowing through Goiânia; and (c) make service delivery more efficient. This loan (\$47 million, out of a total project cost of \$95.2 million) is devoted to building infrastructure for the city of Goiânia (water reservoirs, supply systems, sewage lines, sewage treatment facilities, etc.), to reduce the existing deficits in water and sanitation (i.e. it is expected that 90% of users in Goiânia will have 24-hour continuous service by 2007, that water treatment capacity will increase from its current low of 7% of sewage effluent, etc.). Environmental quality objectives include improving river water quality to acceptable levels (i.e. 20 mg/l of BOD and 6 mg/l of DO by 2007).

The **San Pedro Sula Municipal Development Program (Phase II)** was designed to bring about sustainable improvement in urban services to San Pedro Sula through two main elements: (a) restructuring of financial management, and (b) modernization of the arrangements for providing services. The main objective of Phase II of this program is to continue with the modernization of the administration and provision of services in the municipality. This \$9 million loan (out of a total project cost of \$11.25 million) has six main components: (a) road infrastructure, (b) solid waste, (c) improvement of marginal settlements, (d) administrative modernization, (e) environmental management reforms, and (f) urban development. The environmental management component includes strengthening the Municipal Environmental Department (DIMA); a plan to manage the Merendón, one of the most important watersheds in the region; a system of charges for environmental damage; an environmental management plan; and a plan for obtaining an ISO 14001 certification for DIMA.

The **Metropolitan Quito Environmental Sanitation Program (Phase I)** is a \$40 million loan (out of a total cost of \$50 million) that will be used to address Quito's main priorities in infrastructure improvement and reduction of environmental vulnerability. The program has three main components: (a) slope management and flood control, including water regulation, slope stabilization, expansion of sewers, management and conservation of urban and rural green areas, community development, and resettlement; (b) potable water and sewer works; and (c) institutional strengthening of the municipality and the water authority, and private sector participation.

Coastal Management

Over the last few years, the Bank has improved its response to coastal priorities in the region. Since the *Coastal and Marine Resources Strategy* was issued in 1998, the Bank has supported activities to improve the quality of life of those communities that depend on coastal and marine resources, and to increase the contribution of these resources to domestic economic well-being, while preserving the biodiversity and productivity of the ecosystems.

In 2002, several operations focused on creating institutions, programs, policies and specific instruments to improve the efficiency and equitable allocation of coastal and marine resources. Participatory management regimes based on regional and local

consensus have been promoted, thus engaging stakeholders in managing marine and coastal areas. Examples include the Bay Islands Environmental Management Program in Honduras, now in its second stage, and the Coastal Infrastructure Program in Barbados, whose objective is to preserve and manage the shoreline. Technical cooperations in the area of coastal management continue to produce valuable non-financial products in support of activities in the region. In some cases, TCs reinforce existing loan operations, like in the case of Honduras' program of ecosystems management in the Bay Islands. In other instances they generate new research, like in the case of the Punta Arenas Marine Park study, which analyses revenue generation mechanisms to guarantee the economic sustainability of the park.

Box 3. Additional Efforts in Marine and Coastal Management

The *Bay Islands Program*, a loan operation now in its second stage, has been designed to strengthen environmental management and sustainable economic development, particularly in the tourism sector of Honduras. Specifically, this \$12 million loan will strengthen regional institutional arrangements for managing coastal and marine resources throughout the archipelago; expand potable water, wastewater and solid waste management services to new areas on the islands of Utila, Guanaja, and Roatan; and strengthen local capacity to plan and manage tourism and growth, emphasizing inland use planning and municipal administration. To this end, the Program will strengthen the Executive Commission for Sustainable Tourism of the Bay Islands and its Technical Unit as mechanisms for increased coordination among local and central authority on decisions relating to tourism growth and environmental quality. The Program will finance the establishment and improved management of the regional system of protected areas. An environmental fee will be implemented to ensure the sustainability of these activities. A grant from the Global Environmental Facility (GEF) would fund activities aimed at consolidating marine and terrestrial biodiversity conservation. In addition to financing the implementation and monitoring of municipal actions plans and small-scale pilot activities in land use planning, the Program includes a complementary sub-component for the establishment of a fully modernized departmental property registry linked to the four municipal cadastres.

The *Coastal Infrastructure Program in Barbados* involves a \$17 million loan (out of a total project cost of \$24.2 million), whose objective is to support sustainable development and management activities in the shoreline of Barbados and improve the quality of life of its inhabitants. The Program comprises a range of coastal management works and activities related to four specific objectives: (a) shoreline stabilization and erosion control; (b) restoration of coastal habitats; (c) improved public access to the coast, and (d) strengthen coastal management institutions. Investment activities corresponding to the first three objectives encompass engineering works and physical structures adapted to coastal and near-shore oceanographic conditions. Institutional strengthening activities involve improving capacities through training programs, strategic planning and public education, and supporting coastal management innovations.

Natural Disasters Management

Since the late 1990s, the Bank has provided financial assistance to the region for recovery and reconstruction efforts in the aftermath of natural disasters such as those caused by hurricanes (like Mitch and George, which hit Central America and the Dominican Republic, respectively), earthquakes (such as those affecting the central coffee-growing region of Colombia and El Salvador), floods and mudslides (causing enormous damages in Venezuela and Argentina in previous years), and by recurrent impacts of El Niño in Peru and Ecuador.

In 2002, the Bank approved a Natural Disaster Action Plan, which includes a set of institutional, technical, and financial proposals designed to reduce vulnerability and to place the IDB more directly at the service of the countries in the design and implementation of Integrated Disaster Prevention and Mitigation Systems and comprehensive risk management systems. It also supported emergency programs in Jamaica (torrential rains) and Bolivia (restoration of water supply after fires), and established prevention programs in the Dominican Republic and Bolivia. A large number of TCs were approved in 2002 that cover a wide range of disaster management topics, including regional programs in disaster information, risk indicators, and environmental risks in low income areas; emergencies due to flood damage (Jamaica), and to snow storms and flooding (Bolivia); and environmental risk mapping (Nicaragua).

Box 4. Before Disaster Strikes ...

