

FACING THE CHALLENGES OF SUSTAINABLE DEVELOPMENT

THE IDB AND THE ENVIRONMENT: 1992-2002

**Inter-American Development Bank
Sustainable Development Department**

FOREWORD

The Inter-American Development Bank (IDB) welcomes the opportunity that the World Summit on Sustainable Development offers the development community to reflect on regional trends and the major challenges facing our member countries in environmental sustainability.

The IDB, whose concerns cover the broad array of development issues, prepared this document with a particular focus on the environment. In fact, we are currently revising our environment strategy, along with other strategies in areas such as poverty reduction, modernization of the State and integration, to improve the quality of our contribution to the development of Latin America and the Caribbean.

We believe that the IDB can take some satisfaction from its past achievements in the environmental field and in the tools developed to address future challenges. This document sets forth the essential elements of the institution's environment strategy in order to obtain feedback from the development community gathered in Johannesburg on the occasion of this milestone for global sustainability.

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Inter-American Development Bank
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INTRODUCTION

Latin America and the Caribbean are facing a critical challenge: how to achieve strong growth and investment in the medium and long term that is economically, socially and environmentally sustainable. Since the UN Conference on Environment and Development (UNCED) held in Rio in 1992, the region has gone through a period of economic and social reform and established a more widespread capacity for environmental management. But there is still a long way to go before reaching that vision of sustainable development set forth 15 years ago in the seminal report *Our Common Future*.¹ The World Summit on Sustainable Development (WSSD) in Johannesburg offers not only a much-needed opportunity to review the record of the decade that has passed since the UNCED meeting in Rio, but also an occasion for defining concrete commitments to resolving those pressing social, economic and environmental issues that have emerged as the process of globalization has advanced around the world.

The Inter-American Development Bank has played a critical role on the environmental front in the region during this period, and is now shaping a new strategy to address more fully the environmental dimensions of poverty reduction and sustainable economic growth. This report reviews the IDB's record since Rio and lays out the elements of this new approach to achieving genuine sustainable development in Latin America and the Caribbean.

¹World Commission on Environment and Development, 1987, "Our Common Future," *Report of the Brundtland Commission on Environment and Sustainable Development*, Madrid, Alianza Editorial, S.A.

THE IDB: THE REGIONAL BANK FOR LATIN AMERICA AND THE CARIBBEAN

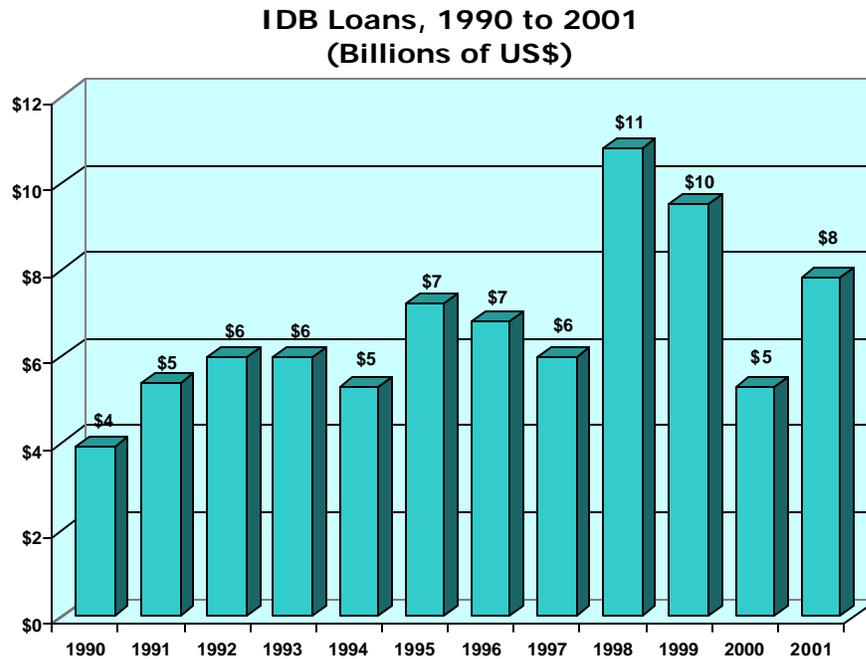
The Inter-American Development Bank, the oldest and largest regional multilateral development institution, was established in 1959 to help accelerate economic and social development in Latin America and the Caribbean. Today, the Bank's membership totals 46 nations, including 26 Latin American and Caribbean countries, the United States, Canada, and 18 nonregional countries.

The IDB group also includes the Inter-American Investment Corporation (IIC), an autonomous affiliate that promotes economic development by financing small and medium-scale private enterprises, and the Multilateral Investment Fund (MIF), which supports investment reforms and private sector development. The Bank, whose headquarters is in Washington, D.C., has country offices in each of its borrowing member countries and in Paris and Tokyo.

The Bank has become a major catalyst in mobilizing resources for the region. Its principal function is to utilize its own capital, funds raised in financial markets, and other available resources to finance the development of its borrowing member countries. It supplements private investment when private capital is not available on reasonable terms and conditions and provides technical assistance for the preparation, financing and implementation of development projects.

The Bank's operations cover the entire spectrum of economic and social development, with an emphasis on programs that benefit low-income populations. In the past, Bank lending focused on the productive sectors of agriculture and industry, the physical infrastructure sectors of energy and transportation, and the social sectors of environmental and public health, education and urban development. In 1995, the IDB began lending up to 5 percent of its ordinary capital resources directly to the private sector, without government guarantees. Current lending priorities include poverty reduction and social equity, modernization of the State, competitiveness, and integration.

In carrying out its mission, since 1961 the Bank has approved \$110 billion for projects that represent a total investment of \$273 billion.



Lending in 2001

Responding quickly to the increasing financial needs of Latin America and the Caribbean during a time of economic stress, the IDB approved \$7.9 billion in loans in 2001. This marked the third-highest annual lending total in the Bank's history and represented a record amount for the institution's regular lending program. For the eighth consecutive year, the IDB remained the region's largest source of multilateral credit, particularly for the smaller countries.

The lending program reflected the region's broad-based development agenda of poverty reduction and social equity, reform and modernization of the State, and investment in infrastructure and productivity. The Bank's program included loans to finance investment projects, sector loans to support policy reforms, and direct loans to the private sector without government guarantees. In 2001, on a sectoral basis, the Bank lent \$3 billion to support projects in the social sectors, \$2.4 billion for modernization of the State and reform programs, \$1.7 billion for the productive sectors, and \$695 million for infrastructure.

Poverty and Social Equity

The Bank's Board of Governors had stipulated in the Eighth General Increase in Resources in 1994 that lending for poverty reduction and social equity should reach 40 percent in terms of volume of resources and 50 percent in terms of number of operations over succeeding years. Investments in poverty reduction and social equity are cross sectoral and include the social sectors as well as other sectors. In 2001, 54 percent of the total loan volume and 59 percent of all Bank operations supported investments in poverty reduction and social equity, surpassing the goals set in 1994.

ENVIRONMENTAL TRENDS IN LATIN AMERICA AND THE CARIBBEAN²

Latin America and the Caribbean have a remarkable potential for economic growth that has been unfulfilled in recent years. The region, with more than 510 million people (8.5 percent of the world's population) and 20 million square kilometers (15 percent of the world's land surface) had a gross domestic product (GDP) of US\$2.1 trillion in 1999, the equivalent of 6.65 percent of the world's production. It is endowed with vast and diverse natural resources, including 40 percent of the world's animal and vegetation species, 27 percent of the world's hydrologic resources, and significant mineral, coastal/marine and forest resources. Its population, mostly in the lower age groups, could provide the labor force required for economic development, provided that proper education and employment conditions prevail. Finally, the region's coverage of infrastructure services for its population, industry and service activities has achieved significant levels, surpassing that of many other regions in the world and increasing its competitiveness.

