



INTER-AMERICAN DEVELOPMENT BANK

# SUSTAINABILITY REPORT

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# 2015



ABOUT THE IDB

The Inter-American Development Bank (IDB) is the main source of multilateral financing for Latin America and the Caribbean. Since it began operations in 1961, the IDB has provided over US\$260 billion in loans and guarantees to countries in the region for projects to reduce poverty, raise standards of living, spur economic growth, protect natural resources, foster integration and trade, and reach other agreed goals. Approvals of loans, guarantees, and operations of the IDB Grant Facility in 2015 totaled US\$11.3 billion, and Bank disbursements on approved loans amounted to US\$10.4 billion.

HOW WE ARE GOVERNED

The IDB is a global partnership of 48 member countries in which the 26 borrowing countries of Latin America and the Caribbean hold the majority of shares. The Bank’s 22 non-borrowing members in North America, Europe, the Middle East, and East Asia provide resources and technical expertise. The voting authority of each member corresponds to its subscriptions to shares in the Bank’s ordinary capital. The IDB holds a credit rating of AAA/aaa, the highest available.

The IDB’s highest authority is its Board of Governors. Each member country is represented on the IDB Board of Governors. Most of its members are finance ministers or central bank presidents. The Board of Governors holds an annual meeting to approve the Bank’s financial statements and review major policy decisions. The Board of Governors delegates oversight of day-to-day Bank operations to the Board of Executive Directors—14 individuals representing the 48 member countries— which approves country and sector strategies, operational policies, and loans.

The Board of Directors also sets conditions for Bank loans, authorizes borrowings in the capital markets, and approves the institution’s administrative budget. The IDB president, elected by the Board of Governors for a five-year term, manages the Bank’s operations and administration together with an executive vice president and three vice presidents.

The IDB Group also includes the Multilateral Investment Fund, which fosters private sector growth through grants and investments, and the Inter-American Investment Corporation (IIC), which supports small and medium-sized businesses.

IDB PEOPLE AND LOCATIONS

The IDB’s 1,960 employees are located at its Washington, D.C., headquarters, in country offices throughout Latin America and the Caribbean, and in offices in Tokyo and Madrid. Women account for approximately 52 percent of the Bank’s total staff. The IDB promotes diversity and inclusion via a series of progressive human resources policies and practices.

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. Recognizing this, at the IDB we have made a commitment to maximizing positive environmental and social outcomes of our work while minimizing risks and negative impacts on people and natural capital.

ABOUT THIS REPORT

In 2005, the IDB made a commitment to report to its stakeholders on its progress toward sustainability in response to the recommendations of a Blue Ribbon Panel established to provide strategic advice to the Bank on promoting environmental and social sustainability in the region. The Bank’s first Sustainability Report was issued in 2006.

This Sustainability Report details sustainability progress and performance of the IDB against our commitments throughout the 2015 fiscal year. It includes a summary of our actions in 2015 in the areas of sustainable infrastructure, sustainable cities, climate change, natural capital, and gender and diversity, with a series of stories that illustrate our progress in the region. We also report on how our safeguards are contributing to our sustainability outcomes in the region. IIC activity for 2015 is not included in this report unless specifically referenced.

IDB BONDS: A SUSTAINABLE INVESTMENT OPTION

The IDB uses the resources it raises in capital markets to support programs that promote development and economic growth while respecting and protecting the environment. As a result, non-financial agencies have rated IDB’s bonds as a strong alternative for institutions with sustainable and socially responsible investment strategies. We have an Oekom Research sustainable investment rating of “Prime” and Sustainalytics responsible investment rating of 73 (third out of 80 in the Financial Sector). Both agencies’ ratings consider environmental, social, and governance aspects of our work.

The Bank also provides investors with innovative new options. Launched in 2014 with issuances extending into 2015, the Education, Youth, and Employment (EYE) Bond program provides funding for IDB’s eligible EYE project loans (which must meet pre-defined eligibility criteria). The EYE bond program demonstrates that IDB’s commitment to sustainability transcends development projects and reaches investor relations, by catalyzing innovative capital market structures such as EYE bonds to channel more investor capital into sustainable investments➔.



INTER-AMERICAN DEVELOPMENT BANK

SUSTAINABILITY  
REPORT  

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2015

# INSIDE THIS REPORT

6

A MESSAGE  
FROM OUR  
PRESIDENT

8

OUR  
SUSTAINABILITY  
JOURNEY

10

STRENGTHENING  
OUR  
FRAMEWORK  
FOR  
SUSTAINABILITY

*IDB’s structure for and  
progress toward supporting  
environmental and social  
sustainability*

12

INVESTING IN  
SUSTAINABILITY

*IDB’s investments, programs,  
and initiatives; stories  
that share our clients’  
sustainability successes*

56

DELIVERING  
SUSTAINABILITY  
THROUGH  
SAFEGUARDS

*IDB’s safeguard policies and  
processes; performance  
highlights from our most  
complex projects*

80

SUSTAINABILITY  
AT HOME

*IDB’s efforts to minimize our  
environmental footprint and  
support our communities*

14

INVESTING  
IN CLIMATE  
CHANGE AND  
ENVIRONMENTAL  
SUSTAINABILITY

16

NEW  
SUSTAINABILITY  
INVESTMENTS IN  
2015

18

THE IDB AND  
SUSTAINABLE  
INFRASTRUCTURE

26

THE IDB AND  
CLIMATE CHANGE

36

THE IDB AND  
SUSTAINABLE  
CITIES

44

THE IDB AND  
NATURAL CAPITAL

50

THE IDB AND  
GENDER AND  
DIVERSITY

58

DELIVERING  
SUSTAINABILITY  
THROUGH  
SAFEGUARDS: BEST  
PRACTICE

60

ADDING  
VALUE WITH  
ENVIRONMENTAL  
AND SOCIAL  
SAFEGUARDS

62

MANAGING  
SAFEGUARDS  
IN OUR MOST  
COMPLEX PROJECTS

76

CALCULATING  
OUR GREENHOUSE  
GAS FOOTPRINT  
IN OUR LENDING  
PORTFOLIO

78

OUR  
ACCOUNTABILITY  
MECHANISM

For additional online  
content or links to  
other sections of  
the report, click  
this symbol found  
throughout the  
document ➡.

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# A MESSAGE FROM OUR PRESIDENT



**Sustainable development is one of the central challenges of our time.**

We don't have to tell countries that their investments need to be more sustainable. They already know that. The critical issue is getting it done. And, in part, this means that we have to support their efforts and sometimes show them that it can be done. So in recent years we have worked hard to put sustainability front and center in our operations. We've done this because a changing region would expect nothing less from us. Development that harms the environment and exacerbates social tensions takes us on a path that eventually leads off a cliff. We have to accompany the region as it steers away from that path. Only then we will meet the needs of the present without compromising the ability of future generations to meet their own needs. So how do we put in place the structure and tools for a more flexible and responsive Bank that sets sustainability at its core?

**We have developed robust sustainability programs.** Over the last 10 years, we have built new programs and special funds and have provided increasing financial and technical resources and support to meet the challenges of a changing region—and to put sustainability as a core component of the Bank's work. During this time we have significantly increased our capacity to understand and mitigate the impacts of climate change, while helping countries to better adapt to its reality. We have introduced new platforms to help emerging cities identify paths to long-term sustainability, and programs to ensure that biodiversity considerations are mainstreamed into all aspects of our work. And we are driving a fundamental paradigm shift whereby properly planned infrastructure that is environmentally, socially, and fiscally sustainable is seen as a service. Through these programs and funds, the IDB has demonstrated an increasing commitment to incorporate sustainability concerns in the design and execution of loans and grants, and to promote a constructive agenda on sustainability issues through its analytical work, policy dialogue, and country strategies.

**Our structure has evolved and grown.** With our capital replenishment in 2010, we bolstered our resources and realigned our lending priorities and goals which, five years later, I am pleased to report have been met for the most part, and in some cases exceeded. As we head into 2016, we have refined our institutional strategy and the metrics by which we are measuring our progress to match the region's evolving challenges and needs, with a new and more dynamic Bank group structure. The renewed IDB Group will enable us to be more selective and agile in leveraging resources and delivering knowledge and technical know-how. It will steer us for the next four years, supporting ongoing and future strategic discussions at the corporate, country, and operational levels. And we have revised the metrics by which we are measuring the success of our development programs, aligning them with the new global Sustainable Development Goals for 2030. I am pleased

to announce that the Board of Executive Directors have approved, for 2016, the creation of a new climate change and sustainable development department within the Bank as a means to further consolidate functions, resources, and a vision of sustainability for years to come.

**We have renewed our commitments to sustainability in the region.**

In December during COP21, we reiterated our commitment to strengthen support to the region—making infrastructure finance consistent with a low emissions and climate-resilient model of development and redirecting resources away from unsustainable high carbon assets into renewable energy and other sustainable forms of infrastructure. The IDB, along with other development banks, pledged to work together to substantially increase climate investments and to ensure that development programs going forward consider climate risks and opportunities. We now stand ready to step up our financial and technical assistance to help the region implement the Paris agreement.

