



REPORT SUMMARY



INTER-AMERICAN DEVELOPMENT BANK

Sustainability Report 2013



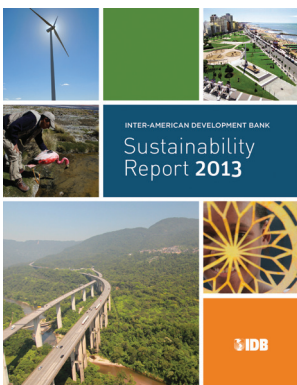
What is Sustainability at the IDB?



Long-term economic growth and the reduction of poverty and inequality in Latin America and the Caribbean depend on development that is both socially inclusive and environmentally sustainable.

At the Inter-American Development Bank, this means maximizing positive environmental and social outcomes while minimizing risks and negative impacts to people and natural capital.

We do this through support to the region through a balanced combination of loans, grants, special programs, and knowledge products.



This document is a summary of the IDB's Sustainability Report 2013. The full report is available at: www.iadb.org/sustainability.

The IDB also publishes a GRI Index to accompany this and other key reports. This is available at www.iadb.org/GRI

A Message from Our President



In 2013, the rate of unemployment and poverty in Latin America and the Caribbean continued to decline, while the 2.7 percent average growth in the region's GDP reflected a steady but slow global economic recovery. The challenge now is to accelerate the region's growth with less dependence on the external conditions that favored us in the past decade.

Infrastructure that is environmentally and socially sustainable is a signature aspect of the required efforts and features prominently in IDB's new Infrastructure Strategy.

A sound infrastructure strategy spurs economic growth and competitiveness while improving quality of life. We also know, however, that if infrastructure contributes to environmental degradation or climate change, it can harm quality of life and future growth opportunities. The Bank is focusing on infrastructure projects that take advantage of modern technologies, by designing solutions that increase the supply of services while contributing to environmental sustainability.

Our strategic approach includes a special focus on environmental challenges unique to urban areas, given the expected expansion of the middle class and continued urbanization over the next decade. This year's report tells the story of Mar del Plata in Argentina, one of 26 cities in our Emerging and Sustainable Cities Initiative. From improving urban walkability to a better plan for solid waste separation, this is an excellent example of how city planning can improve quality of life by protecting the natural environment.

In Brazil, Serra do Mar inspires us with its community spirit and commitment to restore the Atlantic forest, while improving living conditions. In Haiti, we worked closely with local people and government and global counterparts to help protect a 75,000-hectare marine park near an IDB-financed industrial facility.

Through these and other stories, this report chronicles IDB's progress investing in and safeguarding sustainability through projects that benefit the region's people and environment.

Luis Alberto Moreno
President

Our Framework for Sustainability



The IDB's Sustainability Framework stems from its charter and funding mandates. To meet these mandates, we have put in place strategies and priorities to guide our support and lending portfolio along with a robust safeguards system. In addition, the Bank tracks measurable results, adherence to lending targets, and the effectiveness of its safeguards. We also emphasize knowledge and capacity building—essential components to ensure sustainability.

SAFEGUARDS POLICIES & PROCESS

- Process to Apply a Suite of Safeguard Policies (environment, indigenous peoples, gender, resettlement, disaster risk management, access to information) and Accompanying Guidelines

MANDATE

- Bank Charter
- GCI-9 Mandates

SECTOR STRATEGIES & PRIORITIES

- Sector Strategies
- Lending Program Priority (environment and climate change)

Our Framework for Sustainability

CAPACITY BUILDING & KNOWLEDGE

- Internal Training
- Knowledge Products
- Client Training & Capacity Building
- Strengthening the Use of Country Systems

MEASURING RESULTS

- Regional Development Goals
- Output Contributions to Regional Goals
- Lending Target (environment and climate change)
- Safeguard Performance

Our Sustainability Performance



TWENTY

percent total lending for environmental sustainability and climate change-related projects, putting us on target to meet our goal of 25% by 2015

EIGHTY-SEVEN



percent of projects with high environmental and social risks rated satisfactory, exceeding our goal of 85% by 2015

THREE

climate change pilot projects in key economic sectors



THREE

national frameworks for climate change mitigation supported

FIFTEEN

loans contributing to improved management of terrestrial and marine protected areas