Sustainability and Macroeconomic Indicators

In spite of the region's comparative advantage, it still requires significant and continuous investments in social development and environmental protection in order to achieve medium and long-term sustainability. Two recently devised measures of sustainability indicate that Latin America, while not in a

²United Nations Environment Programme (UNEP), 2000, *Geo: Latin America and the Caribbean Environment Outlook 2000*, Costa Rica: Development Observatory, University of Costa Rica; World Resources Institute (WRI), 2001, *IDB Environmental Indicator Briefing Report prepared for the Inter-American Development Bank*, World Resources Institute, Washington D.C.; Comisión Económica para América Latina y el Caribe (CEPAL) y Banco Interamericano de Desarrollo (BID), 2000, "Un tema de desarrollo: la reducción de la vulnerabilidad frente a los desastres naturales," Naciones Unidas, CEPAL, Sede Subregional en México.

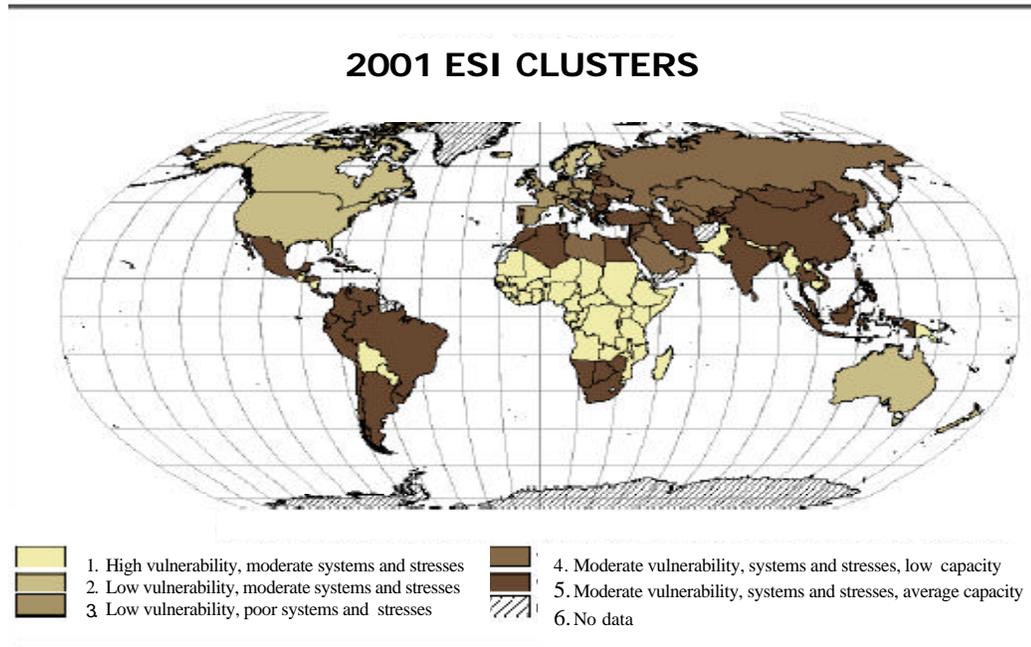
state of crisis, remains vulnerable to negative social and environmental trends.

According to an indicator developed by the World Bank, genuine domestic savings (GDS), Latin America and the Caribbean lags behind the world average, with a GDS of 9.7 percent (as a percentage of the region's GDP) compared with 15.0 percent worldwide. This places Latin America below some developing regions and above only the poorest regions of South Asia, North Africa and Sub-Saharan Africa. This indicator discounts natural resource depletion (energy, mineral and forest) and environmental damage (carbon dioxide pollution) from net domestic savings, considering investments in human resources (education expenditures). It shows the region's limited capacity to preserve natural capital and control environmental impacts.³

The 2002 environmental sustainability index, developed at the initiative of the Global Leaders of Tomorrow Environment Task Force of the World Economic Forum, measures overall progress toward environmental sustainability for 142 countries. As map 1 shows, most Latin American and Caribbean countries fall into a cluster showing moderate vulnerability and average capacity to manage for sustainability.

³Genuine domestic savings (GDS) is equal to net domestic savings plus education expenditures and minus energy depletion, mineral depletion, net forest depletion, and carbon dioxide damage (World Bank, *The Little Green Data Book 2001*). Some countries have incorporated natural resource depletion and environmental damage in their national accounts. In Mexico, for example, it was estimated that natural resource depletion and environmental damage represent 12 percent of GDP (INEGI 2000). This incorporates a wider range of environmental accounting items, such as land degradation and health costs, among others.

Map 1: Environmental Sustainability Index



Source: 2002 Environmental Sustainability Index, Global Leaders for Tomorrow, World Economic Forum; Columbia University and Yale Center for Environmental Law and Policy.

Critical Environmental Trends

Natural Resources Deterioration

Deteriorating living conditions and lack of investment in natural resource and environmental protection are apparent in both rural and urban areas. In rural and coastal areas, for instance, there are serious problems that undermine the productivity of natural resources. In agriculture, although overall production has increased, UNEP's GEO Report estimates that losses in productivity due to soil degradation could be as high as 37 percent in Central America and 14 percent in South America since 1990. Annual deforestation in Latin America and the Caribbean, the most forested region in the world, averaged 0.41 percent in South America and 1.5 percent in Central America during the 1990s, and related losses in flora and fauna threaten the rich biodiversity of the region. Overfishing has reduced catch in the western central Atlantic and the southeast Pacific by as much as 25 percent, and the condition of marine coral reefs in the Caribbean is such that an estimated two-thirds are at risk from pollution, sedimentation and overfishing. Finally, there is growing evidence of stress in the region's natural ability to provide adequate supplies of

fresh water to the population. These issues of natural resources management must be addressed effectively in order to reduce rural poverty and increase long-term productivity in the rural sector.

Urban Environment

In the region's cities, where close to 75 percent of its population lives, physical and social conditions are deteriorating. Urban environmental problems, such as vehicular congestion, industrial and vehicular emissions, depletion of water sources, water pollution, scarcity of land and housing, and absent or deficient urban infrastructure (water and sanitation, solid waste, transport services, etc.), have contributed to productivity losses, growing violence and diminishing health. Population growth rates for the region's largest cities (Mexico City, São Paulo, and Buenos Aires, among others) are expected to range from 0.4 to 1.5 percent per year during the next 15 years, but the region's fastest growing cities, those with populations between 1.0 and 3.6 million, are expanding exceptionally quickly, with growth rates running between 4.0 and 7.3 percent per year. Almost half of the region's city dwellers live in small and medium-sized cities (with less than 500,000 inhabitants). They face many of the same urban environmental problems, albeit on a more manageable scale.

Natural Disasters

Natural disasters (including earthquakes, floods, fires, volcanic eruptions, hurricanes, and avalanches) kill thousands of people every year in Latin America and the Caribbean. During the last decade, natural disasters affected nearly 40 million people, caused some 45,000 deaths, and cost over \$20 billion in direct and indirect damages. The primary causes of vulnerability to natural disasters in the region are rapid, uncontrolled urbanization, widespread poverty, poor land use management, and ineffective public policies. Many consider the region to be increasingly vulnerable to disasters as a result of more severe and frequent weather events due, in turn, to global climate changes. Consequently, there is an urgent need to adopt policy approaches that emphasize disaster prevention and mitigation as well as post-disaster recovery.