**We have achieved a lot, but there is more work to be done.** We took big steps in 2015 to ensure that sustainability is front and center in our operations. Over a third of our lending during that year supported climate change initiatives, sustainable energy, and environmental sustainability. And an increasing number of projects included gender and diversity considerations. We made important progress through special programs to bolster sustainability investments in cities, to mainstream biodiversity in our development projects, and to deepen the understanding and practice of sustainable infrastructure. And all the while we ensured the success of our sustainability efforts across all sectors through the application of robust environmental and social safeguard standards, with a record of 89 percent of our high-risk projects under supervision attaining satisfactory safeguard performance ratings.

I invite you to read this *2015 Sustainability Report* and to learn some of the ways in which the IDB is making sustainability work for the region. We also took this opportunity to look back over 10 years of progress in our sustainability journey, which you can further explore online. We are proud of our achievements but also cognizant that we have much more work to do. We hope you will join us.



# OUR SUSTAINABILITY AND SAFEGUARDS JOURNEY

## 2005-2015

In 2005, the Bank put into place a new environment and safeguards policy, which provided a vehicle for ensuring sustainability in our work. In the years to follow, we developed a series of new policies, innovative programs and projects, and publications, to position the Bank as a leader in environmental and social sustainability, and began to measure our progress against our sustainability goals in our first-ever Sustainability Report. Ten years later we are charting our advances in this interactive timeline.

2015

- APPROVED:** IDB accreditation to the Green Climate Fund
- APPROVED:** six new Sector Framework Documents (SFDs)-including energy, environment, food security, and climate change
- LEADING EDGE:** Country Disaster Risk profiles for its 14 countries
- LEADING EDGE:** The IDB and partners support the UN's Sustainable Energy for All Initiative in the Americas.

2014

- LEADING EDGE:** IDB and Harvard recognize sustainable infrastructure projects in Latin America
- LEADING-EDGE:** IDB channels US\$2.46 billion in climate finance
- APPROVED:** IDB supports the first regional green bond totaling US\$50 million
- LEADING-EDGE:** IDB's GEF portfolio surpasses US\$300 million across more than 50 projects

2013

- LEADING EDGE:** 15 projects including components that contribute to improved management of terrestrial and marine protected areas
- LEADING-EDGE:** Support for national frameworks for climate change in Guyana, Haiti, Peru, and Suriname.
- LEADING EDGE:** Emerging and Sustainable Cities Initiative grows to 26 countries
- APPROVED:** New Sustainable Infrastructure for Competitiveness and Inclusive Growth strategy

2012

- LAUNCHED:** Biodiversity and Ecosystem Services Platform
- LEADING-EDGE:** 33 percent of IDB loans approved focus on climate change, clean energy and environmental sustainability
- LEADING EDGE:** MDBs pledge US\$175 billion investment in sustainable transportation systems
- APPROVED:** Innovative river offset as part of the Reventazon Hydroelectric Power project in Costa Rica

2011

- APPROVED:** Integrated Climate Change Mitigation and Adaptation Strategy.
- LAUNCHED:** Emerging and Sustainable Cities Platform
- COMPLETED:** 146-city Water and Sanitation Initiative
- PUBLISHED:** First report on portfolio GHG emissions

2010

- APPROVED:** The IDBs 9th General Capital Increase includes a series of reforms such as strengthening social and environmental safeguards as well as targets that will increase sustainability and climate change investments
- APPROVED:** New operational policy to promote gender equality
- COMPLETED:** Innovative coastal infrastructure program in Barbados
- APPROVED:** Innovative Serra do Mar and Atlantic Forest mosaics system socio-environmental recovery project in Brazil

2007

- LAUNCHED:** Sustainable Energy and Climate Change Initiative and Fund
- LAUNCHED:** Water and Sanitation Initiative
- LEADING-EDGE:** IDBs headquarters go carbon-neutral
- APPROVED:** Innovative watershed management project in Ecuador

2006

- APPROVED:** New Environment and Safeguards Compliance Policy consolidates environmental safeguards consistent with best international practice
- ESTABLISHED:** New Ethics Code
- APPROVED:** New Operational Policy on Indigenous People to empower the active participation of indigenous peoples in development while respecting their priorities, natural assets, and cultural heritage
- ESTABLISHED:** Disaster Prevention Fund

2009

- APPROVED:** IDBs first investments in wind power.
- APPROVED:** record financing of US\$55 million for natural disaster risk management
- LEADING-EDGE:** Coal-fired power plant climate impact guidelines
- APPROVED** US\$1.8 billion in water and sanitation projects

2008

- ESTABLISHED:** US\$1.5 billion Spanish fund for water and sanitation
- APPROVED:** first policy-based loan focused on climate change in Mexico.
- ESTABLISHED:** Action Plan for Improving Disaster Risk Management
- LEADING EDGE:** IDB President calls for equality and racial inclusion.

2005

- ESTABLISHED:** Blue Ribbon Panel on Environment advises on ways IDB can better contribute to achieving sustainability in the region
- APPROVED:** Action Plan for Promoting Sustainable Energy and Mitigating Greenhouse Gases
- PUBLISHED:** First IDB Sustainability Review
- APPROVED:** Innovative Panama Canal Watershed project

Visit our interactive sustainability and safeguards timeline at [www.iadb.org/sustainability](http://www.iadb.org/sustainability)

# STRENGTHENING OUR FRAMEWORK FOR SUSTAINABILITY

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. Recognizing this, at the IDB we have made a commitment to maximizing positive environmental and social outcomes of our work while minimizing risks and negative impacts to people and natural capital.

The IDB’s Sustainability Framework stems from its charter and funding mandate to reduce poverty and inequality and to achieve sustainable growth among its borrowing member countries in Latin America and the Caribbean. 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.



## MANDATE FOR SUSTAINABILITY

The mandate of the Bank is to foster the economic and social development of countries in Latin America and the Caribbean. With the approval of the Ninth General Capital Increase in 2010, the IDB Board of Governors endorsed the Bank’s Institutional Strategy that would serve as our core strategic guidance to fulfill our mission in the following years. It established two overarching objectives: achieving sustainable growth and the reduction of poverty and inequality. The Institutional Strategy also established a Corporate Results Framework to measure development results in 2012–2015.

The Strategy and Results Framework has enabled strong results. However, recognizing our commitment to ensure that the IDB remains effective and efficient in the context of emerging challenges in the region, in 2015 we approved an Update to the Institutional Strategy (2016–2019). Our two overarching objectives remain valid. Additionally, given the challenges and barriers the region must overcome to ensure that development gains are preserved and that the region continues to converge toward becoming a prosperous and inclusive region, the Update to the Institutional Strategy identifies three development challenges—social exclusion and inequality; low productivity and innovation; and lack of regional economic integration—and three cross-cutting themes: climate change and environmental sustainability, gender equality and diversity, and institutional capacity and the rule of law.

## SECTOR PRIORITIES AND STRATEGIES

The Bank’s Institutional Strategy is complemented by five sector strategies:

- Social policy for equity and productivity
- Infrastructure for competitiveness and social welfare
- Institutions for growth and social welfare
- Competitive regional and global international integration
- Efforts to protect the environment, respond to climate change, promote renewable energy, and ensure food security

The Bank has also developed 20 Sector Framework Documents that provide additional guidance and direction in the context of specific subsectors of our work, including newly approved SFDs in 2015 for Environment and Biodiversity, Food Security, Climate Change, and Energy.

Taken together, the sector strategies and SFDs present the knowledge and experiences that can better guide environmental and social sustainability in our investments. In practice, this means a focus on more projects that increase the climate resilience of water systems, coastal and marine ecosystems, forests, and agriculture and that have the largest potential for reducing greenhouse gases, such as the promotion of smart and sustainable infrastructure. This requires both financial and technical investments in new and efficient renewable energy solutions, the expansion of mass transit and environmentally sustainable road infrastructure systems, new wastewater infrastructure, resilience projects for urban and rural settlements in vulnerable coastal areas, cleaner and more-efficient industrial and agricultural production, and progressive policies and governance structures that will help ensure long-term environmental and social sustainability. It also involves ensuring that projects benefit women and men equally, as well as marginalized groups.

## SAFEGUARD POLICIES AND PROCESSES

Seeking environmentally sustainable solutions to infrastructure development and financing climate change adaptation and mitigation initiatives are only part of the sustainability equation. Biodiversity impacts, involuntary resettlement, health and safety concerns, gender equality, and a range of other variables—many of which may not appear on a traditional spreadsheet but that can radically alter the long-term cost-effectiveness of development efforts—are inextricably linked with long-term environmental and social viability and inform the overall efficacy of any project. With this in mind, the Bank assesses and monitors projects across its portfolio to identify and mitigate potential environmental and/or associated social risks and impacts and to ensure maximum economic value.

The IDB’s suite of safeguard policies and guidelines support sustainability through a two-pronged approach:

- Mainstream environmental and social concerns: Encourage borrowing members and developers to include environmental and social aspects as central considerations in all project activities.
- Minimize negative impacts by applying safeguards: Identify, monitor, and mitigate issues that arise throughout a project’s life cycle.