ONE million+



people given access to improved public low-carbon transportation

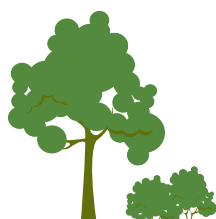
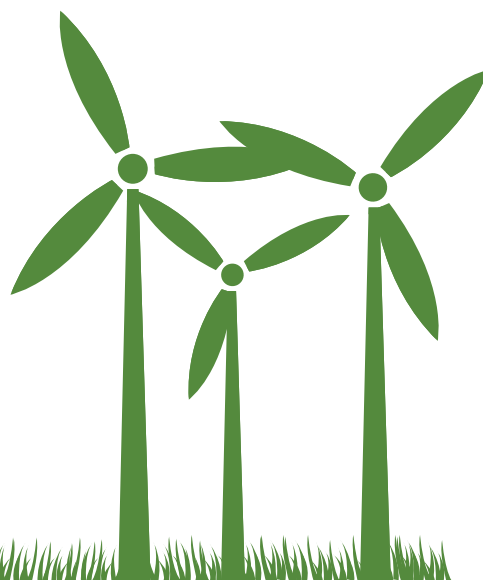
ONE million+



farmers given access to agricultural services and investments

SIXTY

percent of IDB-supported power generation capacity from low carbon sources



Meeting the Sustainable Infrastructure Challenge

The urbanization rate in Latin America and the Caribbean has rapidly expanded over the past two decades—from 62 percent in 1980 to 79 percent in 2010. This increase has presented daunting environmental and social challenges in the region and driven demand for clean energy and low-carbon systems. Demands for clean energy and low-carbon transportation systems are also increasing.

Sustainable and efficient infrastructure—the buildings, roads, and services necessary for modern society to operate smoothly, particularly in cities—is essential for meeting these challenges and improving the quality of life in the region.

In 2013, the Bank approved a new infrastructure strategy, Sustainable Infrastructure for Competitiveness and Inclusive Growth. The strategy builds on our extensive infrastructure experience—particularly renewable energy, water and sanitation, transport, and urban development—and focuses on development that balances environmental, social, and fiscal concerns.

The new strategy is consistent with the Bank's Integrated Strategy for Climate Change Adaptation and Mitigation and for Sustainable Renewable Energy, as well as new Bank guidance on urban development and housing.



IDB's loan investments in sustainable infrastructure in 2013:

THREE

mass transit projects
approved (US\$418 million).



SIX

water and wastewater projects
approved (US\$775 million).



THREE

renewable energy
(including hydro)
projects approved
(US\$374 million)





Promoting Sustainability in the Private Sector

In 2013, the IDB launched a regional infrastructure 360° awards in partnership with the Harvard Zofnass Sustainable Infrastructure Program. The awards recognize outstanding sustainability practices in the private sector and in public-private sector investments in energy, transport, water production, wastewater and solid waste, and telecommunications.

Protecting Valparaíso's Cultural Heritage

Over the last decade, a US\$25 million investment by the Bank to the city of Valparaíso in Chile—a UNESCO World Heritage Site—has resulted in the restoration and preservation of the cultural heritage of the city. The project, which concluded in 2013, set out a comprehensive strategy to reclaim areas with historical value and economic potential through investments in roads, public spaces, and both public and private real estate.

Costa Rica's Green Dam

As part of the Bank's involvement in the Reventazon hydropower project, an agreement was put into place during 2013 with the large-cat conservation group Panthera to support the Costa Rican energy regulators' management of a biological corridor, including independent monitoring. Improvements in this corridor include reforestation of priority areas, informal and formal education to improve agricultural practices, and institutional strengthening. The monitoring system includes camera traps that allow the tracking of jaguars and other endangered species.

Belize Revamps Its Solid Waste Management

The turnaround at a dumpsite in Belize has positioned the country at the forefront of solid waste management in the region. For years, Belize City disposed of solid waste in an unstable, low-lying mangrove area. In 2013, the government completed the first phase of a sanitary landfill—financed by an IDB loan of US\$11 million—at a safer and more appropriate location. A new modern facility is used to collect and sort trash before it is transferred to the landfill or recycling plants.

Planning for Resilient Cities

In 2013, the IDB added five cities to the Emerging and Sustainable Cities Initiative, bringing to 26 the number of participating cities. The IDB launched this initiative in 2011 to collaborate with growing intermediate cities and partners to make informed planning decisions and take immediate action related to the challenges of rapid urbanization, including environmental sustainability and climate change.

The initiative builds on the Bank's experience developing comprehensive urban development programs, as well as a long history of supporting water and sanitation infrastructure projects. It is also consistent with the Bank's work to develop sustainable energy solutions and to ensure development resilience to the impacts of natural disasters.

Under this initiative, the Bank works closely with each city. The program begins with a participatory process to evaluate cities and identify priority areas for development as part of an action plan. Based on each plan's objectives, the second phase focuses on the implementation of actions and specific urban interventions, along with the establishment of programs that encourage residents to participate in monitoring environmental impacts.

By the end of 2013, some 28 million people were benefiting from the initiative.