Global Climate Change

At present, the region's contribution to climate change is not significant given its current level of development and patterns of energy consumption. Per capita emissions of carbon dioxide in the region are less than 22 percent of the emissions for more industrialized countries. However, the International Energy Agency projects that the region's contribution to CO₂ emissions from

fossil fuels will grow to 6.5 percent of the global total by 2020. At present, however, Latin America may have a larger role to play in land-use activities due to its extensive forests and agricultural potential. Although the region's contribution to climate change is not pronounced, the potential impacts of such change could be severe, particularly as a result of sea-level rise and severe weather events. These phenomena are of urgent concern to the countries and small island states of the Caribbean Basin and the Andean countries affected by El Niño.

Institutional Developments

In the face of current environmental trends, the past decade has produced a marked change in the institutional capacity for improved environmental management in Latin America and the Caribbean. In most countries, legal frameworks and public institutions have been created and, with the spread of democracy and the growth of civil society and nongovernmental organizations (NGOs), there is an increasing constituency for environmental programs.

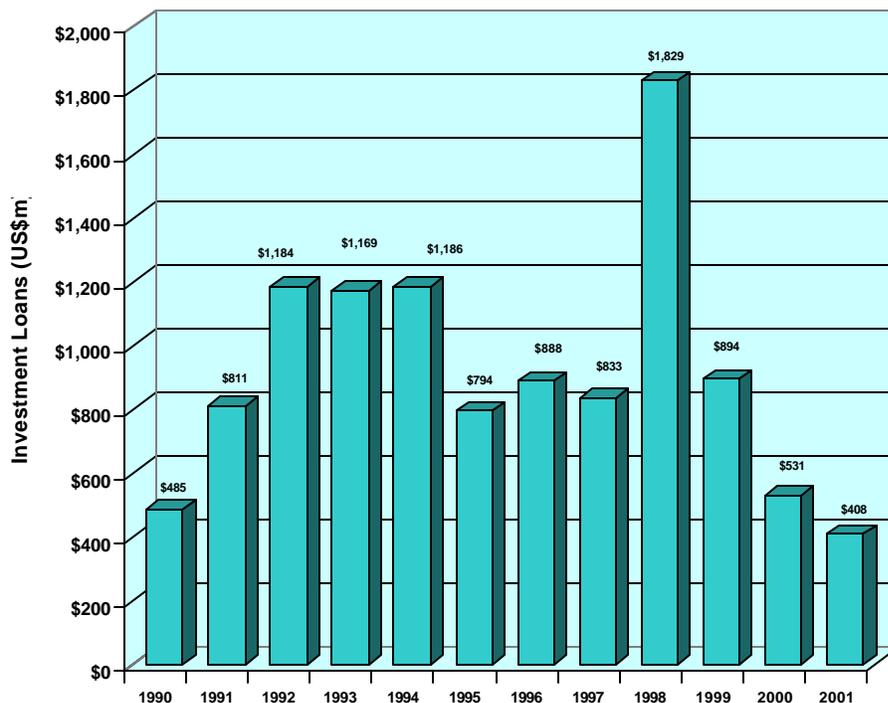
The private sector—particularly enterprises engaged in international trade—also has become more engaged in seeking environmentally efficient approaches to managing operations and more aware of the potential of green markets in Europe and the United States. The devastating losses caused by natural disasters have heightened public awareness of the need for improved land use and natural resources management and the need to adopt more effective approaches to risk assessment and mitigation and insurance instruments. On the international front, the countries of the region have also signed on to the important international conventions and agreements covering critical global issues, such as ozone depletion, biodiversity, desertification, oceans and climate change.

Even though institutional frameworks may be in place, institutional capacity on all levels remains fragmented and limited. A major constraint to effective management and consensus building is posed by the very dynamic nature of environmental trends, varying degrees of scientific uncertainty surrounding them, and the lack of reliable data to ascertain the magnitude, root causes and significance of specific trends. The institutional framework for environmental management is also in a state of transition, from one based on a centralized, sectoral view of its mandate, to one that can accommodate a broader vision that recognizes the need to internalize environmental sustainability in all sectors and at all levels of public and private activity. For the countries of the region and for the IDB, their regional development bank, this new vision raises a number of fundamental challenges for environmental management.

THE IDB AND THE ENVIRONMENT: THE DECADE SINCE RIO

During the past decade (1990-2000), the Bank's programs and operations have consistently included investment in natural resources and the environment. The Bank's environmental lending and nonlending activities in natural resource and environmental conservation amounted to US\$10.6 billion during that period, with an average of US\$964 million per year.

Lending for the Environment and Natural Resources
1990-2001



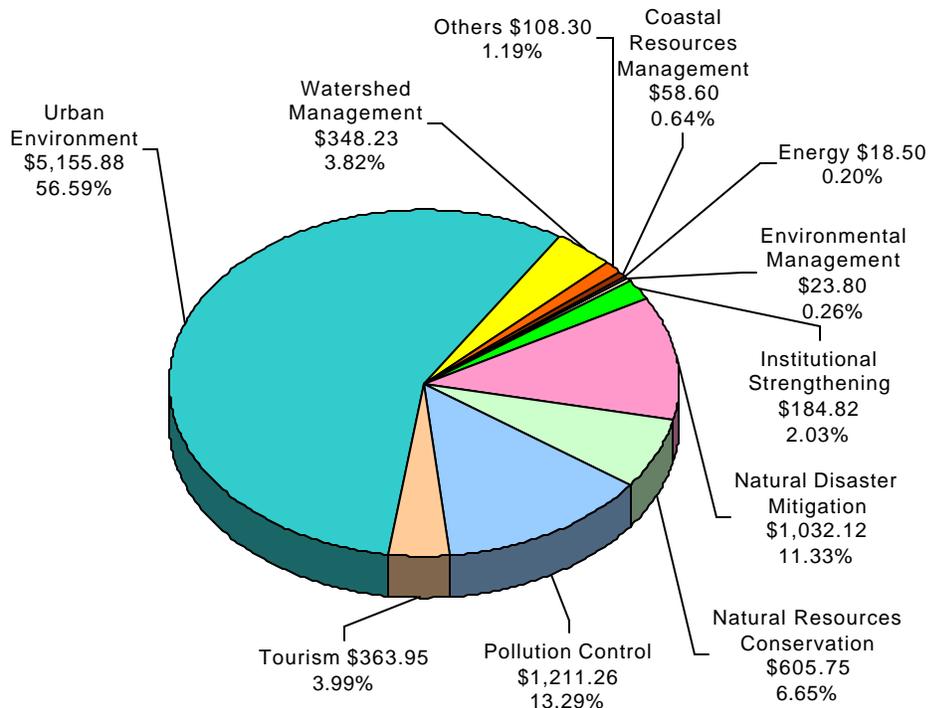
This represented almost 15 percent of total lending for the decade. In the year 2000, the Bank's environmental lending was US\$531 million, which, although lower than previous years, still represented 10 percent of the Bank's total lending. For 2001, the Bank's total lending reached \$7.8 billion with 5.2 percent of that, or \$408 million, being devoted to environmental projects. A review of the environmental projects in the Bank's pipeline for 2002-2003 indicates that the level of lending in this area may rebound as there are more than \$4 billion of projects identified in the environment sector. Although not

all these projects will be approved, this figure shows a high level of activity in the environment sector compared with 2001, and a positive perspective for the new decade, provided the region begins to recover from its economic problems.

Coverage of Environmental Lending

The Bank's environmental operations show a wide distribution among priority areas in the borrowing countries. Besides widely covering the water and sanitation sector, the Bank's portfolio has expanded and diversified in the areas of sustainable development, watershed management, natural resources and local environmental management. The topics covered under the Bank's technical cooperations are also expanding to include a large number of projects under the umbrella of environmental sustainability.