## KNOWLEDGE AND CAPACITY BUILDING

The Bank integrates state-of-the-art knowledge and best practices in sustainability into its operations. In addition to internal training, the Bank develops training and learning activities for strategic partners and clients in the region. We also promote knowledge alliances and exchanges within the Bank and with development partners. The IDB is committed to strengthening its clients’ national systems for sustainability, in line with efforts by other multilateral financial institutions, with the intent of using these systems when designing, executing, and evaluating Bank-financed operations.

## MEASUREMENT OF RESULTS

The IDB Corporate Results Framework, established as part of GCI-9, tracked performance from 2012 through 2015 on a broad set of indicators, including our contribution to regional development goals, sustainability and safeguard performance, lending volumes, and efficiency. In our performance scorecards throughout this report, we note our progress in 2015 in achieving some of these goals. More detailed information and data are available in the Bank’s Development Effectiveness Overview, published annually. Our Update to the Institutional Strategy also establishes a Revised Corporate Results Framework to measure development results in 2016–2019, which will serve as a critical tool for us to continue to report on our contributions to sustainability next year and beyond.

In particular, this includes new specific indicators related to climate change, such as emissions intensity of our countries’ economies, and the proportion of Bank operations that contribute to climate change mitigation and/or adaptation. Other targets and goals have been amended: for example, we are increasing the percentage of operations with high environmental and social risks rated satisfactory in implementation of mitigation measures from 85 to 90 percent. And our lending targets have been replaced with the identification of development challenges and cross-cutting themes to which operations are strategically aligned, including alignment of new approvals with at least one challenge or cross-cutting theme of the Update to the Institutional Strategy.

## WHO IS RESPONSIBLE FOR SUSTAINABILITY?

In short, achieving our sustainability objectives and targets requires shared commitment and responsibility throughout the IDB. Responsibility for achieving our sustainability mission lies with the president, supported by the executive vice president, vice presidents, managers, and specialists in the different programming, operational, and technical areas. The Independent Consultation and Investigation Mechanism (MICI, from its name in Spanish) and IDB’s oversight bodies play important roles in ensuring that sustainability is given due consideration. Further information on IDB structure, roles, and responsibilities is available online.





## INVESTING IN SUSTAINABILITY

Guided by sector priorities and strategies, the IDB provides support to the region through a balanced combination of investment loans, policy-based loans, grants, special programs and initiatives, and knowledge products that target or incorporate environmental and social sustainability outcomes. Critical to these are our strategies on sustainable infrastructure and on climate change and renewable energy, which are further supported by specific sector guidance. Taken together, these help maximize the opportunities for environmental and social sustainability in our investments. In practice, this means a focus on projects that increase the climate resilience of water systems, coastal and marine ecosystems, forests, and agriculture and that have the largest potential for reducing greenhouse gases, such as the promotion of smart and sustainable infrastructure.

It also involves ensuring that projects benefit women and men equally, as well as groups that may historically have been marginalized. This requires both financial and technical investments in new and efficient renewable energy solutions, the expansion of mass transit and environmentally sustainable road infrastructure systems, new wastewater infrastructure, resilience projects for urban and rural settlements in vulnerable areas, cleaner and more-efficient industrial and agricultural production, and progressive policies and governance structures that will help ensure long-term sustainability. We also provide financing and assistance to specifically target marginalized groups throughout the region.

### IN THIS SECTION

#### OUR PROGRESS

- 14 Investing in Climate Change and Environmental Sustainability
- 16 New Sustainability Investments in 2015
- 18 The IDB and Sustainable Infrastructure
- 26 The IDB and Climate Change
- 36 The IDB and Sustainable Cities
- 44 The IDB and Natural Capital
- 54 The IDB and Gender and Diversity

#### OUR STORIES

- 22 The Bahamas: Easing Traffic Problems and Flooding with a Road and a Pond
- 24 Ecuador: Controlling Water through Restoration
- 30 Chile: Here Comes the Sun
- 32 Mexico: “De-Risking” Green Finance
- 34 Barbados: How Do You Green a Business?
- 40 Argentina: Metropolitan Services for a Sustainable Salta
- 42 Colombia: A Multi-sectoral Approach Toward a Sustainable Pasto
- 48 The Caribbean: Natural Capital, the First Line of Defense Against Climate Change
- 54 El Salvador: A Women’s City





# INVESTING IN CLIMATE CHANGE & ENVIRONMENTAL SUSTAINABILITY

## WE CHART OUR ANNUAL PROGRESS TOWARD SUSTAINABILITY IN LATIN AMERICA AND THE CARIBBEAN

This means responding to the region's needs for:

WITH:



ENVIRONMENTAL  
SUSTAINABILITY



CLIMATE CHANGE  
MITIGATION &  
ADAPTATION



SUSTAINABLE  
ENERGY



- INVESTMENT LOANS
- POLICY-BASED LOANS
- GRANTS
- INITIATIVES
- SPECIAL PROGRAMS
- KNOWLEDGE PRODUCTS

## WE MET OUR 2015 GOAL FOR SUSTAINABILITY LENDING

We set ourselves a 2012–2015 institutional lending program **target of 25%** of lending to support climate change initiatives, sustainable energy, and environmental sustainability.

In 2015 we invested US\$11.3 billion through 171 projects, of which

**US\$10.7 BILLION**  
**(168 PROJECTS)**

was financed with IDB funds.

Over a third of these funds were invested in projects targeting



Environmental  
Sustainability

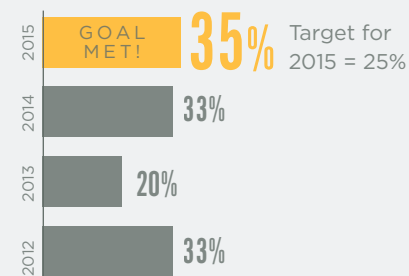


Climate Change  
Mitigation & Adaptation



Sustainable Energy

## GOAL MET!



## PROJECTS THAT CONTRIBUTE TO

- Reducing the vulnerability or increasing the resilience of human and natural systems with respect to climate change and increased climate variability
- Increasing access to renewable energy, supporting supply, and reducing price risk
- Contributing to the conservation and sustainable use of biodiversity
- Stabilizing GHG emissions and protecting/enhancing GHG sinks
- Ensuring quality, economic efficiency, and renewable energy services
- Reducing pollution

## IDB INVESTS IN A WIDE RANGE OF DEVELOPMENT PROJECTS THAT INCLUDE



RENEWABLE  
ENERGY



ENERGY  
EFFICIENCY



GOVERNANCE &  
CLIMATE POLICY



CLEANER  
PRODUCTION



CLIMATE  
ADAPTATION



GREEN PRODUCTS  
FOR FINANCIAL  
INSTITUTIONS



SMART AND  
SUSTAINABLE  
INFRASTRUCTURE



SUSTAINABLE  
TOURISM



MASS  
TRANSIT



DISASTER RISK  
MANAGEMENT



URBAN  
REGENERATION &  
RESILIENCE

## WE MADE ADVANCES IN 2015 THROUGH SPECIAL PROGRAMS & INITIATIVES

Climate Investment  
Funds:

**US\$2.2 BILLION**

climate finance for  
mitigation and adaptation

Biodiversity & Ecosystem  
Services Program:

**US\$1.7 BILLION**

**(8 PROJECTS)**

Sustainable Infrastructure Initiative:

**10** EVENTS



**11** PUBLICATIONS  
PREPARED

Emerging and  
Sustainable Cities  
Initiative:

**55** PARTICIPATING  
CITIES

Gender and  
Diversity:

**US\$121 MILLION**

in loans with indigenous  
peoples or African-descendant  
beneficiaries

## WE TRACK REGIONAL SUSTAINABILITY PROGRESS

**18** Countries with  
Planning Capacity  
for Climate Change  
Mitigation and  
Adaptation  
**(INCREASING)**

**13.3%** Area of  
Terrestrial &  
Marine Areas  
Protected to  
total territorial  
area

*(unable to determine trend due to  
methodological revisions)*

**US\$8.2 BILLION**

Annual Reported Economic  
Damages from Natural  
Disasters

**(DECREASING)**

**0.28KG**

CO<sub>2</sub> Emissions per  
US\$GDP

*(no change)*



# NEW SUSTAINABILITY INVESTMENTS IN 2015

In 2015 we approved US\$3.8 billion in lending, as well as additional non-reimbursable grant resources, to projects targeting environmental sustainability and climate change mitigation and adaptation. Here are just some of the projects that we expect to result in positive changes in our region in the years to come.