The *Disaster Prevention Program in Bolivia* has been designed to help the government operate its national disaster prevention and risk reduction system (SISRADE) more effectively. The specific objectives are to strengthen the institutional structure of SISRADE and to increase public understanding of risk. This program is expected to lay the foundations of an operational framework for a national risk management system in Bolivia.

In the Dominican Republic, the *Disaster Prevention and Risk Management Program* will help improve the country's capacity to reduce and manage risks of disasters. This operation seeks to help the Government set in place key elements of its national risk management strategy, and to provide the experience and technical analysis necessary to position the country so that it will be able to establish a larger program of public investment in risk reduction in the near future. The program will have local risk management pilots in eight municipalities, introduce basic mitigation measures to safeguard schools and students from natural hazards, and provide the Technical Secretariat of the Presidency with the technical capacity to oversee and promote the implementation of the National Risk Management Policy and Plan.

The *Emergency Attention Plan: Fire Cordillera Program* in Bolivia will provide resources to restore water supply—in terms of both quantity and quality—to the population affected by the fire in the Sama Mountain Biological Reserve, one of the main sources of water for the city of Tarija. In addition, activities will be financed for the environmental and productive restoration of the affected region and for carrying out studies to assess the damage and prepare a disaster prevention plan for the region.

The *Emergency Reconstruction Facility Torrential Rains Project* in Jamaica will provide resources for

urgent activities needed to restore basic infrastructure services to the affected population. Among these activities are the following: (a) removal of debris from roads; (b) clearing of roads blockages and slips caused by heavy rains; (c) clearing of blocked drains; (d) structural work related to drainage systems along the roadway; (e) road repairs; (vi) replace/repair damaged pumps and electrical equipment related to water supply; (f) clean-up of blocked canals and flooded well fields and stations; and (g) institutional strengthening relating to emergency preparedness.

Sustainable Tourism

Sustainable tourism or “ecotourism” has become a priority sector in the region. Its rich natural resource base, cultural heritage, and emphasis on service sector activities as one of the main engines of socioeconomic development have turned tourism into a great asset for Latin America and the Caribbean. One of the lessons learned is that ecotourism is not only helping countries improve their environmental sustainability, but it is more profitable than many traditional economic activities undertaken by local communities. Regarding interdependence between tourism and environmental quality, it has been demonstrated that success in attracting tourism (whether geared towards consumption or seeking nature-oriented recreation) depends on each country’s ability to maintain high standards of environmental and cultural quality.

During 2002, the Bank approved a \$10 million loan for Bolivia’s Sustainable Tourism Development Program, which involves the design and application of productive and sustainable models of investment in the tourism sector that will allow the effective use of the country’s natural and cultural potential, while also protecting it. The Bank approved technical cooperations addressing sustainable tourism in a number of countries including Brazil, Ecuador, and Belize. A regional TC was approved to strengthen ecotourism organizations, such as Mundo Maya, in Central America.

Box 5. Natural Beauty and Cultural Heritage: The Assets of Ecotourism

The *Sustainable Tourism Development Program in Bolivia* will be financed with a \$10 million loan. Its objective is to improve the country’s capacity to become an international tourist destination and achieve the quality of services demanded by international markets. The program will promote sustainable projects that incorporate private sector, local communities, municipalities, and NGOs in tourism activities based on Bolivia’s natural and cultural potential. It will establish first a regulatory framework for private sector investment, incorporating elements to ensure the sustainable use natural resources and the environment. It will also set up a certification system to assure quality of services according to international standards. Support will be given to those public/private ventures and environmental and social investments recognized as public goods, that attract additional investment capital to sustainable tourism. The Program will support a series of projects of high demonstrative value, through which a transfer would be made from the State to society to cover the environmental and social investments mentioned above. The private sector will undertake the majority of capital investments, and communities will have participation in these partnerships through contributions in cash or in kind.

Environmental Institutions, Policies, and Management Instruments

The Bank continues its support to governments in the region in activities related to strengthening capacities of environmental agencies, development of environmental legislation, application of a range of management instruments, and environmental monitoring and supervision. However, the Bank is gradually widening its scope to include capacity building at subnational levels, environmental management of infrastructure projects with multi-stakeholder involvement, and application of innovative instruments and clean production technologies.

In 2002, the Bank approved a \$5 million loan for capacity building in monitoring, inspection, and supervision of the Camisea project in Peru (Box 6). It also approved new TCs to promote decentralized environmental management and local participation in Honduras and Ecuador, the development of Environmental Management Systems (EMS) for small- and medium-size enterprises in Peru, environmental accounting systems in Colombia, and cleaner production processes in Ecuador. A regional TC was used to draw important lessons from the Brazilian Local Environmental Councils, which have been effective in carrying out local environmental agendas across Brazil.

Box 6. Building Institutional Capacity

The *Institutional Environmental and Social Strengthening of the Camisea Project* in Peru (\$5 million) provides support to the national Government for the supervision, monitoring, and inspection of the environmental and social aspects of the Camisea gas project, and for setting in motion programs, projects, and mechanisms that will ensure de sustainable development of its area of influence. Specific objectives of the project include: (a) develop institutional capacity of government entities directly involved in the inspection, supervision, and monitoring of the environmental and social impacts of the project, and collaborate to set up a regional environmental and social development fund for its area of influence; and (b) address priority activities under governmental responsibility that are intended to mitigate the indirect, negative environmental and social effects of the Camisea gas project.

The *Technical Cooperation for the Development of a Decentralized System of Environmental Management in Ecuador* (\$500,000) will equip of the Ministry of the Environment to act as a lead agency, coordinator, and supervisor of the National Decentralized Environmental Management System (SNDGA) when processes of environmental management become operational. Specific activities include: (a) capacity building in supervision of decentralized responsibilities, and (b) promoting efficient outsourcing and participation of the civil society in managing forestry resources, delivering environmental services, and using biodiversity in a sustainable manner.

Water Resource Management

Besides lending activities in potable water and sanitation in urban areas (described in the urban environmental management section), and activities of water resources and

watershed management (described in the natural resources management section), there are a number of non-lending operations approved by the IDB in 2002 that are carried out by the operational departments. Through these TCs, support is provided in a range of issues, including the formulation of water management strategic frameworks, water reform processes and analytical tools (See Appendix 2).