**Total Environment Loans by Sector, 1992 to 2001
(Millions of US\$)**



Water and Sanitation

Large proportions of loans are financing both water sector reforms at the national level and water and sanitation infrastructure and management in specific regions or cities. Financing for water and sanitation projects amounted to an estimated \$5.2 billion during 1992-2001, reaching \$168 million in 2001. Investments in water and sanitation have not only increased coverage, reducing current shortfalls, but have also increased efficiency in management systems and private participation in the sector. Investments in water and sanitation, such as the Federal District Sanitation Program in Brazil or the Lake and City of Managua Environmental Improvements Project, have contributed to significant environmental and health improvements in the project areas.

Pollution Control and Urban Environmental Management

The Bank has supported a number of initiatives in this priority area over the years. Many urban housing, transport, and municipal improvement projects have contained significant environmental components. The Bank has also financed operations dealing directly with cleanup and remediation for the Reconquista and Riachuelo rivers in Argentina, the Bay of Guanabara in Rio de Janeiro, the Tietê river in São Paulo, as well as a national strategy for Decontamination of Critical Areas in El Salvador. Loans for pollution control operations reached \$1.2 billion during the past ten years.

The IDB publication *"Investing in Water Quality: Measuring Benefits, Costs and Risks"* provides a comprehensive report on the costs and benefits of the Bank's intervention in water pollution control. A strategy for integrated water resources management (1998) guides Bank activities in this area. In addition, the Bank is examining the financing needs affecting the sector as part of its contribution to the World Water Forum to be held in Japan in 2003.

The IDB Strategy for Integrated Water Resources Management

The IDB approved its strategy for Integrated Water Resources Management in May 1998. Its purpose is to incorporate the principles of integrated water resources management into the Bank's operations, with a view to conservation and efficient use of water.

The strategy proposes a comprehensive incentive-based, participatory and environmentally responsible approach. It provides guidelines for the Bank's operations to move from a fragmented to an integrated approach on the issue, and from an emphasis based on increasing supply to the sustainable management of demand. The strategy emphasizes the social, economic and environmental value of water, while also recognizing the need for community and private sector participation, with due attention to equity issues. The strategy has been well received by policy-makers in the countries of the region. To date, projects across Latin America and the Caribbean have incorporated key aspects of the strategy.

For further information, see:

http://www.iadb.org/sds/ENV/publication/publication_188_695_e.htm

Natural Resources Management in the Context of Watersheds

Another relevant area of the Bank's portfolio is watershed management. Watershed management has been used as a vehicle for introducing sustainable development with high economic, social and environmental returns. Some of these projects have a high profile in the countries and subregions where they are being executed, such as the Pantanal I Sustainable Development Program in central Brazil, one of the biggest, richest and most vulnerable wetlands in the region and the world. Some other projects deal with rather small watersheds, but whose management is highly critical for the sustainability of local populations. This includes the Priority Basins project in Honduras and the Trinational Project in Alto Rio Lempa in El Salvador, Honduras and Guatemala. In 2001, watershed management operations totaling \$46.8 million were approved, bringing the estimated total for the decade to \$348 million.

For the most part, natural resources management in watersheds deals with rural development issues and the needs of small farmers. The principles of appropriate natural resources management are captured in the Bank's Rural Development Strategy, which is presented in the box below.

**Natural Resources Management in the Context
of Sustainable Rural Development**

The IDB, through the implementation of strategies and policies related to rural development, addresses natural resources management as an integral part of rural economic development. In this sense, IDB projects are expected to address, among others:

- **Legal reforms** to ensure the preservation of forests, promote reforestation and achieve a rational use of water resources.
- **Institutional reforms** to create, modernize and train the regulatory and administrative agencies responsible for natural resources management.
- **Integrated watershed management** to promote optimal resource allocation and properly include the participation of all stakeholders upstream and downstream from the watersheds.
- **Generation and diffusion of intercropping practices** in order to increase yields without reducing soil and water quality, stimulate the use of adapted technologies, and reforest upper watersheds.
- **Implementation of small irrigation projects** or rehabilitation of existing irrigation systems.
- **Design of instruments** to compensate farmers for the environmental services produced by their activities.
- **Strengthened role of protected areas** as a key element in rural development and in the sustainable use and conservation of biodiversity resources, centering on consolidation of the existing national networks of protected areas, participation of rural communities in the management of the areas, and promotion of sustainable use of biological resources, such as ecotourism and alternative natural products.

For further information, see: http://www.iadb.org/sds/ENV/site_47_e.htm.

Regional Sustainable Development

Over the years, the Bank has been deeply involved in a number of operations involving regional sustainable development. The Petén project in Guatemala, for example, seeks to arrest the threatening deforestation of that rich area. The more recent program for the sustainable development of the Darién province in Panama seeks to balance transportation improvements with initiatives to boost local income, provide access to basic services, resolve long-standing issues of land tenure affecting indigenous populations, and support efforts to strengthen the capacity of the Panamanian government to manage the Darién National Park, one of the richest concentrations of biodiversity in the world. In 2001, the Bank became involved in supporting the efforts of

Mexico and Central America to design and implement the multiple initiatives envisioned under Plan Puebla-Panamá.

Coastal and Marine Resources

Conservation and effective management of coastal and marine resources has been another important area of activity for the Bank. In 1998, the Bank issued a Strategy for Integrated Coastal and Marine Resources Management, which serves as a guiding framework for its approach to this important area of activity.

The IDB Strategy for Coastal and Marine Resources Management

The strategy, approved in June 1998, proposes new orientations for the Bank's activities that considerably affect the sustainable development of marine and coastal zones in Latin America and the Caribbean. The elements of the strategy are:

- *The use of integrated coastal management as a framework for making Bank-financed operations more sustainable in the sectors of marine fisheries management, aquaculture, development and refurbishing of ports, and coastal tourism*
- *New paradigms for investment in marine resources*
- *Reduced indirect and cumulative effects in the coastal zone*
- *Procedures to prevent and resolve conflicts in the coastal zone and*
- *Ocean and coastal management.*

Several activities are in preparation or execution, such as the Galapagos Environmental Management Program (2000) in Ecuador and the ongoing Bay Islands Environmental Management Program (Stages I and II) in Honduras.

For further information, see: http://www.iadb.org/sds/env/site_46_e.htm.

Through loans and technical cooperations, the Bank has made a significant contribution to the management of coastal and marine ecosystems in areas of Ecuador, Colombia, Brazil, Barbados, Belize, the Bay Islands of Honduras, and the Galapagos Islands. In this area, the Bank has lent over \$58.6 million, and there are several new projects in the pipeline for 2002-2003.

Natural Disasters

In recent years, the Bank has been called upon repeatedly to support member countries devastated by natural disasters. During the past five years alone, the Bank has approved over \$1.5 billion dollars in loans for projects and components of projects to assist with prevention, mitigation, recovery and reconstruction efforts following hurricanes Mitch and Georges, earthquakes in Colombia, El Salvador and Peru, landslides and flooding in Venezuela and Argentina, and the impacts of El Niño in the Andean countries.

Following the development of its Action Plan on Natural Disasters presented in 2000, the Bank has reviewed its Emergency Reconstruction Facility and established a new Sector Lending Facility that provides financing for member countries to develop more effective programs for disaster prevention and mitigation. Bolivia, the Dominican Republic and Honduras were the first countries to use this new facility.

The Bank's program of Regional Policy Dialogues includes disaster prevention and mitigation as a special topic and provides a forum for continuous interaction between the Bank and high-level policymakers and public officials in the region who are responsible for this critical area of concern.

Specialized training has been provided to the Bank's staff and its Executive Directors on disaster prevention and mitigation and a special initiative is underway to develop alternative insurance schemes for risk transfer. This effort is part of the Bank's mandate, as a follow-up to the Summit of the Americas in Quebec in 2002, in improving and developing financial instruments for disaster risk management.

Action Plan for Natural Disasters

In the past 10 years, natural disasters in Latin America and the Caribbean affected 40 million citizens and caused direct and indirect damage of more than US\$20 billion, as well as the deaths of over 45,000 people. The region is second only to Asia in the frequency of disasters, with an average of 40 per year.