**A Green Bonds in Mexico.** In 2015 the Bank approved the first use of the Regional Green Bond Facility, providing up to US\$100 million of IDB funds and US\$50 million from its China Fund. The revolving credit line will support a portfolio of energy efficiency projects developed by ECON, an Energy Services Company, for facilities of Pemex (the Mexican state-owned petroleum company) that will be subsequently securitized. ➔

**B Disaster Risk Mitigation in Haiti.** A new US\$42 million grant to Haiti will improve watershed management, especially in rural areas, mitigating the risk of natural disasters associated with climate change. Increasing the protection of key watersheds can improve production in the country's agricultural sector. Specifically, the project will increase capacities for adaptation to climate change and disaster risk management in the agricultural sector, improve water and sediment conservation in selected gullies of priority watersheds including the Centre-Artibonite Loop, and reduce the risk of rural economic losses due to floods in targeted watersheds. ➔

**C Diversified and Sustainable Tourism in Belize.** As a follow-on from the Bank's work with Belize's Ministry of Tourism, a new loan for US\$15 million will support efforts to increase overnight visitor demand and expenditure in a socially and environmentally sustainable manner through the diversification of tourism products and destinations and improved management of the tourism sector, aligned with the objectives of the National Sustainable Tourism Masterplan. ➔

**D Hydropower Rehabilitation in Honduras.** The IDB, with counterpart financing from the Japan International Cooperation Agency, will recuperate and conserve the power generation capacity of the Cañaveral-Río Lindo Hydropower Complex in Honduras. The project will contribute to the country's energy security through efficiency improvements and the extension of the complex's power generation and transmission infrastructure. ➔

**E Harnessing the Sun in El Salvador.** A new private sector loan from the IDB and its Canadian Climate Fund will finance the construction, operation, and maintenance of a 100 MW solar photovoltaic plant and its related facilities. The plant, which will be the first utility-scale solar power plant in El Salvador, will supply 170 GWh of electricity per year to the national grid, allowing for an easing of El Salvador's dependence on energy from fossil fuels. ➔

**F Fruity Biomass in Costa Rica.** Under the Bank's Energy Efficiency Finance Facility, the IDB approved an investment tranche of US\$5 million, with additional resources from the NDF Guarantee Fund, for the Costa Rican company TicoFruit to switch from bunker fuel to producing steam with waste biomass for its orange and pineapple juice fruit processing plant. The company will also produce electricity for the plant by utilizing the waste heat from the boiler, a renewable and highly energy-efficient process. ➔

**G Cleaning up the City and Bay in Panama.** A new loan of US\$110 million of IDB capital and China Fund resources will contribute to the improvement of sanitary conditions in the Bay of Panama and Panama City through the expansion of the wastewater treatment plant of Juan Diaz, which currently benefits the metropolitan area of Panama City. The project will reduce the pollutant load in the bay and the rivers crossing the metropolitan area, increase the flow of treated wastewater, and ensure the system's sustainability by building the capacity of the Ministry of Health. ➔

**H Improving Environmental Management in Guyana.** A second loan for Guyana's environmental strengthening was approved in 2015, building upon the process of implementation of the Strategic Plan to strengthen the new Ministry of Natural Resources and the Environment. In particular, the program will support the consolidation of Guyana's Low Carbon Development Strategy and its Reducing Emissions from Deforestation and Forest Degradation program. ➔

**I Nuts about Forestry in Colombia.** Through its GEF Climate Smart Agriculture Fund, the IDB will provide the Colombian company Kahai with a small loan to plant approximately 240,000 cacao trees for the production of meal, nuts, and oils for export in value niche markets. The project is consistent with the fund's thematic areas of enhancing carbon stocks and improving agricultural management and can serve as a showcase in a region characterized by less-sustainable land uses. ➔

**J Energy Transition in Ecuador.** Two loans totaling over US\$500 million to the government of Ecuador, approved in 2015, will help support the country's energy transition. The first, a programmatic loan, will promote the sustainability of the energy sector, strengthening the electricity subsector and supporting regional electricity integration, with an expected long-term impact of reducing the country's reliance on petroleum. The second will strengthen Ecuador's National Electricity Distribution System while providing better-quality and more reliable electricity services, working closely with Ecuador's Ministry of Electricity and Renewable Energy. ➔➔

**K Disaster Risk Management in Bolivia.** A new US\$143 million programmatic loan will help Bolivia prevent and prepare for natural disasters. The goal is to create an institutional structure with clearly defined responsibilities for the different levels of government and ministries, with established financial resources, for the prevention and management of emergencies through the approval of national legislation, norms, and planning procedures for disaster risk management. ➔

**L Renewable Energy Expansion in Uruguay.** The IDB continued to support the expansion of renewable energy in Uruguay through two loans, totaling US\$216 million, to finance the construction of the Colonia Arias and Valentines wind farms and their related works. These projects are in line with Uruguay's efforts to significantly increase the proportion of renewable energy within its overall energy matrix. Each park will have the capacity to generate 70 MW. Both projects will be carried out under the auspices of the National Administration of Power Plants and Electrical Transmission, which under a long-term contract will purchase all the power generated. ➔➔





# THE IDB AND SUSTAINABLE INFRASTRUCTURE



## THE CONTEXT FOR OUR WORK

Latin America and the Caribbean face the urgent need to substantially increase investment in infrastructure. Recent analyses have indicated that investments of up to 5 percent of Latin America's gross domestic product (GDP) (US\$250 billion) will be required to close the gap between future needs and existing infrastructure ➔.

Infrastructure provides the basis for economic growth and human well-being. It is crucial for delivering key transport, energy, water, and sanitation as well as communications services to a growing populace, especially in cities. Infrastructure investments are also at the forefront of tackling climate change.

However, infrastructure projects may also have considerable negative impacts on the quality of life and the environment if they are poorly designed and implemented. Thus, the challenge the region is facing is twofold: addressing the need for new and rehabilitated infrastructure projects to deliver services to meet growing demands while at the same time effectively managing the environmental and social risks and impacts associated with infrastructure projects.





OUR STRATEGIC FOCUS

The IDB’s Sustainable Infrastructure Strategy is addressing this challenge and focuses on how to provide the region’s citizens with high-quality public services through properly planned infrastructure that is environmentally, socially, and fiscally sustainable. The strategy also makes a fundamental paradigm shift from viewing infrastructure as an “asset” to seeing it as a “service.” This shift in perception drives a shift not only in thinking about the purpose of infrastructure but also in ensuring that we look at infrastructure throughout its lifecycle.

Infrastructure is the biggest lending pillar in IDB operations, with average approval amounts of US\$4 billion over the past five years. In 2015 we were at the forefront fighting to close the infrastructure gap in Latin America and the Caribbean. We ensured sustainable investments in energy, transportation, and water and sanitation, particularly in growing urban areas. Factored in was the need for climate change mitigation and adaptation, with the latter

being key as the region is highly vulnerable to the negative impacts of climate change.

We further dedicated our efforts to mainstream the concept of sustainable infrastructure within the Bank and to provide a better understanding of key aspects of sustainability in the infrastructure sector. In a series of roundtable discussions we shed light on the economics of sustainable infrastructure and on the urban dimension of infrastructure that is planned and developed in a multi-sector approach as well as on how to ensure social standards in transport projects.

In 2015, we held the second round of the *Infrastructure 360°—Private Sector Infrastructure Sustainability Awards*. We took a deep look at our loan operations by applying the Envision Sustainable Infrastructure Rating System in order to assess the sustainability of public sector projects, so as to learn the Bank’s greatest strengths in funding sustainable projects and the most important gaps to fill. This exercise was accompanied by trainings that enabled us to plan and assess sustainable infrastructure projects based on Envision.

FIVE THINGS TO KNOW ABOUT OUR SUSTAINABLE INFRASTRUCTURE WORK IN 2015

1.

**We have partnered with some of the most important global promoters of sustainability of infrastructure.** Harvard University’s Zofnass Program for Sustainable Infrastructure is helping us assess the level of sustainability of some IDB-sponsored infrastructure projects, as measured by the Envision rating system categories (quality of life, leadership, resource allocation, climate and risk, and natural world). And with the support of the Institute for Sustainable Infrastructure we have conducted training workshops where infrastructure specialists learn how the market defines sustainability, going through the Envision credit system in detail.
2.

**We held the Sustainable Mega-Infrastructure and Impact Assessment Symposium in Panama.** Working with the International Association of Impact Assessment, invited policy makers and technical experts set the basis for principles and criteria for effective project design, planning, and implementation of sustainable infrastructure.
3.

**We gained international recognition for our Emerging and Sustainable Cities Initiative (ESCI).** Along with 16 of the most game-changing climate action initiatives from around the world, the Bank won the United Nations Framework Convention on Climate Change (UNFCCC) 2015 Momentum for Change Award. ESCI is helping over 50 Latin American and Caribbean cities take concrete climate action through targeted programs, such as GHG inventories, risk and vulnerability assessments, and urban growth scenarios.
4.

**We are positioning gender aspects in the infrastructure sector.** Pilot interventions have been integrated in projects in Bolivia, Nicaragua, and Paraguay that seek to increase the participation of women in the operation of heavy machinery and other non-traditional activities. Furthermore, a number of studies to expand knowledge on gender issues in the industry were developed during the year, and events were held to mainstream gender in the infrastructure sector and discuss the unconscious bias of gender stereotypes. Notably, the 2015 IDB Transport Week, an internal knowledge sharing and training event for IDB sectoral specialists, included a focus in gender issues in transportation.
5.

**We continue to support the design and execution of cross-sectorial infrastructure projects in Latin America.** This year, we have worked closely with the government of Colombia designing and implementing the *Sustainable Colombia* Initiative, which will create a fund with a special emphasis on climate change mitigation and conservation of biodiversity in rural areas affected by the conflict. A new multi-sectoral project in Bolivia will increase the resilience of the domestic water supply and irrigation system for two municipalities. And an alliance with the Caribbean Development Bank will fund the development of energy efficiency and renewable energy technologies in the eastern Caribbean.