However, much of the TC activity in support of regional operational departments is generated by the central Environment Division (SDS/ENV), mainly through the IDB-Netherlands Water Partnership Program and other trust funds (See Section D on SDS/ENV activities).

Sustainable Energy

During 2002, the regional operational departments approved a set of TCs in the area of sustainable energy.³ Although most of the energy-related work in the Bank is carried out by MIF and PRI (See sections B and C of this chapter), the operational and central departments have channeled resources for several TCs approved in 2002, including: development of energy efficiency in Brazil; sustainable energy policies in Mexico and Central America; geothermal resources for electricity in Guyana; use of compressed natural gas for vehicle fleets in Peru; and sustainable markets for clean rural energy services in El Salvador.

B. Private Sector Department (PRI)

In 2002, the Environmental and Social Unit (ESU) of the Private Sector Department (PRI) prepared and obtained approval of environmental and social impact briefs for 12 projects; conducted environmental and social due-diligence site visits for 16 projects; prepared and obtained approval of environmental and social impact reports for nine projects; assisted the Board in the approval of seven projects; assisted in the financial closing of 14 projects; performed active supervision of 33 projects; and conducted 13 project supervision site visits.

In addition, the ESU developed and implemented innovative approaches for the Environmental and Social Due-Diligence of the Camisea Project in Peru, and led IDB response to an independent investigation of the Termoeléctrica del Golfo Project in Mexico. The ESU also updated the General Environmental and Social Aspects Guideline (English, Spanish, Portuguese) and formulated a guideline related to labor. Finally, ESU designed and implemented an approach for analysis and requirements for PRI financing of Mortgage Backed Securities, in terms of environmental, social, health and

³ The 1998 Energy Strategy sets priority areas to help guide the Bank operations in the energy field, including: (a) expansion of modern energy options in order to make them available to all citizens (social sustainability); (b) development of patterns of energy production and consumption that are both efficient and favorable to the environment (environmental sustainability); (c) mobilization of local and external capital to finance the sector (financial sustainability); and (d) integration of energy markets as a result of regional economic integration (economic and financial sustainability).

safety, and labor aspects. It also hosted a technical workshop for environmental specialists from other international financial institutions on environmental and social aspects of pipeline projects, and continued the PRI ESU Environmental and Social Seminar series. The PRI ESU also participated actively in the development of the IDB Environmental Strategy. Additional activity under PRI's Environmental and Social Unit is listed in Appendix 3.

Box 7. Highlights of PRI Environmental Projects Approved in 2002

The *Aguas de San Pedro Sula Project* involves a \$26.1 million loan for water and sewerage infrastructure and services of the city of San Pedro Sula, Honduras, as part of a 30-year concession contract with a private operator (Aguas de San Pedro S.A. de C.V. or "ASP"). ASP will carry out \$207.9 million of capital investments in water and sewerage facilities, including a waste water treatment plant that is expected to begin operating in 2007. The five-year Investment Plan for the 2001-2005 period has four priorities: (a) general investments to improve the company's capacity to deliver water and sewerage services, such as operational upgrades, acquisition of equipment, and automation of service (excluding engineering or construction works); (b) priority upgrades (including engineering and civil works) and substitution of equipment in the water system; (c) short-term upgrades and enhancements in the water and sewerage systems, including rehabilitation of existing infrastructure for water treatment and disinfection; and (d) medium-term investments to improve the quality of the water produced by the system. Thus, the project is expected to increase the quantity and quality of the water and sewerage system; improve the sanitary and health conditions by reducing water-borne diseases; promote more sustainable use of water resources; and provide a more economical and cost-effective service to users.

A technical cooperation for the development of a *Framework for Incorporating Environmental and Social Risks into Traditional Credit Analysis* seeks to design a framework for identifying and understanding potential environmental, social, and health and safety risks associated with the implementation of large infrastructure projects in Latin America and the Caribbean, so that these risks can be appropriately included in the traditional credit risk analysis performed by financial institutions and private sector companies. This TC is being funded by the IDB Trust Fund: Netherlands - Partnership Program in Environment.

PRI is also managing a TC to develop an *Electricity Demand-Side Management Program (DSMP)* for two privatized electric distribution companies in the Dominican Republic: EDE Sur (Southern Distribution Company) and EDE Norte (Northern Distribution Company). The DSMP will address electricity end-use in the concession area of the distribution companies by consumers in industrial, residential, commercial, and public sectors. It will focus on productive and low-income residential users, as part of a larger program by the companies to address system-wide losses, both technical and non-technical. The program will incorporate the promotion of efficient energy consumption among various users. This TC is being funded by the IDB Trust Fund: Hemispheric Sustainable Energy and Transportation Fund.

C. Multilateral Investment Fund

Within the IDB Group, the Multilateral Investment Fund (MIF) is responsible for fostering the development of the private sector in Latin America and the Caribbean. The MIF uses grants as well as investment mechanisms to support small-scale targeted interven-

tions that serve as pilot projects for new approaches and act as catalysts for broader reforms.

Recently, the MIF focused its attention on introducing the use of project clusters for promising development approaches. A cluster is a group of several projects in a specific area that will be developed, supported, and reviewed together. In the environmental field, the MIF has a cluster called *Achieving Ecoefficiency through Cleaner Production and Environmental Management*. Focusing on Ecoefficiency, this concept is used to explore various ways of applying it to small and medium enterprises (SME). Ecoefficiency is defined as "the practice of improving productivity through more efficient use of inputs such as raw materials and energy, while progressively reducing ecological impacts and resource intensity."

As the number of these projects in MIF's portfolio increases, a more intensive effort will be required to identify lessons learned and best practices. This will help strengthen partnerships between the MIF and executing agencies, as well as MIF's role as a leading source of information and experience regarding private sector development issues in the region. To date, the MIF Donors Committee has approved cleaner production initiatives in El Salvador, Colombia, Panama, Ecuador, and Argentina, and several others are currently under preparation in various countries in the region.

In 2002, MIF approved other environmental projects including an initiative to improve the competitiveness of small and medium-sized forestry enterprises in Guatemala, Honduras, and Nicaragua. Through this effort, MIF expects to demonstrate the potential for increasing business opportunities within the forestry sector that are both sustainable and sound.