The response of the international community has generally been immediate and generous, through the supply of emergency aid and the financing of reconstruction tasks. Nonetheless, during the recent disasters it has become increasingly evident that the "curative" approach (after the fact) is no longer sustainable. While the risks increase, the general level of assistance available to address these emergencies worldwide has been diminishing since 1992. These trends make it even more necessary to break the cycle of destruction and reconstruction to address the very roots of vulnerability. Taking a harder look at the situation, it is clear that the problems of development help magnify the impact of extreme natural events. Issues such as unregulated urbanization or degradation of the environment result in greater threats to both people and property.

This is why the IDB has prepared a pro-active plan that places emphasis on reducing vulnerability, mitigating and preventing the impact of natural disasters, and creating hazard insurance schemes. The Natural Disaster Action Plan (2000) contains a set of institutional, technical, and financial proposals aimed at reducing vulnerability. It places the Bank more directly at the service of the countries in designing and implementing Integrated Disaster Prevention and Mitigation Systems, and in comprehensive risk management.

Following the Action Plan, the Sector Facility for Natural Disaster Prevention was approved in 2001. This flexible lending instrument finances loans up to US\$5 million per project specifically within the areas of risk identification, mitigation investment, risk transfer, and preparedness.

The Bank is actively involved in a dialogue with its member countries in risk assessment, risk management strategies and the use of financial instruments related to natural disasters.

For more information, see: http://www.iadb.org/sds/ENV/site_2493_e.htm.

Private Sector Programs

The Bank has also done innovative work through the Multilateral Investment Fund, which developed a special strategy for the private sector and the environment in 2000 and has been supporting private sector programs for the introduction of environmental management systems (such as ISO14001) and the creation of specialized investment funds for clean technology, environmental services, energy services companies, and sustainable use of natural resources. The MIF has supported 21 projects in these areas, amounting to \$42 million in funding. Through its environmental due diligence efforts, the Private Sector Department also has contributed to the introduction of environmental management systems approaches in the companies it has supported.

The Multilateral Investment Fund and the Environment

The Multilateral Investment Fund (MIF) fosters the development of the private sector in Latin America and the Caribbean. The MIF makes use of grants as well as investment mechanisms to support small-scale targeted interventions that serve as pilot projects for new approaches and act as catalysts for broader reforms. In a document entitled "New Vision for Sustainability: Private Sector and the Environment," the MIF proposes to provide critical resources and intellectual leadership to promote synergies between the private sector and the environment. Focusing on ecoefficiency, this vision is being used to explore various ways of applying the concept to small and medium enterprises (SMEs). 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." Over the years, the MIF has financed several innovative environmental activities, including:

- *EcoEnterprises Fund – Invests venture capital and technical assistance in environmentally compatible businesses.*
- *FondElec Latin American Clean Energy Services Fund – Invests in small, innovative companies that operate as energy services companies.*
- *Cleaner production and environmental management programs – With grant resources, the MIF promotes the use of cleaner production and other techniques to reduce the costs and improve the competitiveness of SMEs.*
- *Increased opportunities for environmentally friendly market. Through a grant program, the MIF promotes and facilitates exports and trade of environmentally superior and socially responsible products, including organics and fair trade.*

Through these and other initiatives, it is increasingly clear that sustainable development, sound entrepreneurial practices, and solid environmental management go hand in hand.

For more information, see:

<http://www.iadb.org/mif/eng/strategies/environment.htm>.

Climate Change

In 2000, the Bank outlined the role it could play to address issues related to climate change in Latin America and the Caribbean in a document prepared for a special seminar held at its Annual Meetings in New Orleans. Within the context of the Bank's Energy Strategy, the focus of climate change activities has been on internal training and analysis, capacity building, and mainstreaming of efforts to finance renewable energy projects, energy efficiency improvements and urban public transportation projects through the Sustainable Markets for Sustainable Energy (SMSE) pilot program. The SMSE pilot program was phased out as these projects were absorbed by the Bank's regional operations departments. The Bank is now examining the role it can play most effectively under the Clean Development Mechanism (CDM), now that it has been approved by the parties to the Kyoto Protocol at COP7. At present, the Bank has received generous support from donor member countries to pursue a more vigorous climate change agenda in the region.

Environmental Management Capacity

One area in which the Bank has been able to play an especially important role in the region is in supporting countries' efforts to strengthen their environmental management capacity.

REFINA: A Comparative Analysis of Environmental Institutional Strengthening Operations by the IDB

Over the past ten years, the Inter-American Development Bank has financed approximately 15 operations in the area of environmental institutional strengthening. In 2002, the Bank is conducting a review of these operations, called REFINA, to provide an integrated vision of the experiences acquired through institutional strengthening projects in environmental management.

This study assesses to what degree the projects achieved the intended results in terms of the countries' capacity to address environmental challenges. It will also generate recommendations regarding good practices derived from institutional strengthening operations and analyze the use of possible Bank instruments needed for future projects. The evaluation of the projects was carried out on the basis of a common methodology, which placed emphasis on the context in which the institutional strengthening projects were initiated and the way they have evolved through the formal and informal processes that arose as a result of implementation of the projects.

The study is in its final phase and the publication providing the integrated vision of the experiences acquired with institutional strengthening projects in region will be posted on the Bank's webpage.

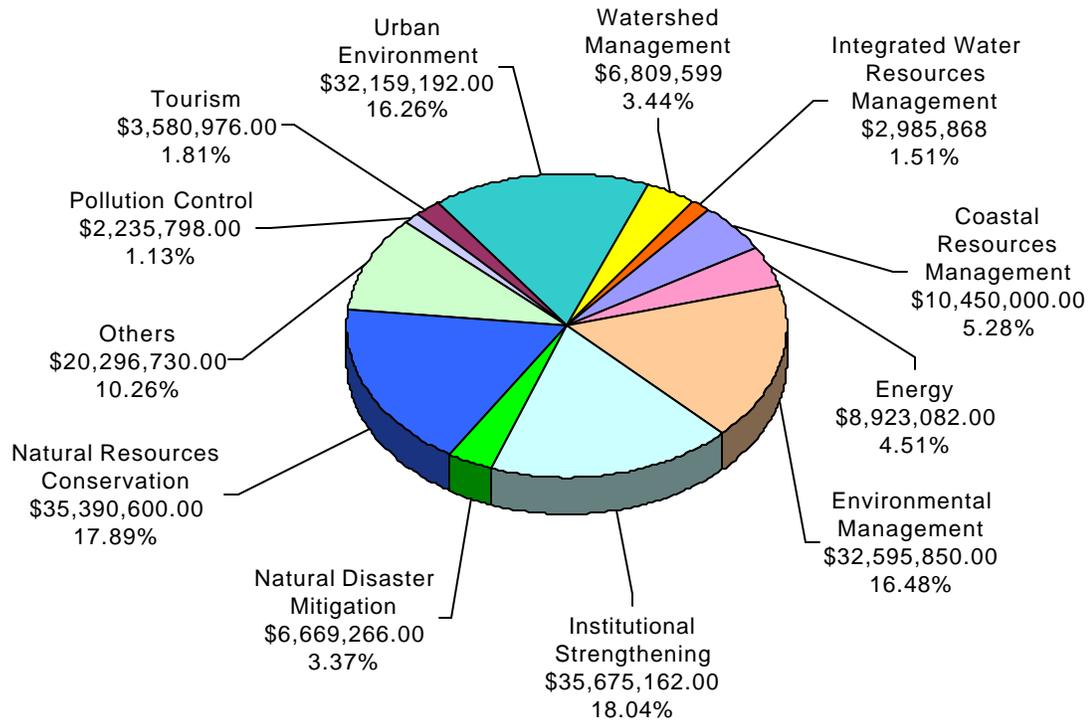
Since 1992, the Bank has worked with 14 countries and provided approximately \$196 million in funding for programs specifically designed to strengthen the capacity of public environmental management institutions and develop appropriate regulatory frameworks. This support helped build the Colombian Ministry of Environment, the National Commission on Environment in Peru (CONAM), the Environmental Authority of Panama (ANA), and the Ministry of Sustainable Development and Environment in Bolivia, among others. It has also been instrumental in strengthening the ministries in El Salvador, Chile and Uruguay and in creating a special environmental fund in Brazil (FNMA). Early in 2001, the Bank launched a comparative assessment of lessons learned from these operations in order to shape strategies and methodologies that could be used in future institutional strengthening efforts and in the use of the Bank's new flexible lending instruments. Most recently, the Bank supported the creation of a new environment ministry in Paraguay. In addition to these activities, the Bank has provided considerable support in strengthening environmental management capacity in nonenvironmental institutions, including the private sector, and in mainstreaming environmental considerations in the Bank's portfolio.