2015 IN NUMBERS

- 6

agriculture and disaster risk management projects approved – US\$293.7 million
- 6

water resource management projects approved – US\$843.4 million
- 11

transport network connectivity, logistic planning, and general rural and urban road projects approved – US\$844.3 million
- 9

energy efficiency, energy integration, and energy-related institutional strengthening projects approved – US\$998 million
- 284

Operations in execution in the infrastructure portfolio – US\$28.6 billion

LEARN MORE

- IDB Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth
- Story: Easing Traffic Problems and Flooding with a Road and a Pond in The Bahamas
- Story: Controlling Water through Restoration in Ecuador





# THE BAHAMAS: EASING TRAFFIC PROBLEMS AND FLOODING WITH A ROAD AND A POND

New Providence in The Bahamas is home to more than 70 percent of the nation’s population as well as to its capital, Nassau. The island’s inhabitants have faced road congestion and other traffic issues for decades. With this in mind, the New Providence Transport Program (NPTP) was conceived to alleviate traffic problems through a more-efficient, safe, and well-planned road network.

In 1994, studies of a major infrastructure investment began in order to overhaul 23 km of existing roads and construct 15 km of new roads. Extensive planning for the project focused on reducing travel times, improving pedestrian and road-user safety, increasing mobility, reducing transportation costs to users, and enhancing natural and public spaces in the surrounding areas. With US\$195 million in expenditures, the project addressed underlying transportation issues while mitigating environmental impacts and improving the quality of life for nearby residents.

In terms of the environment, the project was conceived with a high level of awareness of the extent of its impacts and successfully considered ways to engage with and enhance the natural

site. The careful consideration of land, water, and biodiversity allowed the project to coexist among the island’s natural systems. New Providence’s unique low-lying geology—prone to surface and groundwater contamination—was consistently monitored to prevent pollution, soil erosion, and silt runoff, while materials stored during construction and contaminated materials for disposal were also addressed.

In the long term, preventative design measures contributed to community robustness by defending against future flooding, one of the island’s most characteristic vulnerabilities. After low-lying areas prone to ponding were identified, vertical drainage wells were inserted to promote water infiltration. After significant rainfall and hurricane events, areas using this system were found to be free of water, giving emergency response units access to affected areas.

In addition, repairs to leaking distribution pipes encountered during excavation greatly improved potable water distribution and safeguarded against future water losses. This measure proved highly beneficial: given that drinking water in the island is obtained via costly imports or energy-intensive

desalination facilities, the reduction of spillage has helped guarantee 24-hour service for consumers. It has also lowered the amount of energy needed to desalinize ocean water as well as the water import bill.

Efforts to offset environmental impacts were largely concentrated on the restoration and conservation of a 181-acre public park known as Big Pond—a space with high visibility and community significance. The Big Pond project sought to re-establish the park as a destination for residents and wildlife. Realizing this vision required significant commitments. Prior to the project, Big Pond received 16 percent of the island’s storm water runoff. Investments were made to restore and conserve the existing water while removing contaminated soil, stopping illegal dumping, and revitalizing the ecosystem necessary for native flora and fauna to thrive.

Vehicular and pedestrian traffic was routed to improve traffic patterns, reduce environmental impact, and enhance accessibility and visibility of the park. Flood abatement measures were also woven into the project in Big Pond and throughout the NPTP network. This helps alleviate an ongoing problem on the island—frequent flooding—and demonstrates the project’s awareness of long-term challenges posed by climate change.

A MORE-EFFICIENT, SAFE, AND WELL-PLANNED ROAD NETWORK IN THE BAHAMAS HAS ADDRESSED UNDERLYING TRANSPORTATION ISSUES WHILE REDUCING ENVIRONMENTAL IMPACTS AND IMPROVING RESIDENTS’ QUALITY OF LIFE.

## THE NUMBERS

66 mil US\$ in total expenditures

70% of the people in The Bahamas live on New Providence

16% of the island’s storm water runoff ends up in Big Pond

38 km of new and revitalized roads

181 acre public park contains Big Pond



## LEARN MORE

- IDB Project: New Providence Transport Program ➔





# ECUADOR: CONTROLLING WATER THROUGH RESTORATION

Over the past decade, the population of Quito, Ecuador, has faced a number of challenges generated by accelerated population growth. A surging population in hillside areas close to the city limit has stressed the city’s potable water and sewerage systems, leaving many residents with poor-quality water and inadequate sewage disposal systems.

Moreover, these infrastructure pressures have been exacerbated by erosion of such natural drainage systems as hillsides and ravines. These important geological elements have deteriorated due to rapid and uncontrolled urban expansion. As a result, the city, its habitants, and the surrounding natural environments have been more susceptible to landslides and floods caused by heavy rains.

The Metropolitan Quito Environmental Sanitation Program was identified as a potential solution to these growing challenges. This public program was developed and administered by the Metropolitan Quito Water and Sewage Company (EPMAPS) and sought to provide residents of Quito with reliable and sustainable water, sewage, and flood control services. With a total estimated cost of US\$112 million, the Bank approved a loan of US\$67 million,

allowing EPMAPS to work toward seeking efficiency and providing important services in a sustainable manner.

The program was designed around five key pillars: potable water system improvements, construction of new sewage infrastructure, construction of underwater storm water collectors for flood abatement, landslide management through environmental restoration, and development of institutional capacities. Each pillar included its own studies, plans, and actions to ensure sustainability and advancement toward the project’s overarching goals.

As part of this undertaking, 19 ravines on the slopes of the Pichincha-Atacazo massif were restored, providing new public spaces and vastly improving erosion control and runoff from storm water. These natural drainage systems will prevent and minimize the risk of landslides and flooding. Although many aspects of this program were successful, this project stands out as a major achievement in green infrastructure. It demonstrated that the best solutions are those that combine engineering and integration with local community and the environment.

The program also tackled a long-term challenge to successful water and sewage system control. Any future unplanned development would risk undoing the hard work done by EPMAPS, so territorial planning measures were implemented in early stages. These measures promoted the protection of land, reforestation efforts, and wildlife corridors, helping to restrain unplanned development while promoting the protection of natural lands and species biodiversity. Active participation from senior citizen communities allowed this restoration to be done in accordance with people’s memories, striving to restore the landscape to its original state.

In this way, the work done by EPMAPS demonstrates the importance of a holistic approach when addressing hazards: the use of structural tools such as design and engineering to address the quantitative challenges, alongside non-structural measures, such as community engagement.

This project started in 2007 and was successfully completed in 2014. EPMAPS preserved existing floodplains and natural drainage systems while improving storm water management. Water quality studies conducted on Quito’s rivers have demonstrated the interception and treatment of more than 95 percent of the wastewater generated in the Quito metropolitan area. These results are a testament to the hard work of all stakeholders involved and the collaboration between EPMAPS and Quito Municipality, particularly in the creation of an independent, financially autonomous unit that is shielded from the influence of and inconsistencies in political administrations.

IN QUITO, WORKING TO PROVIDE RESIDENTS WITH RELIABLE AND SUSTAINABLE WATER AND SANITATION, ONE PROJECT THAT STANDS OUT RESTORED 19 NEARBY RAVINES TO MINIMIZE LANDSLIDES AND FLOODING.

## THE NUMBERS

- 67 mil US\$ loan
- 95% of wastewater to be intercepted or treated
- 19 ravines restored on the slopes of Pichincha-Atacazo massif
- 5 key pillars as measures for the project’s success



## LEARN MORE

- IDB Project Page: Environmental Sanitation Program ➔



# THE IDB AND CLIMATE CHANGE



## THE CONTEXT FOR OUR WORK

Latin American and Caribbean countries are particularly vulnerable to climate change, with an estimated annual cost of US\$100 billion or 2.2 percent of the region's GDP by 2050 [↗](#). The region is exposed to the observed and projected effects of climate change because of its geography, distribution of population and infrastructure, and reliance on fragile natural resources for economic activities and livelihoods. The region's challenges include the rising GHG intensity of the economy and rapid growth of emissions in transport, while significant opportunities lie in its vast and largely untapped renewable energy resources.

The 2015 Paris Agreement and related COP21 decisions on climate change are truly historic. They send an unequivocal signal of collaboration and countries' political will to rein in emissions and increasingly invest in low-carbon pathways—subject to international scrutiny and with no option to turn back. The countries in our region have committed to meet the internationally agreed target to reduce GHG emissions in line with limiting the average global temperature rise to well below the 2°C level by the century's end. Likewise, countries put forward plans to invest in adaptation measures financed with national and international sources and to reduce climate risk particularly in key productive sectors such as agriculture or fisheries.

Managing climate change effectively is fundamentally a matter of transforming development paradigms. We now have a better understanding of the mutually reinforcing nature of the international climate change agenda and the sustainable development agenda, which became more ambitious through the Sustainable Development Goals (SDGs) also agreed internationally in 2015. Countries recognize that climate change must factor into their strategies and plans to meet the SDGs—starting with the first goal to end poverty in all its forms everywhere by 2030, and including other goals such as those on food security, water, and energy, in addition of course to SDG13 to “take urgent action to combat climate change and its impacts.” [↗](#)





OUR STRATEGIC FOCUS

As climate change challenges “business as usual,” it also provides an opportunity to innovate. Whether the outcome is to encourage more people to take action through community engagement for managing land and water resources sustainably or to increase a country’s energy security by diversifying the energy matrix, innovation positively delivers changes that support economic growth while addressing climate change and sustainability.