Another initiative worth mentioning relates to the increasing opportunities found within the market niche known as "fair trade" (FT) in Brazil. This is an innovative concept that seeks to connect low-income producers and consumers in large markets in more equitable and sustainable ways. Consumers in large markets have shown an increasing interest in the emergence of socially responsible traders who would allow for "social value added" in their commercial transactions. In Brazil, MIF is seeking to increase the competitiveness of micro and small producers through improved productivity and access to domestic and international FT and organic markets. Its purpose is to improve micro and small producers' marketing services via institutional strengthening of a trading company, direct technical support to improve production capacity, and the promotion and expansion of FT markets in Brazil.

D. SDS/ENV

During 2002, the Environment Division of the Sustainable Development Department (SDS/ENV) was involved in a wide range of activities and programs. What follows is a brief description of 2002 SDS/ENV highlights.

Netherlands Partnership Program in Environment (NPPE).

The Netherlands Partnership Program in Environment (NPPE) is in its second year of implementation (2001-2002 and 2002-2003 work programs), and it started activities with the approval and execution of nine projects under the work-plan submitted on March 30, 2001. Most projects are fully executed or near completion, and have achieved their stated objectives. Important lessons have been learned in areas such as environmental institutional strengthening; watershed management; economic valuation applied to environmental damage assessment in the context of legal litigations; water pricing; climate change; and forestry. Results have been disseminated in the countries, and in many instances specific capacities have been developed through training and other related activities. The Partnership has allowed the Bank to support countries in innovative areas, and has given greater dynamism to the environmental agenda in the operational divisions. The central Environment Division (ENV) has also been strengthened by the Partnership, and it is now better positioned to foster its strategic work. The 2002-2003 work plan includes projects in four “windows” or lines of activity: environmental management innovations, integrated water resources management, climate change (mitigation and adaptation), and biodiversity and forests.

IDB-Netherlands Water Partnership Program (INWAP)

In August 2002, the Netherlands and the Bank signed an agreement to establish a \$10 million IDB-Netherlands Water Partnership Program. This five-year effort consists of a trust fund for technical cooperation, and a capacity-building and training program. The resources will help strengthen the Bank’s policy and sector work in integrated water resources management. This will include the design and implementation of water-related projects, as well as capacity building and training activities in member countries. The partnership is innovative in that it considers the training of Bank staff as essential in the quest for designing and implementing successful projects in the region, thus benefiting borrowing countries. A series of capacity-building and operational support activities in potable water, water resources, and integrated water resources management took place during 2002.

The Regional Policy Dialogue on Environment

The Regional Policy Dialogue on the Environment is an initiative of the Integration Department (INT), with the technical support of the Environment Division of the Sustainable Development Department (SDS/ENV). Its objective is to establish a network of Latin American and Caribbean government officials, at the level of vice ministries, responsible for decision making and the design of environmental policies, and to bring them together to share their experiences, discuss topics of relevance, and foster regional cooperation in this sector. During the first meeting of the Environment Network (held on April 4 and 5, 2002), country delegates analyzed the current situation and the chal-

lenges their countries face regarding environmental management. Studies were prepared for presentation and discussion during this first meeting, including: (1) Environmental Management Profiles by Subregion (Central America, South Cone, Andean countries and the Caribbean); (2) Environmental Indicators on Selected Issues in Latin America and the Caribbean (SDS/ENV publication); and (3) Mainstreaming of Environmental Management in Sectoral Policies (industry, energy, and tourism). For the second meeting (February 2003), network members chose as the main topic for discussion the applicability and effectiveness of economic instruments in water and solid waste management. These studies involve a review of the application of these instruments in the region and worldwide, as well as case studies on their use in Brazil, Chile, Mexico, and Colombia.

Disaster Risk Management

In compliance with the mandate given by the Quebec Summit of Heads of State, the Bank has been engaged in numerous activities in the area of natural disaster management. In its capacity as coordinator of the Finance Working Group of the Inter-American Committee of Natural Disaster Reduction, the Bank produced two publications: *Surviving Natural Disasters: Planning and Financial Protection* and *Innovative Financial Instruments for Natural Disaster Risk Management*. A third study was initiated in Chile, Peru, and El Salvador on practical applications of financing strategies in these three countries.

The Regional Policy Dialogue on Natural Disasters

The II Meeting of the Natural Disasters Network took place on May 23 and 24, 2002. Consultants produced a detailed analysis of national systems with regard to ex-ante economic arrangements required to finance the losses caused by potential catastrophic events in four countries: Bolivia, Colombia, El Salvador, and the Dominican Republic. Estimates of financial resource gaps were made on the basis of past catastrophic losses and sources of funding. Alternative governmental strategies that can be applied region-wide were discussed.

Disaster Prevention Sector Facility

Two projects were approved in 2002 for the Dominican Republic and Bolivia with funding of the Disaster Prevention Sector Facility, established 2001. The goal of these operations is to strengthen disaster prevention and risk management systems through vulnerability reduction and improved preparedness to natural catastrophes. Brochures of the Facility were distributed in client countries with the help of the Representations.

Emergency Reconstruction Facility

The evaluation of the Facility was carried out by OVE with the support of the Environmental Division and the Natural Resources and Environmental Divisions of the Re-

gional Operational Departments. A review of the Facility's operational document was initiated.

Box. 8. Institutional Strengthening of the Bank in Natural Disaster Management

A *toolkit* was prepared to help Bank specialists use the financial instruments available for disaster risk management loans and technical cooperations. It was distributed widely among IDB staff both in the headquarters and the Representations. The toolkit includes a total of 16 documents including guidelines and examples of past operations to help specialists prepare projects for:

- o Disaster Prevention Sector Facility
- o Emergency Reconstruction Facility
- o Technical assistance in emergency situations
- o Reformulation of existing loans for reconstruction financing.

A *seminar* was organized for approximately 45 Bank specialists in Washington on awareness raising regarding vulnerability assessment, disaster risk management, and the use of the Disaster Prevention Facility and other mechanisms. The toolkit described above was used as technical aid during this event, which followed the first phase of training provided for the disaster focal points in the country offices at the end of 2001.

Disaster Focal Points. The basic network of eight disaster focal points of the Environment, Financial and Infrastructure Divisions from the IDB headquarters, together with the 26 additional focal points from the Representations, was strengthened. Nineteen other specialists were identified to cooperate in the preparation of sectoral disaster checklists.