In 2013

FIVE

new cities added



TWENTY-SIX

participating cities



TWENTY EIGHT

million beneficiaries



FOUR

regional capacity
building seminars





An Urban Model for Sustainability in Argentina

Home to 615,000 people, Mar del Plata in Argentina is the ideal representative of an emerging city. During 2013, the IDB's Emerging and Sustainable Cities Initiative addressed three key challenges in the city related to environmental sustainability: lack of wastewater treatment, a need for improvements in solid waste separation, and a high reliance on carbon-intensive transportation.

To reduce dependence on car ridership and the associated carbon emissions, the city hired Denmark-based Gehl Architects to improve walkability in three commercial and civic city centers.

The city had constructed and inaugurated a new sanitary landfill just before the launch of the ESCI. During the analysis process, however, the initiative identified a need for a source separation program, which the city has now begun to implement.

Along with the ongoing construction of an outfall, a discharge point for wastewater that the IDB is financing, the city now plans to build a wastewater treatment plant that the IDB is financing, to treat the sewage stream to higher environmental standards. Part of the existing financing package will help move the project forward in 2014.

Strengthening Our Support for Natural Resource Management



As the region grows, it faces the challenge of balancing development needs with the protection and management of natural resources, within the context of a changing climate. Sustainable land management and improving rural livelihoods are critical to this equation.

The IDB finances activities that improve the management of protected areas, support environmental institutional strengthening, generate income opportunities for communities that depend on ecosystem services, manage coastal and marine resources, and support climate change and disaster risk management initiatives in critical watersheds.

Biodiversity and Ecosystems Services Program

In addition to its ongoing work program, the Bank made strides in 2013 to establish new mechanisms that address the importance of maintaining key ecosystem services, on which the rural poor of the region are overwhelmingly dependent. These mechanisms also increase our efforts to secure the natural capital necessary to support future economic growth in productive sectors and infrastructure.

The Biodiversity and Ecosystems Services Program, together with a new Multidonor Fund, both approved in 2013, will expand technical and financial assistance to member countries and integrate biodiversity and ecosystem services into key economic sectors in IDB-financed operations. The program is focused on four lines of action:

- Assessing and integrating the economic value of biodiversity and ecosystem services into infrastructure and productive sectors.
- Increasing awareness of and protecting critical and large-scale ecosystems of regional significance.
- Supporting countries in the implementation of directed and effective environmental policies, governance, frameworks, and public investments.
- Creating new economic, financial, and business opportunities that contribute to sustainable development and include innovative techniques for the protection of biodiversity and maintenance of ecosystem services.



Brazil Answers the Question: What's in a Mosaic?

Serra do Mar—the Atlantic coastal rainforest of Brazil—is one of the most endangered ecosystems in the world. The IDB and the State of São Paulo have invested US\$470 million in an ambitious project to promote the region's social and environmental recovery.

The Serra do Mar is a vital link between the hydrological and ecological systems along its ridge and the coastal and marine systems at its base. Separating the two is a narrow strip of human-dominated coastline. The environmental systems here provide economically important ecosystem services. To preserve these, the state has created several protected areas, including:

- Serra do Mar State Park, a band of Atlantic Forest that protects part of the mountain slopes.
- Jureia-Itatins Mosaic, contiguous protected areas of different conservation categories with the only remaining area where the Serra connects to the sea.
- Marine Protected Areas that cover the often-neglected portion of the land-sea interface.

Over the years, human settlements have encroached on the parks, and these settlements lack security and basic public services. To address community needs while recovering and protecting the natural area, the IDB and the State of São Paulo have created an urban housing model that offers 15 different options in various locations—always near public services, employment, and commercial areas.

In 2013 IDB approved:

SIX

environmental and
disaster risk
management loans



NINE

Biodiversity and
Ecosystem Services
Grants



FOUR

IDB-Global
Environment
Facility Grants

FIVE

Integrated Water
Resource Management
Grants



Building resilience to coastal hazards

A new BES grant, approved in 2013, will help establish a climate risk-resilient Integrated Coastal Zone Management Program in Bahamas. The program will highlight the contributions of the rich natural environment to the country's sustainable economic development effort and help build resilience to coastal hazards, including the impacts of climate change.

Innovating for Resource Efficiency and Cleaner Production



The inefficient and at times wasteful use of natural resources, including energy, water, and materials, lies at the heart of key environmental challenges, including climate change. Thus we need to put a greater emphasis on the linkages between consumption and production. As Latin America and the Caribbean make gains in productivity, job creation, and economic growth, demand increases for solutions that recognize these connections.

Reflecting this need, and as part of the Bank's sustainability efforts, energy efficiency and cleaner production are a growing component in the IDB portfolio. In particular, through our private sector investments, we seek to strengthen corporate environmental practices, support the adoption of internationally accepted best practices, and take the lead in the deployment of cleaner production and energy-efficient methods. We identify clients and projects, specifically in the agricultural and manufacturing sectors, that are willing to pilot new technologies, products, or processes to "green" their business.