In 2015 we continued to provide loans, grants, technical advice, and new knowledge to support the region’s public institutions and private sector. We helped strengthen governance arrangements and relevant capacity, and brought new state-of-the-art knowledge, information, and technologies required by decision-makers. A key focus has been to support practitioners with integration of climate-related objectives within country systems, including national budget processes and sectoral policy instruments. Along with our financial resources, these are working to mobilize new climate-relevant investments such as low-carbon and resilient

infrastructure and climate-smart agriculture projects. During 2015 we approved an Update to the Institutional Strategy ➔, which establishes climate change and environmental sustainability as cross-cutting issues and steps up the systematic integration of climate change analysis within strategic and operational instruments. Additionally, we approved a new Climate Change Sector Framework Document ➔ that analyzes the region’s main challenges to confront climate change, lessons learned from past approaches, and the goals and principles that ensure effective integration of adaptation and mitigation actions in Bank operations.

LEARN MORE

- Blog Let’s Talk about Climate Change ➔
- Follow us on Twitter @BIDcambioclima ➔
- Climate Change and Sustainability at the IDB ➔
- Story: Here Comes the Sun in Chile ➔
- Story: “De-risking” Green Finance in Mexico ➔

FIVE THINGS TO KNOW ABOUT OUR CLIMATE CHANGE WORK IN 2015

1. **We signaled our intent to double our climate investments.** In 2015 we announced the aspirational goals of doubling the volume of Bank climate-related financing by 2020 and of evaluating all projects for climate risk and resilience by 2018. This implies a significant increase in adaptation and mitigation investments, from the 2012–2014 level of approximately 14 percent of annual approvals to an aspirational 25–30 percent by 2020, when the Paris Agreement on Climate Change comes into force ➔.
2. **We leveraged significant climate resources from bilateral and multilateral sources, including the Green Climate Fund.** In 2015 the GCF approved the first project submitted by the IDB—a US\$22 million project for establishing an Energy Efficiency Green Bonds Facility in Mexico—and endorsed a proposal for a regional facility ➔. The Bank has also secured the approval of nearly US\$750 million in Climate Investment Fund resources to the region to date. In 2015 this included a US\$133 million loan for more-resilient potable water and irrigation systems in Bolivia ➔ and financing for the Caribbean Regional Program on Climate Resilience ➔ to generate data and develop information products and services for approaches to adaptation, including mainstreaming climate risk in national planning, vulnerability assessments, and institutional capacity. And we leveraged critical resources from partner institutions such as the Nordic Development Fund as well as IDB-administered Chinese and Canadian funds, including a state-of-the-art 53 MW solar photovoltaic plant in Chile ➔.
3. **We are climate-proofing transportation infrastructure and supporting low-carbon urban mobility.** As part of RIO+20, the IDB—along with other MDBs—committed to increase support to sustainable transport solutions, setting an investment target of US\$175 billion for the period 2012–2022 ➔. In 2015, the Bank approved projects to integrate climate and sustainability considerations into transport, including a project in Nicaragua that incorporated a comprehensive climate risk assessment that informed the design of road improvements in rural areas ➔ and a project in Bolivia where the climate risk assessments informed planning for road construction and rehabilitation ➔. The Bank also published *Cycle-inclusion in LAC: A*

*Guide to Promote Bicycle Transport*, a reference for decision makers and practitioners ➔.

4. **We are working with national development banks (NDBs) to strengthen their role as change agents.** In 2015 we expanded our partnerships with NDBs to help in the transition to sustainable practices, which reduce emissions and hedge against climate risk. Particularly noteworthy, in 2015 we implemented Energy Savings Insurance Programs with FIRA (a Mexican NDB) and Bancoldex in Colombia to stimulate greater energy efficiency in targeted sectors, an initiative that has now been expanded to three more countries ➔.
5. **We are a leading climate knowledge partner in the region.** This year’s Regional Policy Dialogue ➔ on climate change convened national planning, housing, and transport senior officials, municipal governments, and academics to discuss best practices in policy, planning, and capital market development related to sustainable urban planning. In addition, we promote climate knowledge and capacity building through practitioner networks such as LEDS-LAC or online platforms such as AdaptACCIÓN, in addition to applications-driven training, including better readiness to access GCF resources.

2015 IN NUMBERS

**2.2 bil US\$** climate finance for mitigation and adaptation (loans, investment grants, small grants, and special financing) reported under the MDB Approach for Climate Finance tracking

**750 mil US\$** in Climate Investment Fund resources to the region to date

**513 mil US\$** in climate finance for policy reforms to strengthen sustainable energy frameworks in three countries

**0.60 tCO<sub>2</sub>eq** emissions avoided from low-carbon development projects financed by the IDB in 2015 ➔





## CHILE: HERE COMES THE SUN

The Atacama Desert of northern Chile is one of the most suitable regions on Earth for generating solar energy due to the combination of optimal solar radiation—an energy endowment estimated at 200 GW—and favorable market conditions. The Los Loros Solar Photovoltaic project currently under construction there will increase the country's renewable energy supply by providing 53 MW peak of solar PV energy to the largest of four production-transmission-distribution systems in the country.

Banks and the project developers managed to structure merchant-based financing, which commercial banks were unable to provide, even in the context of decreasing electricity spot prices in Chile. The total project cost is approximately US\$97 million, funded through a combination of debt and equity, including a US\$46 million loan approved by IDB in 2014. Additional funds were approved by the Canadian Climate Fund for the Private Sector in the Americas, the China Fund for Latin America and the Caribbean, the French development bank Proparco, and Rabobank.

The project, which covers over 100 hectares of uninhabited natural desert in Los Loros in Atacama,

includes the installation of 230,000 solar panels, a 53 MW power plant, and a 6.7 km transmission line. During 2015, the project started construction, and it is expected to be operating in the second half of 2016. The positive developmental outcomes are broad: the development of a local renewable resource, increased competition among energy suppliers, and successful substitution of renewable sources for fossil fuels to generate more energy and meet the needs of Chilean industry, especially in the mining sector. Los Loros Solar PV helps reduce the overall carbon footprint of the central electricity grid to the tune of 57,000 tons of greenhouse gas emissions annually.

In 2012, Chile was concerned with its high carbon footprint per GDP and faced increasing dependence on fossil fuels for primary energy consumption. At the time, the IDB invested SECCI grant resources and helped Chile plan investments and mobilize US\$65 million from the Clean Technology Fund (CTF). Between 2012 and 2014, IDB's solar PV portfolio in Chile consisted of four projects with a total capacity of 200 MW—progress that encouraged local banks to participate in PV projects. Decarbonizing Chile's

energy matrix is key to global climate change mitigation efforts: the country is the first in South America to tax carbon, and the government has recently committed to the UNFCCC to reduce its GHG emissions per unit of GDP by up to 45 percent from 2007 levels by 2030. Los Loros, once operating, will take Chile one step closer to this goal.

Additionally, the IDB and the Chilean government in the Country Strategy for Chile 2014–2018 have agreed that energy is an ongoing priority and that they will continue to identify niche areas for private sector support where the IDB can add value and have the potential to play a catalytic role, particularly in the support of renewable energy in Chile.

IDB'S INVESTMENTS IN SOLAR POWER ARE HELPING CHILE MOVE ONE STEP CLOSER TO ITS GOAL OF REDUCING GHG EMISSIONS PER UNIT OF GDP BY 45 PERCENT FROM 2007 LEVELS BY 2030.

### THE NUMBERS

**2,195 MW** of solar PV in construction in Chile →

**200 MW** from four solar photovoltaic projects approved by the IDB in Chile between 2012 and 2015

**53 MW** solar power plant in Los Loros will result in 57,000 tCO<sub>2</sub>eq annual avoided emissions



### LEARN MORE

- IDB Project: Los Loros Solar PV Project →
- IDB News Story: Chile to expand use of non-conventional renewable energy sources with IDB support →
- Canadian Climate Fund →





# MEXICO: “DE-RISKING” GREEN FINANCING

Leveraged co-financing from public and private sources has emerged as a policy priority among international development agencies. In particular, it is critical to create investment vehicles and financial structures that maximize private sector leverage and make the best use of donor and public sector funds for climate change mitigation and adaptation investments, which are often perceived as being riskier than traditional investments.

With this in mind, the IDB created the Financial Innovation Lab in 2015 on the key premise that public money should be used to “de-risk” green finance rather than for direct investments. This can help create a sustainable financing market that will eventually not require public support. The new Lab is developing and implementing innovative financial and non-financial solutions to be channeled through national development banks, which the IDB has long worked with in the region.

The Energy Savings Insurance (ESI) initiative, which targets energy efficiency investments by small and medium-size enterprises, is one such innovative solution. ESI addresses the performance risks and key financial and non-financial investment barriers to

green finance, including the lack of trust, investment prioritization, investment experience, and access to finance for energy efficiency projects. The initiative helps potential private sector investors feel confident that their projects generate enough energy savings to pay for the loans needed in order to make the investments and eventually to translate into profit; at the same time, ESI helps local financial institutions become more aware of the real risks and returns associated with green projects and hence increase their willingness to finance them.