Mainstreaming Disaster Risk Management in the Project Cycle. The development of indicators or "checklists" in nine relevant sectors is intended to gather experiences that are useful in implementing measures for prevention, mitigation, response, and financial protection against natural disasters in future investment programs of the IDB. The goal is not to create mandatory guides to project design and implementation, but to present a collection of experiences that may be useful for future operations. Nine sectoral 8-10 page draft checklists were prepared for comments by 28 staff members. Four final drafts were completed in the following areas: microenterprise development, transportation, water and sanitation, and modernization of the state.

GIS exhibition. The Environment Division organized a booth on hurricane hazard prediction in the Caribbean, while EN2 presented general risk management tools for project design.

Environmental Management

SDS/ENV organized a seminar series on Environmental Management for Sustainable Local Development, focusing on two subjects: (1) Politics, Social Inclusion and Quality of Urban Life (June 12, 2002) and (2) Environmental Management Systems (EMS) in Municipal Governments (June 28, 2002). The first seminar presented experiences on sustainable urban development and the main forces behind successful urban programs, including politics, formal and informal institutions, economic development, and the environment. It featured a presentation by the former mayor of Bogotá, who described a new conceptual model for sustainable development in urban areas. He also discussed

critical social and organizational aspects involved in land use, public spaces, and urban transport for Latin American cities, using *Transmilenio* (the new public transportation system of Bogotá) as his main example. This event also included a presentation by the executive director of Project for Public Spaces in New York, who explained the vision and rationale behind the “public spaces” approach to sustainability in cities, including the critical role private and public organizations, communities, and individuals play in the planning, design, and implementation of public spaces. The second seminar presented the technical basis and applications of Environmental Management Systems for operation in municipalities, with hands-on experiences in the United States and Latin America. The seminar showed how the applicability and benefits of EMS in local governments have proven to be extensive in the areas of environmental performance and compliance, natural resource management, energy efficiency, pollution prevention, and development of physical infrastructure. It also proved how EMS has stimulated stakeholder involvement, bringing together government officials, private sector, and the community towards common goals. Lessons learned from existing EMS programs in Latin America cities were presented, highlighting relevant issues concerning their design and implementation.

With the organization of several seminars and training courses, the IDB has continued its activities in the area of Environmental Impact Assessment. As part of a regional TC completed in 2002 (Support for the Improvement of Environmental Management in Latin American and Caribbean Countries), which reviewed Environmental Impact Assessment (EIA) Systems of 26 countries in the region, several seminars and training-of-trainers courses were offered. These events emphasized the main tendencies, strengths, and weaknesses of the application of EIA in the region and its effectiveness as a management tool. The Environment Division also carried out education activities involving distant training via Internet

Activities Related to the Millennium Development Goals (MDG)

The IDB, in coordination with UNDP, ECLAC and the World Bank, organized a seminar to analyze the progress made in the region to achieve the MDGs and identify institutional and methodological requirements to follow them up at the national level. SDS/ENV was in charge of Session 6 (Environmental sustainability), with technical presentations from leading experts and reports of coordination activities by countries in the region. The objectives of the seminar were as follows: (a) inform about the goals, objectives, and indicators related to the environment within the MDG framework; (b) identify the relevance of such goals, objectives, and indicators for Latin America and the Caribbean, highlighting regional, sub-regional, and national issues; (c) identify organizations and regional programs supporting monitoring, control, and management of results concerning development and environment; (d) summarize opportunities, con-

straints, and next steps for the analyses and monitoring of the MDG, including aspects related to institutional and technical capacities, agreements, and consensus building.

The Environment Division is also involved in the preparation of the regional TC on the evaluation of the Millennium Development Goals (MDG) in Latin America and the Caribbean which is scheduled for execution in 2003.

The Global Environment Facility

An important milestone for the IDB in 2002 was the elevation of its status as a project executing agency under the auspices of the Global Environment Facility (GEF). Created in 1991, the GEF supports the protection of the global environment by covering the “agreed incremental costs” of projects that seek to achieve global environmental benefits. The GEF is the financial mechanism for the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change. Other areas of financing include international waters, persistent pollutants, desertification, and integrated ecosystem management. The GEF supports projects oriented toward both investment and capacity building.

In October 2002, the IDB obtained direct access to funding for large-scale GEF projects. This new status, combined with previous access to GEF funding in support of full-scale project proposal development, gives the IDB new flexibility and opens up additional opportunities for expanded Bank activity through the GEF. This enhanced capacity will play an important role in the implementation of its Environment Strategy in 2003, since the document highlights the need to address global environmental issues in a manner consistent with the priorities of the countries in the region regarding sustainable development.

III. Quality Assurance and Project Team Support

1. New CESI Procedures: Refocusing Priorities

The key event in 2002 regarding environmental and social review processes in the Bank has been the approval by the Coordination Committee of new procedures for CESI. The main changes relate to providing streamlined procedures, clearer guidance to project teams, better access to the Bank's broad environmental and social expertise, in addition to ensuring key safeguard function for the Bank. Training sessions explaining the changes are being provided to the operational divisions throughout the IDB.

2. CESI's Performance

The following section presents an assessment of CESI's performance based on output and outcome indicators. In 2002 CESI reviewed 243 operations in 47 weekly meetings. Out of the 243 operations examined, 40% were loans and 60% technical cooperations. The latter are reviewed at the profile level, by a simplified procedure in a virtual dialogue between CESI reviewers and the project team. Plans of operations are not formally examined, unless significant negative impacts are expected.

Loans are also reviewed at the profile level, and depending on potential impacts, they may be examined a second time either through verification by CESI's Secretariat, or, more formally, during a second meeting of the Committee. Typically, projects requiring an EIA will be reviewed a second time by the CESI. The process of verification by the Secretariat was introduced with the new procedures; personnel of the Secretariat follows through and verify whether CESI recommendations have been integrated into project documentation. In addition to the 243 operations reviewed in 2002, the Secretariat carried out a total of 45 verifications (29 loans and 16 technical cooperations).

Regarding environmental or social evaluations required for each operation, there were 19 Environmental Impact Assessments (7% of the operations reviewed), 10 Strategic Environmental Assessments (SEA), and 34 environmental analyses. One hundred and eighty operations (71% of the total) did not required specific environmental and/or social studies.