Regional Technical Cooperation and Trust Funds

A crucial source of support for action and innovation in the environmental field is technical cooperations (TCs) financed from the Bank's Fund for Special Operations (FSO) and donor Trust Funds. The many TCs approved annually by the Bank help strength environmental management in the countries of the region. These include feasibility studies, institutional strengthening for environmental management, public participation and environmental management systems, among others.

Given the financial restrictions affecting the ability of some countries to borrow for environmental operations, the Bank's ability to open new fields of activity in environmental capacity building, climate change, renewable energy, and integrated water resources management, among others, is often entirely dependent on the availability of nonreimbursable funding provided by donor countries. During 2000 alone, the Bank financed 67 TCs in the environment sector, for a total US\$29.8 million, which represented 45 percent of the total amount spent by the Bank on TCs. In 2001, a year in which funding for the environment from ordinary capital was very modest, FSO and Trust Fund operations amounted to \$13 million for 60 projects. More than US\$197 million was devoted to nonreimbursable TCs between 1992 and 2001.

**Total Amount Devoted to Environmental Technical Cooperations
by Sector, 1992-2001
(US\$)**



Global Environment Facility

In the year 2000, the Global Environment Facility (GEF) formally adopted a new policy that gave regional development banks direct access to GEF funding for projects addressing global environmental issues. Although the IDB's relationship with the GEF under this policy is still evolving, six projects have been developed for GEF funding, and it is expected that the GEF could become a vital source of grant funding for Bank-sponsored environmental projects in the region and, in particular, for the provision and conservation of global public goods.

Latin America and the Caribbean: Regional Environment Agenda

The Bank has played a key role in the development of the regional environment agenda since the UNCED/Rio meeting of 1992. Along with its bilateral

policy dialogues with borrowing member countries, the development of its environmental portfolio, and its environmental due diligence procedure, the IDB has worked closely with UN/ECLAC, UNDP, UNEP, the World Bank, the Andean Development Corporation, CABEL, and the Caribbean Development Bank, among others, to promote a deeper understanding and response to environment and sustainable development issues.

The preparation and dissemination of special reports, such as *Our Own Agenda* (1992), *Amazonia without Myths* (1992) and *Dawn in the Andes* (1996) were critical contributions to the regional agenda in which the Bank took a leading part.

Since then, with the creation of the Bank's Sustainable Development Department (SDS) in 1994, the Bank has issued more than 50 analyses of natural resources issues and the state of environmental management in the region that provided support to Bank project teams and public officials in member countries. These include country environment strategies for Peru, Jamaica, Panama, and Guyana, among others; background documents for the Bank's strategies on energy, coastal and marine resources management, and integrated water resources management; a report on forest resources policy in Latin America; a report on a comparative evaluation of the application of environmental impact assessment in 26 countries of the region; a review of environmental management in small and medium-sized cities; a special report on financing biodiversity conservation, and a forthcoming report on innovative approaches to environmental management in Latin America and the Caribbean. These publications and others are available through the websites of the Bank, SDS, and the Regional Operations departments.⁴

Direct participation in regional environmental fora has also deepened the Bank's capacity to contribute to the mainstreaming of environmental issues in Latin America and the Caribbean. Through its active membership in the Inter-Agency Committee established by the IDB, UNEP, UNDP, World Bank and ECLAC to support the Forum of Environmental Ministers of Latin America and the Caribbean, the Bank has kept abreast of the critical issues affecting the region and has been able to support the agenda of the ministers. Similarly, the Bank launched a series of regional policy dialogues, two of which deal with the environment and natural disasters, which have provided a unique means for open and practical discussion between high-level officials and the Bank on critical issues and practical alternatives for their solution.

⁴ Websites:

http://www.iadb.org/sds/env_e.htm
<http://ops.iadb.org/re1/en1/index.html>
http://re2.iadb.org/organization/org_en2.cfm
<http://wwwre3.iadb.org/index.htm>

Coupled with its support for the Forum of Environmental Ministers, these policy dialogues place the Bank at the heart of the policy discussion on environment in the region.

***MIREIA: The Review of Environmental Impact Assessment
in Selected Countries of Latin America and the Caribbean***

In 2001, the IDB reviewed the state of environmental impact assessment (EIA) development in the region, as part of a TC program financed by the Japan Special Fund.

The study concluded that 24 of the 26 IDB borrowing countries have formal, operative EIA requirements. Although EIAs have been prepared in the region for more than two decades, results show that the process still requires additional consolidation and needs to achieve greater effectiveness as an environmental decisionmaking and protection tool. Available information, which is incomplete, shows that as of November 2000, more than 22,000 EIA studies had been performed, covering investments totaling more than US\$33 billion. These are underestimated figures, given the amount of missing information. Data on such key aspects as types of projects assessed, size of investments, or participation processes are often missing from archives.

As part of the study's methodology, the report sought the opinions of the region's stakeholders. The 691 stakeholders consulted perceived EIA systems as operative in their administrative procedures, but recognized the need for strengthening efforts to achieve effective prevention of environmental impacts. The stakeholders agreed that the weakest elements of EIA systems are the definition of the coverage and scope of studies, preparation of environmental management plans, review procedures and monitoring mechanisms. MIREIA reviewed 200 EIA reports, evaluating their relevance in terms of compliance with legal and regulatory requirements, quality of information and methodology, and adaptability of the project to environmental policy.

For more information, see: http://www.iadb.org/sds/ENV/site_393_e.htm.

Committee on Environment and Social Impacts

Most IDB programs and operations are subject to an internal environmental review procedure under the responsibility of the Committee on Environment and Social Impacts (CESI). This review provides assurance that in their design, Bank operations foresee the necessary considerations to ensure their

social and environmental viability. This involves the inclusion of environmental management plans in the design of infrastructure projects (such as road, transport, and energy projects), social projects (such as health and education), and urban projects (such as housing and slum improvements).

Through its environmental due diligence efforts, the Bank is mainstreaming the environment in its operations. It is also through CESI that the Bank assures compliance with Bank policies on resettlement, women in development, environment, and health. The coordinator of the IDB's CESI activities is also working closely with multilateral financial institutions, such as the World Bank and other regional development banks, to seek greater agreement and harmonization of environmental assessment requirements.

The Committee on Environment and Social Impacts

The Committee on Environment and Social Impacts (CESI) of the IDB is an advisory committee that meets weekly to review the environmental and sociocultural viability of Bank operations, specifically:

- *The adequacy of environmental and sociocultural protection, mitigation and enhancement measures*
- *The regulatory and management frameworks for environmental and social issues*
- *Rights of indigenous and afrodescendant populations, along with those of other vulnerable groups, and community development issues in general*
- *Involuntary resettlement matters*
- *Consultation and participation requirements*
- *Gender considerations*
- *Occupational safety and health issues.*

CESI is an interdepartmental committee. The wide representation within CESI provides project teams with varied perspectives and guidance drawing from the Bank's internal experience, helping improve the environmental and socio-cultural sustainability of operations.