The ESI package of mechanisms addresses the demand and supply of energy efficiency finance by introducing a standard performance contract, effective validation procedures, and energy savings insurance to sustainably support the energy efficiency financing market. In 2015, ESI was recognized by the Global Innovation Lab for Climate Finance as one of the most promising instruments to mobilize private sector investments in energy efficiency.

NDBs are in a unique position to pilot financial innovations, such as ESI, by encouraging private investors and local financial institutions to offer climate-friendly credit lines and business support

services that can ultimately be scaled up by commercial banks and other mainstream financial institutions. In 2014, for example, the IDB approved a US\$50 million loan to Mexico’s FIRA (Trust Fund for Rural Development) to finance agro-industrial energy and water efficiency projects, with US\$20 million specifically for energy efficiency investments. At the same time, ESI mechanisms are being structured with grant resources that the Bank was able to leverage from the Clean Technology Fund and the Danish government. The pilot was launched in 2015 with an overall target to stimulate investment in 190 energy efficiency projects, with key technologies expected to be refrigeration, industrial boilers, and compressed air systems. These projects could mobilize US\$25 million in investments through 2020.

Over 10 years this project is expected to save 872,000 tons of CO<sub>2</sub>eq and to catalyze a financing market for energy efficiency due to its demonstration effect. A similar project is under way in Colombia through Bancóldex, with funds from the CTF, to promote and scale up energy efficiency investments in hotels, clinics, and hospitals.

Based on early successes, and with the support of the Global Innovation Lab, in 2015 the Bank approved the Regional Energy Savings Insurance and Risk Management Program, with grant resources from the Danish government, to replicate the ESI strategy in seven NDBs in Brazil, El Salvador, and Peru and to expand it into other productive sectors in Mexico and Colombia.

NATIONAL DEVELOPMENT BANKS CAN ENGAGE PRIVATE INVESTORS AND LOCAL FINANCIAL INSTITUTIONS THROUGH CLIMATE-FRIENDLY CREDIT LINES AND OTHER SERVICES, WHICH CAN EVENTUALLY BE SCALED UP WITH LESS RISK BY COMMERCIAL BANKS AND OTHER MAINSTREAM FINANCIAL INSTITUTIONS.

The IDB has increasingly been supporting NDBs to integrate climate change and environmental concerns in their businesses through the development of financial strategies geared to promote green private investments, mobilizing in many cases international sources of climate finance. In Mexico, the Bank is also working with Nacional Financiera, providing credit lines for renewable energy and geothermal financing and risk transfer; with Sociedad Hipotecaria Federal for the provision of low-carbon housing; and with BANCOMEXT for the financial structuring of clean energy generation projects.

## THE NUMBERS

**50 mil US\$** investment by the IDB and partners

**300** energy efficiency projects to be supported in Mexico and Colombia between 2015 and 2020

**7 NDBs** in five countries developing new ESI strategies

## LEARN MORE

- IDB Project: Regional Energy Savings Insurance and Risk Management Program
- IDB Financial Innovation Lab
- The Global Innovation Lab for Climate Finance
- Video: Energy Savings Insurance
- The Role of National Development Banks in Catalyzing International Climate Finance
- Managing Environmental and Social Risks: A Roadmap for National Development Banks in Latin America and the Caribbean





# BARBADOS: HOW DO YOU GREEN A BUSINESS?

Barbadian businesses face constraints to profitability due to some of the highest utility operating costs in the Caribbean. Much of this cost is associated with energy use. Energy use in Barbados is also affected by global oil supply conditions and pricing, as energy generation is primarily fueled by Bunker C crude oil. This creates not only a global oil dependency but also greenhouse gases.

The Multilateral Investment Fund of the IDB has established the Green Business Barbados (GBB) → Certification Program—helping local businesses to understand how their business practices affect the environment, the well-being of their staff, and their profitability and to identify and apply positive change. The GBB program is the only one of its kind in the Caribbean region—and a model for others.

GBB’s objective is to promote the use of energy efficiency, water efficiency, and waste reduction measures by micro and small enterprises (MSEs) through the development and piloting of a certification program—a program that is affordable, practical, and capable of delivering economic returns over time. The project’s goal is to promote best practices in environmental efficiency among MSEs to improve their competitiveness by reducing operating

expenses and to support the government’s Green Economy objectives.

Under the project, the Executing Agency—the Future Centre Trust →—built a greening and certification process accessible to MSEs, complemented by micro-grants to support investments in greening, based on a competitive call for proposals. GBB certification requires action in at least three of the following five areas:

- Waste reduction, reuse, and recycling.
- Energy conservation and renewable energy.
- Water conservation and management.
- Pollution elimination and reduction.
- Employee productivity and well-being.

There is a three-step certification process: Initial Assessment, Green Strategy Action Plan/ Environmental Policy, and Final Assessment Report.

Through this program, the Future Centre Trust was able to develop the following:

- Training manuals to train the GBB certifiers and interns required to sustain the project.
- Certification policies on eligibility, guidelines, the roles of GBB certifiers and interns, and the role and obligations of participating SMEs.

- User-friendly tools for both certifiers and businesses: Assessment Questionnaires, Checklists, Certification packages, and a Footprint Calculator (for businesses to track impact).

One beneficiary of the program is *Ayissa Textile Designs*, a family-operated micro-business that specializes in resist dyeing, block and lino printing, and limited-edition hand-embroidered and woven pieces. GBB certifiers worked with the company to identify and introduce low-impact/eco-friendly fiber-reactive dyes that required less water to apply. Furthermore, they identified potential gains in both water and energy conservation and management. With a mini-grant of US\$800, the company purchased and installed a 1,000-gallon rainwater storage tank—significantly reducing its environmental footprint, cutting water costs, and improving resilience to municipal water shortages and outages. They also purchased LED lighting for the business area. These investments will result in an annual energy saving of US\$750 and a return on investment on the water tank in just seven months.

*Light Body Wholistic Clinic*—a micro-business specialized in iridology, herbal medicine, and vegan food—came to GBB struggling with the high cost of energy. The company was unable to remain open after dark given the cost of adequately lighting the kitchen area and had stopped producing one of its most popular products—kale chips—due to high running costs of the dehydrator. With a grant of less than US\$950 the company purchased LED lighting for the kitchen and a solar generator to run the dehydrator. It is now operating after dark, producing and selling its signature products, and has seen over US\$200 in electricity bill savings after just three months.

GREEN BUSINESS BARBADOS HAS A CERTIFICATION PROGRAM FOR LOCAL SMALL AND MICRO BUSINESSES THAT PROMOTES BEST PRACTICES IN ENVIRONMENTAL EFFICACY AND IMPROVES THEIR COMPETITIVENESS.

## THE NUMBERS

150,000 US\$ total project cost

513 people and 33 micro-small Businesses trained in “green business skills”

21 Micro-Small Grants

1 Green Business Student Internship established and 20 interns trained

5 Training Manuals, 1 Case Study, and 1 How-to Guide

21 micro-small Businesses across 10 sectors completed Green Business Certification Program



## LEARN MORE

- IDB Project Page: Green Business Barbados →
- Green Business Barbados →



# THE IDB AND SUSTAINABLE CITIES



## THE CONTEXT FOR OUR WORK

Latin America and the Caribbean is the most urbanized region in the developing world. It went from 64 percent urban in 1980 to 82 percent in 2014. If this growth trend continues, approximately 90 percent of the region's population will be living in cities by 2050 ➡. This rapid pace of urbanization creates daunting challenges for municipalities and shapes their ability to effectively manage their citizens' quality of life. In addition, climate change poses an unprecedented challenge to our cities, many of which are located in coastal areas—vulnerable to hurricanes, flooding, and other natural disasters.

At the same time, cities are the main engine of economic and social development. The social interaction in cities drives innovation and creativity, giving rise to cutting-edge technological and cultural production systems. The concentration of population, however, generates high demand for services. When expansion of the supply of services is inadequate, significant deficits emerge in the coverage and quality of infrastructure and services, including housing. These problems are compounded by weak urban governance. In Latin America and the Caribbean, cities are home to 150 million people living under the poverty line ➡.

Recognizing the enormity of the challenges that face cities, the new Sustainable Development Goals set an unequivocal goal to “make cities and human settlements inclusive, safe, resilient and sustainable” and established a series of nine indicators to track progress from 2015 to 2030 ➡.





OUR STRATEGIC FOCUS

The Bank’s key challenge for the urban development and housing sector is to extend the full benefits of urbanization to everyone living in cities, both today and tomorrow. Guided by the Urban Development and Housing Sector Framework, the Bank prioritizes work in medium-size and large cities, promoting urban sustainability in these focus areas: increasing city residents’ access to quality urban infrastructure and services, improving urban population housing conditions, preventing degradation and improving urban habitat, and improving local institutions’ governance capacity. We do this through the provision of targeted loans, as well as multi-sectoral urban projects and technical assistance, for example, to national and local governments to help design and implement new urban planning policies, along with special initiatives and grants for cities and municipalities.