Table 1. Environmental Requirements by Type of Operation, 2002

Environmental requirements:	None	Limited EA	EIA	SEA	Total
Loans	43	26	19	9	97
Technical Cooperations	137	8	0	1	146
	180	34	19	10	243

3. Capacity Building Associated with CESI Activities

Environmental Assessment Training

CESI's Secretariat conducted six trainings on its new procedures for the operational divisions of the Bank. SDS/ENV staff also organized a "training for trainers" course on Environmental Management and Assessment for Investment Projects, held in Jamaica in September 2002. Ten professors from universities of the English-speaking Caribbean participated in the course, rated as excellent by the participants, specially regarding the quality of the materials (made available in hard copy and electronic versions) and the teaching methodology.

In addition, an E-training, entitled Environmental Management and EIA of Investment Projects: A Tool for the Management of Natural Resources, was offered over the Internet (<http://www.cepade.es/>) from May through August 2002. Sixty students from Spanish-speaking countries of Latin America and the Caribbean participated. The Food and Agriculture Organization (FAO) of the United Nations financed this innovative IDB course, in collaboration with the Polytechnic University of Madrid, CEPADE.

CESI Seminars and Workshops

A CESI workshop, Introduction in Strategic Environmental Assessment (SEA), was held in Washington, D.C., on October 31, 2002. The central Environment Division also collaborated with the operational divisions and the PRI in organizing and promoting brown bag lunches and presentations on environment, social and health assessment processes.

APPENDIX 1. Loans Approved in 2002

	Project Title	AMOUNT
	Coastal Resources Management	
BA0019	Coastal Infrastructure Program	\$17,000,000.00
HO0198	Bay Islands Environmental Management Program	\$12,000,000.00
		\$29,000,000.00
	Environmental institutions, policies and management instruments	
PE0233	Institutional Environmental and Social Strengthening of the Camisea Project	\$5,000,000.00
		\$5,000,000.00
	Natural Disaster Mitigation	
BO0206	Disaster Prevention Program	\$2,700,000.00
DR0145	Disaster Prevention and Risk Management Program	\$5,000,000.00
JA0123	Emergency Reconstruction Facility Torrential Rains	\$16,000,000.00
BO0217	Emergency Attention Plan: Fire Cordillera	\$2,500,000.00
		\$26,200,000.00
	Sustainable Development and Natural Resources Conservation	
BR0313	Acre Sustainable Development Program	\$64,800,000.00
CR0142	Sustainable Development of the Food and Agriculture Sector	\$14,400,000.00
EC0201	Sustainable Develop. Northern Amazon Region	\$10,000,000.00
PN0149	Sustainable Development Province Bocas del Toro	\$15,200,000.00
BO0033	Env-Soc Protection Santa Cruz - Puerto Suárez	\$21,000,000.00
GU0133	Program for Natural Resource Management in Upper Watersheds	\$40,000,000.00
		\$165,400,000.00
	Sustainable Tourism	
BO0174	Sustainable Tourism Development Program	\$10,000,000.00
		\$10,000,000.00
	Urban Environmental management	
BR0351	Goiânia Water and Sanitation Program	\$47,600,000.00
EC0200	Metropolitan Quito Environmental Sanitation Program (Phase I)	\$40,000,000.00
HO0175	San Pedro Sula Municipal Development Program Phase II	\$9,000,000.00
HO0211	Aguas de San Pedro Sula Water and Sewerage Project	\$13,700,000.00
VE0140	Support for Small-Town and Rural Water Supply Systems	\$28,000,000.00
		\$138,300,000.00
		\$373,900,000.00

APPENDIX 2. Technical Cooperations Approved in 2002

	PROJECT_NAME	Amount US\$
	Coastal Resources Management	
ATN/FC-7788-CR	Punta Arenas Marine Park Support Study	\$218,600.00
ATN/PD-7841-HO	Ecosystem Management of the Bay Islands	\$320,000.00
ATN/SF-8164-JA	Support Environmental Management of Kingston Harbour	\$500,000.00
		\$1,038,600.00
	Environmental institutions, policies and management instruments	
ATN/ME-7953-RG	Improving Competitiveness of Small & Medium-Sized	\$1,684,200.00
ATN/KB-7787-HO	Strengthening Local Participation for Environmental	\$125,000.00
ATN/SF-8182-EC	Development of a Decentralized System of Environment	\$500,000.00
ATN/ME-7833-EC	Promotion of Cleaner Production Processes	\$737,900.00
ATN/FC-8158-CO	Environmental Account System Integration	\$65,000.00
ATN/FC-7865-UR	French Experience in Environmental Rights	\$2,800.00
ATN/KB-7802-RS	Learning From the Brazilian Environmental Councils	\$70,000.00
ATN/JC-8001-CH	Contamination Control San Vicente & Concepción Bay	\$1,200,000.00
ATN/ME-8059-PE	Implementation & Certification of ISO 14001 Environmental Management System for SMEs	\$70,000.00
ATN/EM-7851-PN	Support Asociación Promoción Saneamiento Ambiental	\$250,000.00
		\$4,704,900.00
	Natural Disaster Management	
ATN/JF-7907-RG	Information & Indicators Program for Disaster Risk	\$505,000.00
ATN/SF-8025-HO	Financial Preparedness for Catastrophes	\$150,000.00
ATN/JO-7990-RG	Management of Environment Risk in Low Income Human	\$210,000.00
ATN/AE-8027-NI	Preparation of Environmental Risk Maps	\$300,000.00
ATN/NC-7913-HO	Regional Strategy for Plagues	\$49,000.00
ATN/SF-7795-BO	Flooding Emergency Assistance in la Paz	\$50,000.00
ATN/SF-7900-JA	Emergency Assistance due to Flood Damage	\$50,000.00
ATN/SF-7943-BO	Emergency Assistance Snow Storm in Potosí	\$50,000.00
ATN/SF-7944-PE	Emergency Support to Cold Wave Phenomena	\$50,000.00
ATN/SF-7963-VE	Emergency Assistance due to Natural Disaster	\$50,000.00
ATN/SF-7990-RG	Management of Environment Risk in Low Income Human	\$75,000.00
ATN/JF-7906-RG	Information & Indicators Program for Disaster Risk	\$795,000.00
		\$2,334,000.00
	Sustainable Development and Natural Resources Management	
ATN/SF-7878-SU	Preparation of Land Management Program	\$145,000.00
ATN/SF-8170-EC	Preliminary Studies Southern Border	\$146,000.00
ATN/II-8109-HO	Forest Economy and Governance	\$150,000.00
ATN/PD-7951-RS	Indigenous Community Integrated Ecosystems Management	\$350,000.00
ATN/SI-8060-PN	Sustainable Development Basin Border Area Río Sixaloa	\$400,000.00
ATN/FW-8006-RS	Local Management of Forestry Resources	\$63,000.00
ATN/SF-8023-SU	Forest Policy Formulation	\$123,800.00
ATN/JF-7905-RG	Program to Combat Desertification in South America	\$1,000,000.00