Innovation and technology have the potential to upgrade existing firms and launch new ones at the cutting edge of environmental responsiveness and financial profitability. The IDB makes direct investments through market-based loans and guarantees to support cleaner production and resource-efficient projects, as well as through financial intermediaries for the development of green financing credit lines.

While much of our work in this area is focused on private sector investment, the Bank's support for clean production and energy efficiency is growing in its public sector support, particularly in the housing sector.

Modernizing a Textile Tradition

In 2010, one of the oldest traditional Ecuadorian textile companies, La Internacional, benefited from US\$25 million of IDB financing to help refurbish a small self-supply hydroelectric plant, improve its energy efficiency, and install an industrial residual waste treatment facility, improving the water quality of the surrounding community.

Investment Strategies that Multiply Environmental Benefits

Leveraging the influential role of financial institutions to strategically target climate-friendly borrowers is one of the ways the IDB Group can engage the private sector to benefit the environment. In 2009, the IDB provided its first “green” credit line in Central America to Banco General in Panama. By providing a US\$20 million loan, we supported the inception and growth of Banco General’s environmentally friendly portfolio.



ECOCASA: Houses that Help the Planet and People’s Budgets

In November 2013, the United Nations selected the IDB-financed Mexican sustainable housing program ECOCASA as a Lighthouse Activity—a “shining example that serves to inspire and increase momentum for further action on climate change.” Supported by a US\$100 million IDB investment in 2012, the program supports the construction of 27,000 efficient homes that will help reduce emissions of greenhouse gases in the country, while improving quality of life for the homes’ occupants. As of December 2013, approximately 750 ECOCASAs had been built and about 4,400 were under construction.

Safeguarding for Sustainability



We know that investing in and protecting our natural and social capital improves the quality of life for residents. Therefore, it is incumbent on the Bank and our partners to understand and mitigate potential negative environmental and social impacts and risks associated with our investments. We do this through the application of a suite of safeguard policies and guidance. These policies, which we model after the best international practices, are essential to our mission to reduce poverty and inequality.

The value of safeguards goes beyond mitigating risks to enhancing the value of the projects to local communities, governments, and investors alike, as well as contributing to the development of best practices in the region.

The IDB works closely with countries and clients to identify, manage, and monitor projects that have high environmental and associated risks and impacts.

What do IDB Safeguard Policies Cover?

- Natural habitats and cultural sites
- Pollution prevention and abatement
- Hazardous materials
- Resettlement
- Indigenous peoples
- Consultation
- Gender equality
- Disaster risk management
- Transboundary impacts
- Access to information

In 2013, the environmental and social categorization of the **168 loans** approved was: **3 As, 51 Bs, 30 Cs,** and **84 Uncategorized.** Of this total, **59 were classified as high-risk.**

In 2013, **86 percent** of sovereign guaranteed and **88 percent** of non-sovereign guaranteed operations had a satisfactory rating in safeguard implementation.

In 2013, investments in renewable energy and other energy-savings projects will result in **greater GHG emission reductions** than the total aggregate gross emissions from greenfield and expansion projects.



Protecting Haiti's Marine Resources

In December 2013, the Haitian government officially designated 75,000 hectares in northeastern Haiti for the country's second Marine Protected Area. Haiti's regional planning group, Comité Interministériel d'Aménagement du Territoire, and the Haitian Ministry of Environment—supported by the Global Environment Facility, the IDB, the Haitian Ministry of Economy and Finance's Technical Execution Unit, and UNDP—established the marine Parc des Trois Baies et des Lagon aux Bœufs.

The IDB worked closely with the government, university scholars, local residents, and global development partners to establish the protected area, which is near an IDB-financed industrial facility.



Tracking Flamingos in Bolivia to Preserve Biodiversity

Countries in Latin America and the Caribbean are home to some of the world's richest biological diversity. The region is also experiencing rapid population growth and transformation, leading to an increased demand for power generation. The construction and operation of power line infrastructure to meet projected demands have potential impacts on biodiversity, such as through bird collisions, habitat loss, or habitat fragmentation.

As part of an IDB-financed grant, ornithologists and field biologists equipped five Andean flamingos near Laguna Colorada, Bolivia, with ultra-light GPS transmitting devices during 2013 to track the flight paths and altitude of the birds. The study will inform future developments in the region.

Download the full Sustainability Report
at **www.iadb.org/sustainability**



Inter-American Development Bank

1300 New York Avenue, N.W.

Washington D.C. 20577, USA

Tel: (202) 623-1000

www.iadb.org