For further information, see:

http://www.iadb.org/sds/env/publication/publication_394_57_e.htm.

A VISION FOR THE FUTURE

In its special joint report *Renewing the Commitment to Development: Report of the Working Group on Institutional Strategy*, the Bank's Board and management called for the Bank to focus on achieving two fundamental goals for Latin America and the Caribbean: environmentally sustainable growth and reduction of poverty. These goals are to be pursued through priority actions to support the efforts of the Bank's borrowing member countries to foster social reform, support the modernization of the State and civil society, enhance competitiveness, and advance the integration of the region. Bank strategies are under development to address each of these critical challenges. In addition, an environment strategy is being prepared that will enhance the sustainability of the Bank's operations in all these areas.

Preparing the Bank's Strategy on the Environment

Over the past two decades, the Bank has been instrumental in contributing to significant developments in environmental management throughout the region, particularly in supporting governments' efforts to put in place environmental legislative and regulatory frameworks, to create and strengthen environmental institutions. This process, in turn, has yielded several lessons and, as a result, demands and challenges have emerged that call for a new generation of strategic activities to mainstream environmental management within the Bank and across the region. In particular, a strategic framework is needed for focused, systematic action by the Bank and member countries to reconcile targets for economic growth, environmental protection, and poverty reduction. The proposed environment strategy will guide the Bank in responding to these challenges.

Lessons Learned from a Decade of Work

To effectively address the challenges, it is important to draw from lessons learned, including the following:

First, most of the environmental problems facing the region are intertwined with widespread poverty. In Latin America and the Caribbean, environmental management is not just a matter of protecting plants and animal species. It is about improving basic human health, long term productivity, income generation, and overall quality of life, as well as reducing risks and vulnerability. Thus, targets for economic growth, social development, and sustainable environmental management need to go hand in hand. In this sense, successful environmental and conservation efforts place particular emphasis on the benefits for those directly dependent on the natural resource base, particu-

larly in marginal, rural, and indigenous communities, and increase opportunities for income generation by enhancing the economic value of natural resources.

Second, at the heart of the environmental problem is the absence of an efficient set of incentives for environmental protection and natural resources management. This reflects the fact that environmental problems are in part fueled by market failures, such as externalities and inadequate property rights, as well as distorted economic policies that favor the overexploitation of natural resources and rent-seeking behavior. Consequently, economic and sector policies must be addressed in a systematic way to properly internalize environmental costs and the real economic value of resources.

Third, underinvestment in human and natural assets undermines both social equity and the ability of economic growth to effectively reduce poverty. Recent studies show that exposure to degraded environments is regressively distributed, and because the income of the poor is highly dependent on natural and human capital, particularly in a rural setting, environmental degradation places an inequitable burden on the poor. The evidence shows that the sporadic spurts of economic growth experienced in the region have been based on investments in physical and financial assets with relatively low public investment in human capital and environmental protection, causing significant depreciation of natural capital (depletion and degradation).

Fourth, creating environmental institutions and legislation is only the first step. The institutional response and public/private commitments to environmentally sustainable growth require a "governance framework" to effectively link all institutions, civil society, policies, processes, tools and information. Thus, a broad concept of "environmental governance" is one that links and harmonizes policies, institutions, processes, tools, and information to enable a whole array of stakeholders (public, private, NGOs, local communities, and ultimately the global community) to seek consensus, make informed choices, manage conflicts, and become accountable for their actions. The absence of governance mechanisms is probably the major impediment to achieving effective results. Therefore, it is proposed that one of the underlying principles of the environment strategy should be environmental governance.

Although the Bank's internal processes have been effective in monitoring the preparation of assessment documents, environmental due diligence and mainstreaming need to be reinforced. Environmental analysis in Bank operations must go beyond satisfying procedural requirements and be used as a dynamic and proactive tool to improve the design and execution of operations. This will make the Bank's performance more effective, especially with

regard to fully internalizing the environmental dimension in project design and execution.

Elements of a New Framework for Environmental Action

The goal of the environment strategy is to improve environmental conditions in Latin America and the Caribbean, as a necessary condition for achieving sustainable economic growth, reducing poverty and improving the quality of life. The purpose of the environment strategy is to guide the Bank on how best to support member governments, the private sector and civil society in making and implementing environmental decisions that support their long-term development goals.

The environment strategy is intended to provide a blueprint for including environmental considerations in relevant Bank activities. In particular, it will target processes for environmental due diligence, promotion of environmental lending activities and technical cooperations, within the context of a strengthened systematic programming approach. It is understood that the environment strategy encompasses a general framework for sector-specific activities pertaining to natural resources management activities, but it is not limited to those. The strategy should also be an instrument to facilitate Bank dialogue with governments (central and local), civil society, and the private sector.

The specific objectives of the Bank's environment strategy are to: (i) propose priorities for Bank action through instruments such as policy dialogue, country papers, nonlending activities, and lending and technical assistance operations; (ii) develop an action plan for implementation; (iii) develop key indicators to monitor its progress and facilitate its evaluation; and (iv) recommend policy actions.

Priorities for Bank Actions

The environment strategy will identify priorities for Bank actions that can be employed within the context of the Bank's financial and nonfinancial instruments: policy dialogue, country papers, best practice papers, *"encerronas"* (brainstorming sessions), technical training seminars, technical cooperation, and lending instruments, including innovation loans. In a broad context, key priorities for action will be aimed at: (i) strengthening and modernizing environmental governance mechanisms; (ii) reinforcing environmental conditions for sustainable economic growth and competitiveness; and (iii) reducing the negative spiral of poverty and environmental degradation among the poorest or most socially vulnerable segments of society. In addition, some priority actions are more specific and are geared to improving internal effectiveness

and overall coordination among member countries and development institutions. All of these actions are interrelated and reinforce each other.

Strengthening and Modernizing Environmental Governance Mechanisms

The strategy recognizes that environmental governance is an underlying principle for effective management and, in particular, an essential condition for achieving concrete development results from any action or intervention. Therefore, in line with the definition of governance, specific actions will be identified and promoted to reach the following aims:

- Strengthen national and local institutional capacities, regulatory frameworks, and management instruments for natural resources management and pollution control that fall within the guidelines of a modern and financially viable governance framework
- Develop viable policy instruments for environmental management and institutional coordination
- Empower local communities, local governments, and civil society to participate in decisionmaking processes
- Respond to the governance needs of indigenous communities, paying particular attention to their relation to the natural resources base
- Develop management capacities to address the unique environmental conditions and challenges of small islands/states.

Reinforcing Environmental Conditions for Sustainable Economic Growth and Competitiveness

The quality and quantity of the natural resource base is at the core of the necessary conditions for attaining sustainable economic growth and improving competitiveness and the overall quality of life. From small rural communities to major urban centers, the livelihood and economic opportunities of most people depend on the sustainable use of natural resources. Adequate levels of environmental performance are essential to ensure private and public competitiveness in a global economy. Hence, Bank priority actions in this respect will be aimed at:

- Protecting and enhancing the quality of natural capital in all its dimensions (water, soil, forest, biodiversity, and marine resources)
- Enhancing the value of goods and services derived from sustainable use of natural resources through increased productivity and market development
- Facilitating private sector participation as well as public investments through transparent, harmonized, and effective regulatory frameworks

- Encouraging the implementation of ecoefficiency and cleaner production practices
- Promoting public and private occupational health and safety practices
- Facilitating and promoting environmentally sound production activities that reduce production costs and negative social impacts
- Creating opportunities and mechanisms to tap into emerging markets for environmental goods and services, including those that are global in nature
- Promoting regional cooperation on the basis of regional/global environmental services.