	PROJECT_NAME	Amount US\$
ATN/SF-7903-ME	Pronatura Chiapas, A.C.	\$198,000.00
ATN/SC-8003-HO	Forest-Based Sustainable Business Strategy	\$150,000.00
		\$2,725,800.00
	Sustainable Energy	
ATN/DO-8063-BR	SABESP Energy Efficiency Study	\$149,500.00
ATN/DO-7822-PE	Usage of Compressed Natural Gas By New Mototaxis	\$150,000.00
ATN/AI-7819-RS	Sustainable Energy in Mexico, Central America and	\$35,000.00
ATN/PD-8135-GU	Exploitation Geothermal Resources for Electricity	\$350,000.00
ATN/JF-7918-ES	Sustainable Market for Clean Rural Energy Services	\$750,000.00
ATN/SI-8012-GU	Environmental & Social Evaluation for the Electrical Interchange Guatemala - Mexico	\$145,713.00
		\$1,580,213.00
	Sustainable Tourism	
ATN/SF-7825-BR	Conservation Units and Eco-Tourism Development	\$20,000.00
ATN/MH-8032-BR	Sustainable Tourism Certification System	\$1,675,000.00
ATN/SF-7965-EC	Sustainable Tourism in Ecuador	\$13,500.00
ATN/KB-7848-RS	Strengthening Mundo Maya Organization & Local Orga	\$150,000.00
ATN/SI-7781-BR	Sustainable Tourism Development	\$18,142.00
ATN/SF-8124-BR	Tourism and Environment	\$20,000.00
ATN/SF-7992-BL	Archaeological Tourism Sector	\$5,000.00
		\$1,901,642.00
	Urban Environmental Management	
ATN/SC-8037-NI	Economic and Environmental Evaluation - Masaya	\$94,000.00
ATN/JF-8074-ES	Environmental Action Plan at the Municipal Level	\$348,700.00
ATN/JF-7815-HO	San Pedro Sula Water and Sewerage Project	\$148,830.00
ATN/SI-7840-CR	Sewerage Project of Heredia	\$150,000.00
ATN/SF-8187-EC	Water Plan Small and Intermediate Cities Program	\$300,000.00
ATN/KC-8017-HO	Tegucigalpa Water Concesion: Definition of the Con	\$35,000.00
ATN/SI-8130-AR	Solid Waste Plan for the Province of Salta	\$144,971.00
		\$1,221,501.00
	Water Resources Management	
ATN/MT-7921-ME	Reform of Water Supply Sector & Establishment of R	\$1,000,000.00
ATN/NP-7797-RS	Strategic Issues in Water Resources	\$14,000.00
ATN/SF-7803-JA	Design of National Irrigation Development Plan	\$150,000.00
ATN/CT-7801-RS	Water Governance in Latin America and Caribbean	\$6,293.00
ATN/JC-7807-BR	High and Medium Tiete Watershed Mathematical Model	\$750,000.00
		\$1,920,293.00
		\$17,426,949.00

APPENDIX 3. PRI Environmental and Social Unit Summary

Since the establishment of the PRI Environmental and Social Unit (ESU), significant achievements related to environmental, social, health and safety, and labor aspects have occurred, including the development and implementation of the following:

- An approach for incorporating environmental, social, health and safety, and labor aspects in all steps of the IDB project cycle (e.g., from analysis/due-diligence through supervision) for the types of IDB PRI projects, including project finance, corporate loans, guarantees, local capital markets, and funds;
- PRI Staff Environmental and Social Guidelines, which provide specific guidance, in terms of content and process, for the various stages of a PRI project (i.e., initial review through monitoring of project), as well as training on these guidelines to PRI staff;
- PRI Project Borrower Environmental and Social Guidelines, which provide specific guidance to potential PRI borrowers (sponsors) related to environmental, social, and health and safety aspects;
- PRI Environmental and Social Unit Guidelines, which provide specific detailed guidance and procedures to the PRI ESU related to environmental, social, and health and safety aspects (e.g., detailed checklists for environmental and social due-diligence, social requirements, etc.);
- Standardized environmental and social terms and conditions for PRI project legal documentation;
- Training to PRI staff related to environmental, social, health and safety, and labor aspects;
- Supervision/Monitoring system for environmental, social and health and safety aspects in IDB PRI financed projects, including basic set of environmental and social performance indicators for project analysis, monitoring, and evaluation; and

The PRI takes an active role in helping, not just reviewing, project companies to properly address and manage environmental, social and health, and safety aspects. Thus, IDB participation results in significant benefits for the project borrower/sponsor, other financial investors in the project, while improving protection of environmental and social resources.

The PRI ensures that there are adequate studies and plans that result in the proper identification and evaluation of potential project-related impacts and risks. Based upon these assessments, PRI develops and implements all necessary mitigation and monitoring plans and procedures. This helps provide assurances that project-related environmental, social and health, and safety impacts and risks are adequately mitigated and that the project is environmentally and socially viable and sustainable. In addition, the PRI develops the appropriate measures to ensure that potential environmental, social, financial (credit), and reputation risks to the IDB and other financial investors are addressed. The PRI supervision of projects during execution helps ensure that impacts and risks are continually monitored and controlled. The PRI also works with private companies to promote the implementation of positive environmental and social components related to the project, for example those related to sustainable development, health, education, and poverty reduction.