Reducing the Negative Spiral of Poverty and Environmental Degradation among the Most Vulnerable Segments of Society

Complementing the actions above, the environment strategy will identify priority actions to target and improve the quality of life of socially vulnerable groups in rural and urban settings, seeking to break the negative cycle of poverty and resource and environmental degradation and to generate improved conditions for social development. These actions will be aimed at:

- Empowering rural communities, women, and indigenous groups to manage their natural resources and to derive increased levels of well-being in a sustainable manner
- Facilitating access to natural resources and basic services, particularly clean and safe water and energy sources
- Promoting coordination between health and environmental institutions to prevent and control environmental pollution problems, such as degraded air quality, lack of sewage treatment, and solid waste and hazardous waste disposal
- Reducing vulnerability due to natural disasters, fostering active programs for prevention and mitigation, including improved human settlement patterns
- Working with local governments to create safe, healthy and livable conditions.

Improving Internal Effectiveness of Bank Performance, Analytical Capacities and Overall Coordination among Member Countries and Development Institutions

The following actions are more instrumental in nature, but are considered to be critical in the implementation of the environment strategy:

- *Mainstreaming environmental considerations* to ensure that all public and private investment activities are consistent with best practices and Bank's

- policies and strategies related to the environment; and to promote cross-sector linkages among different projects toward broad, sustainable development objectives. Environmental mainstreaming is a critical challenge for the Bank to effectively address issues such as the overall impact of policy/sector reforms, the disconnect between the execution of large infrastructure works and capacity building for environmental management, and the social impact of resource-extractive activities.
- *Developing analytical capacities related to the development of environmental performance indicators and the economic valuation of natural resources*, which will allow the Bank and member countries to be more effective in: (i) promoting the use of economic instruments for environmental management; (ii) understanding the economic dimension of environmental problems in terms of cause and effect relationships; (iii) applying the concept of payments for environmental services to address positive and negative externalities; (iv) evaluating alternative economic and environmental policy options; (v) understanding the financing implications of alternative management instruments; and (vi) developing relevant environmental economic indicators of performance.
 - *Harmonizing procedures and best practices among multilateral financial institutions* to jointly develop guidance in the areas covered by environmental assessments and to promote convergence among multilateral financial institutions on the institutional requirements, processes, and good practices in environmental assessments for both public and private sector projects.
 - *Strengthening mechanisms for improved regional environmental dialogue* to properly position the Bank on issues such as: environmental governance; regional environmental dialogue on growth, poverty and environment linkages; country dialogues on environmental public policy; best practices and lessons learned; and transboundary environmental issues.

Performance Indicators

The strategy will include indicators related to targets and goals defined within the priorities for Bank action. Performance indicators will be periodically evaluated, revised, and updated with defined time frameworks for the short, medium and long term. The specific nature and methodology for performance indicators will be determined and agreed during the preparation of the strategy, and in the context of the Millennium Development Goals and the World Summit on Sustainable Development in Johannesburg. The Millennium Goals, which were agreed at the United Nations Millennium Summit in September 2000, include achieving several targets to integrate the principles of

sustainable development into country policies and programs and reverse the loss of environmental resources.⁵

These are the basic elements of the strategy that is now under development. The environment strategy will be subjected to a process of public consultation that reflects the IDB's commitment to strengthening civil society and democratic processes throughout the region.

THE IDB AND CIVIL SOCIETY

Since its establishment, the IDB has been a pioneer in working with civil society organizations and nongovernmental organizations in Latin America and the Caribbean, and with similar organizations based outside the region, on projects to advance social and economic welfare.

The Bank's Social Entrepreneurship Program offers NGOs, micro-entrepreneurs, cooperatives and other community-based organizations the opportunity to obtain loans for seed capital that is accompanied by grants for technical training.

The Inter-American Institute for Social Development (INDES) offers courses throughout the region aimed at giving local citizens' groups and governments a set of basic skills in management, accounting and related areas to enhance their ability to serve those who have most need of their services: the poor and the disadvantaged.

The Bank's State, Governance and Civil Society Division, created in 1994, works to strengthen civil society organizations and foster strategic alliances between the State and civil society in the development process. This is done in a variety of ways through both lending and nonlending operations. To date the Bank has approved many innovative loan operations that include components to build capacity in civil society organizations at the national and sub-national levels. Technical cooperation has also facilitated consensus building activities between the Bank, civil society, the State and the private sector.

Over the years, the means by which the Bank reaches out to civil society groups in the design and execution of the projects it helps to finance have become more systematic. The IDB has a civil society contact and resource person in each of its 26 country offices in the region. Since 1994, the Bank's

⁵The IMF, UN, OECD, and World Bank have prepared a set of goals referred to as international development goals, published in "2000 A Better World for All," which, for all practical purposes, have been absorbed into the Millennium Goals.

governors have insisted that borrowers and project teams consult with affected populations on operations being considered for possible financing that have significant potential social, environmental and economic impacts.

The Bank believes that flexibility is a key attribute of its outreach to civil society groups and seeks to adapt to different circumstances in individual countries and sectors. Thus, in some countries, the IDB has taken the step of establishing civil society advisory groups as one mechanism to relate to and consult with civil society. In others, the Bank conducts its regular, periodic dialogue with civil society through umbrella groups or networks.

The rapid evolution and strengthening of collaboration between the Bank and civil society could not have occurred without the countries themselves demonstrating a new and in some cases unprecedented commitment to democracy, transparency and dialogue. In accordance with the information disclosure policy adopted by the Bank's shareholders, public information centers at IDB headquarters and in the country offices offer access to documents, including environmental impact assessments, on major loan and grant projects from the time they first enter the Bank's pipeline of proposed operations through their final implementation. Tandem listings are available on the Bank's website. All of these offer communities and other interested parties a means of obtaining information about ongoing and future projects, fostering participation and encouraging informed dialogue between borrowers and their local constituents.

The Bank's involvement with civil society organizations and NGOs extends beyond the scope of individual projects to the preparation of strategy papers, operational policies and, in some countries, to the loan programming process. Beginning in 2000, country strategies—comprehensive documents outlining the rationale for the Bank's collaboration with the government—have been publicly available. The IDB's Sustainable Development Department has worked closely with NGO networks and organizations from across the region to prepare a strategic framework for participation in the activities of the Bank.

The Bank tries not to interfere with the dynamic of mutual accountability between governments and their citizens. At the same time, it is obliged, as a partner with the countries in which it works, to foster better and more equitable standards of living, and to advocate for long term, sustainable development, ensuring that people share a sense of ownership in IDB-supported projects and programs.

In the coming years, the IDB will continue to broaden and deepen its operational and strategic collaboration with civil society. In a region that feels every day the effects of greater global economic integration—some disruptive

or painful in the short term, but many positive—one of the foremost challenges facing Latin America and the Caribbean is to make the region's development more inclusive and participatory. The IDB is committed to playing a role in this effort.

THE NEXT STEP

On the occasion of the World Summit on Sustainable Development, the Inter-American Development Bank can look with measured satisfaction on its record of achievement on the environmental front and its efforts to promote genuine sustainable development. Through its internal policies and due diligence procedures, its lending and technical assistance operations, and its nonlending services, the Bank has made a considerable contribution to the region's understanding of environmental issues and its capacity to address them. Much needs to be done, however, to assess the impact of this contribution and draw on the lessons that can be learned from the Bank's experience. In order to achieve genuine sustainable development for the region in the years ahead, environment and natural resources management considerations must become a more integral part of policies designed and implemented to foster economic growth, increase social equity, reduce poverty and expand democracy in the region.