The IDB participation not only results in direct additionality to the project being financed, but also provides a basis for better or enhanced projects that are not being directly financed by the IDB. This results from the strengthened framework and increased capacity established within the private sector (e.g., project sponsors, commercial banks, etc.) and governmental agencies based upon the experience gained in IDB financed projects.

"Increasingly, society is defining economic development not only in financial bottom-line, but also in terms of impact on people and the planet. Especially for the more challenging projects, IDB has an important role to play to ensure projects are being managed to responsibly mitigate environmental & social impacts. By providing comfort to private financiers that related credit and reputation risks are being adequately addressed, IDB's Private Sector Department involvement acts as an important catalyst in mobilizing private sector funding for the region."

Statement by Madeleine Jacobs, Head of Reputational Risk Management, ABN AMRO

APPENDIX 4. Publications in 2002

Environmental Management

Gestión ambiental en América Latina y el Caribe: Evolución, tendencias y principales prácticas (Manuel Rodríguez-Becerra y Guillermo Espinoza, autores; David Wilk, Editor (SDS/ENV). Diciembre, 2002.

Training Materials on Fundamentals of Environmental Impact Assessment, (in English), IDB-Centro de Estudios para el Desarrollo, 2002,.

Environmental Management and Assessment for Investment Projects (English version), BID, 2002

Review of Environmental Impact Assessment in Selected Countries of Latin America and the Caribbean, IDB (in English) , March 2002

26 Country Reports. Review and Analysis of the EIA in LAC. The national reports were edited and made available on the Internet (http://www.iadb.org/sds/ENV/site_393_s.htm) IDB, August 2002

Environmental Indicators

Environmental Indicators on Selected Issues for Latin America and the Caribbean. Publication of IDB and World Resources Institute, February, 02/2002.

Natural Disasters

(The accomplishments according to the four-stage approach adapted in relation to the tasks given to the Bank by the Quebec Summit)

Surviving Natural Disasters: Planning and Financial Protection. (Kari Keipi and Justin Tyson). Publication ENV-139 (Spanish and English) 10/2002.

Innovative Financial Instruments for Natural Disaster Risk Management. (TC-0009036-RG). (Danish Trust Fund -Torben Andersen). Publication ENV-140. 12/2002. With SDS/IFM.

Practical Applications of Financing Instruments in Three Countries (TC-0101073-RG). (Norwegian Trust Fund). Selection of consultants 2/2002; field work carried out 11/2002. Initiation of the preparation of a draft document 12/2002. With SDS/IFM.

Development of Insurance markets for Catastrophe Risk. MIF. Plan Puebla-Panama. (TC-0111009-RG). Participated in project review process for RE2 and MIF.

Forestry Documents for Publication

Forest Financing: Role of the Inter-American Development Bank. Study (ATN/FF-6371-RG - Simula-Salmi-Puustjarvi). Publication ENV-138. 3/2002.

Forest Cluster Study (ATN/FF-6093-RG - Bonita-Correa-Veijalainen-Ahveninen). Publication (white paper) 9/2002.

APPENDIX 5. Seminars in 2002

Environmental Management

Seminar Series on Environmental Management for Sustainable Local Development, with two seminars: (1) Politics, Social Inclusion and Quality of Urban Life (June 12, 2002) and (2) Environmental Management Systems (EMS) in Municipal Governments (June 28, 2002) (SDS/ENV and LRN)

Course for Trainers in Environmental Management and Evaluation of Investment Projects, Jamaica, IDB, September 2002.

Distant Learning Courses Via Internet in Environmental Impact Assessment of Investment Projects: a Tool for Natural Resource Management. BID-FAO, May-August 2002.

Workshop on Evaluation of Environmental Institutional Strengthening Projects (TC0106043), IDB, June 2002

Seminar on Strategic Environmental Assessments (SEA). IDB, November 2002

Seminar for Staff on Climate Change and Development (ATN 7267-RG), IDB, October 2002

Natural Disasters

Hemispheric Disaster Risk Reduction Conference. Follow-up with USAID-OFDA, OAS and PAHO of the event of 12/2001. Participation in Steering Committee for publication of proceedings. Report published 10/2002 by USAID-OFDA.

Inter-American Committee of Natural Disaster Reduction (OAS)

Coordinated activities related to Working Group on Finance.

Participated in three sessions of task force to prepare Inter-American Strategic Plan for Vulnerability Reduction and Disaster Risk Reduction within the OAS system, for 2003. Washington.

FIDES. Inter-American Federation of Insurance Industry.

Contributed to the inclusion of disaster insurance issue in the cooperative agreement between FIDES and IDB (with IFM).

Coordination of Work with International Agencies in Disaster Risk Reduction.

Coordination meetings with GTZ of Germany. 4, 6 and 12/2002. Washington and Berlin.

Meetings with the European Commission. 7 and 11/2002. Brussels and Washington.

Coordination of activities with the World Bank Treasury Department on financial instruments
Meeting with the British Meteorological Office 10/2002.

Prevention Consortium

Seminar on Disaster Loss Evaluation. The World Bank/ECLAC. Washington. D.C. .5/2002.

Seminar on Disaster Resistant, Sustainable Cities. The World Bank. Washington, D.C. 12/2002.

Alliance on Conservation Financing.

Participation in the founding meeting of the Alliance with Washington-based agencies: GEF, World Bank and NGOs. Maryland. 2/2002.

Forestry

Remote Sensing for Forestry and Natural Resource Inventory (with ICT). Brown bag seminar
8/2002

Environmentally Sustainable Forest, Biodiversity and Watershed Management. brown bag
seminar 12/2002

Globalization, Competitiveness and Forest Cluster Development in Europe and Latin America.
brown bag seminar 12/2002

Alliance on Conservation Financing.

Participation in the founding meeting of the Alliance with Washington-based agencies: GEF, World Bank and NGOs. Maryland. 2/2002.

Convention of the Society of American Foresters.

* Presentation on Innovative Instruments of Forest Financing in Latin America. Winston-Salem, North Carolina 10/2002. Publication of conference proceedings 2003.

Convention of the Society of American Foresters.

Presentation on Innovative Instruments of Forest Financing in Latin America. Winston-Salem, North Carolina 10/2002. Publication of conference proceedings 2003.

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