The Bank has strengthened its focus on the needs of emerging cities in the region in recent years. Now in its fifth year, the IDB’s Emerging and Sustainable Cities Initiative is working in 55 intermediate urban centers, helping to identify a path to long-term

sustainability. The Bank works with each city, first in a participatory process to identify priority areas for action and then in the development of an Action Plan. We then focus our attention on implementing priority urban interventions identified in a city’s plan, as well as on the establishment of platforms for citizen-led monitoring of impacts. Our work is based on the premise that urban development strategies that are well planned, integrated, and cross-sectoral can improve the quality of life for citizens and help create a more sustainable, resilient, and inclusive future for emerging cities.

LEARN MORE

- IDB website: Urban Development and Housing ➔
- IDB website: Sustainable Cities ➔
- Blog: Emerging Cities ➔
- Blog: Urbe & Orbe ➔
- Story: Metropolitan Services for a Sustainable Salta ➔
- Story: A Multi-sectoral Approach Toward a Sustainable Pasto ➔

FIVE THINGS TO KNOW ABOUT OUR SUSTAINABLE CITIES WORK IN 2015

1. **We are increasing our investments in housing and urban development, with new approvals reaching US\$617 million in 2015.** Our newest investments include a US\$180 million loan for the revitalization of neighborhoods and heritage infrastructure in Chile and a housing improvement project in Asuncion, Paraguay, including a solid waste facility, parks, and other urban infrastructure. Increasingly, the IDB is investing in multi-sectoral urban operations with components for green housing financing, public transportation, wastewater and drainage systems, and sustainable tourism.
2. **We are recognized for our work in mainstreaming climate change into city planning in Latin America and the Caribbean.** The ESCI methodology includes climate mitigation and climate vulnerability reduction and adaptation metrics, and it assesses issues such as energy efficiency and disaster risk management. Action plans include detailed climate studies, as well as the calculation of the city’s carbon footprint and the creation of disaster risk maps. Typical actions resulting from this include upgrading storm drainage networks, expanding bus rapid transit, creating green corridors for storm water retention, and creating control systems that help reduce flood risk. In 2015, the Bank’s achievements in supporting low-carbon and high-resilient pathways for our cities was recognized by the UNFCCC Momentum of Change Award.
3. **We are leaders in the revitalization of historic urban cores.** Our region is home to 33 historic centers that are recognized as UNESCO World Heritage Sites, and a further 600 sites are recognized by national governments. Over the past 15 years we have invested more than US\$730 million through almost 70 operations. The goal has been to develop and implement a holistic and comprehensive approach to safeguarding cultural heritage while improving quality of life in the historic center and generating benefits for the city as a whole. For example, in Peru we are helping the Ministry of Culture strengthen public policies and institutional capacities for the comprehensive revitalization of historic centers. In Ecuador, the rehabilitation of the historic center of Quito successfully safeguarded urban heritage and contributed to reestablishing its urban functionality.
4. **We are actively participating in the organization of Habitat III.** This bi-decennial conference—the most important forum on global urban issues—will take place in Ecuador in October 2016, the first time it is being held in Latin America, and

it is charged with formulating a vision for the sustainable development of towns and cities, with the goal of providing adequate shelter for all. The IDB was selected by UN-Habitat to co-chair a group of 20 authorities and experts from all over the world to prepare the Housing Policy document for Habitat III ➔.

5. **We engage with partners and stakeholders throughout the region.** We work closely with international urban experts, local development institutions, government agencies, and a wide range of stakeholders throughout the region to build capacity and knowledge. In 2015, we organized the first Cities Week at the IDB, a series of events dedicated to learning from international experiences in urban development and sharing innovative solutions to improve the quality of life in cities ➔. We also launched a three-year policy dialogue with South Korea and countries from our region to share experiences on sustainable urban development.

2015 IN NUMBERS

**15** new cities joined ESCI and 32 cities completed Action Plans

**92 mil US\$** of IDB and leveraged resources for technical assistance for ESCI participant cities

**4 bil US\$** long-term loan commitments from IDB and partner institutions for urban infrastructure interventions resulting from ESCI’s work

**617 mil US\$** of lending, through six sustainable urban development and housing projects

**33 projects** approved, totaling US\$2.9 billion, to make cities more livable and sustainable, over the last 5 years

**6 strategic partnerships** for sustainable cities with local development institutions

**40,000 people** registered for 2 Massive Open Online Courses on Urban Development and on Housing and Sustainable Cities





# ARGENTINA: METROPOLITAN SERVICES FOR A SUSTAINABLE SALTA

Addressing metropolitan problems in a comprehensive manner is a public management strategy that can generate economic and social returns. A number of studies on urban transportation, solid waste management, land use planning, and other sectors have demonstrated the efficiency and equity gains from integrated service delivery in metropolitan areas. For example, coordination of public transportation services affects the efficiency of labor markets by increasing the number of jobs available within a given commuting time. Sanitary solid waste disposal is made more efficient and environmentally sound by using treatment plants whose technology demands large volumes of waste, properly accompanied by an efficient waste collection system and distribution of costs among neighboring municipalities.

In 2010 the IDB approved a US\$40 million loan to help improve the functioning of basic services in metropolitan areas in Argentina in order to advance the quality of life for residents and make their urban economies more competitive. The program aimed to design and implement innovative governance approaches to delivering urban services where efficient performance required cooperation

between two or more territorial jurisdictions. The project included a wide range of interventions—from institutional strengthening of metropolitan agencies to urban infrastructure projects in six urban agglomerations throughout Argentina.

The Salta metropolitan area was one of the beneficiaries. Projects included developing a participatory plan to define and coordinate urban development priorities among eight municipalities in the area and the design and implementation of a regional network of bicycle lanes and bus shelters for Salta's Metropolitan Transportation Agency. The resulting plan has generated a sustainable development roadmap for metro Salta, which has been rebranded as the Lerma Valley ➔; a newly formed provincial agency for Metropolitan Areas will guide plan implementation ➔. Furthermore, in 2016 the Salta metropolitan area will have implemented 25 km of new suburban bicycle lanes coupled with new and improved bus shelters to further promote sustainable mobility beyond Salta capital, a US\$2 million investment.

The program's focus on projects with a metropolitan impact provided the opportunity to leverage funds

for implementation of a series of water management investments in the city's new 75-hectare Parque del Bicentenario. In addition to investing US\$3 million in an extensive storm water drainage system and an 11-hectare retention pond with a dock for public access, the program supported creation of a Metropolitan Parks Management Office within the provincial government. This office was initially supposed to manage this park but has since also taken on management of other parks in the Salta metro area.

The park, which opened its doors to the public in 2015, has become the landmark achievement for the provincial governor and highly valued by the municipal leaders and local residents in the metro area. It is a full-service park with diverse activities, including playgrounds, sports fields, a skate park, and its own bike-share system for riding around the grounds, which are landscaped with plant species native to the Lerma Valley. The Parque del Bicentenario is intended as the first node of what aims to become an extensive metropolitan parks system for the region.

With the support of the Metropolitan Areas Program, Salta has promoted innovative governance mechanisms that are able to more efficiently and effectively manage quality of life investments, beginning with open spaces and sustainable mobility. In order to implement the regional park and the bicycle lanes, the Salta provincial government also built the metropolitan institutions necessary

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IN ARGENTINA, A LOAN TO HELP IMPROVE THE FUNCTIONING OF BASIC SERVICES IN METROPOLITAN AREAS GENERATED A SUSTAINABLE DEVELOPMENT ROADMAP FOR METRO SALTA THAT INCLUDES A NEW PARQUE DEL BICENTENARIO AS A LANDMARK ACHIEVEMENT.

.....

to deliver results in a coordinated and equitable way, benefiting all eight municipalities of the Lerma Valley. Prior experiences of successful metropolitan governance efforts worldwide indicate that this emerging metropolitan institutional structure in Salta will consolidate over time to tackle other large-scale issues like waste management and land use planning, generating long-term benefits in urban well-being and competitiveness.

## THE NUMBERS

- 5 mil US\$ in public space and mobility investments
- 3 metropolitan governance institutions to coordinate actions between 8 municipalities and the provincial government
- 75 hectares of open space
- 25 km of bicycle lanes



## LEARN MORE

- IDB Project: Development Program for Metropolitan Areas outside the Capital ➔
- IDB News Story: Argentina will improve the performance of services in metropolitan areas ➔





# COLOMBIA: A MULTI-SECTORAL APPROACH TOWARD A SUSTAINABLE PASTO

With a population of approximately 500,000, Pasto is the capital of the department of Nariño, in southern Colombia. The city, which is located close to the border with Ecuador at the foot of the Galeras Volcano, has a well-maintained historic center with many colonial churches and buildings. And it sits near one of the region’s most important environmental assets—La Laguna de la Cocha, Colombia’s second largest inland body of water, occupying some 40 sq km.

In 2014, Pasto was included in IDB’s Emerging and Sustainable Cities Initiative, and a year later the city completed its Action Plan with the assistance of the Colombian development bank Findeter. The plan—developed through a consultative process involving national and local government agencies, civil society, and other local organizations—seeks to promote rural-urban integration and strengthen municipal systems to transform Pasto into a sustainable and competitive city. More specifically, and with the intention of complementing the Territorial Plan for Pasto 2014–2027, the Action Plan establishes a series of actions with high potential for the positive transformation of the city. Based on an analysis of

24 themes and 142 indicators, the city established five areas as priorities for improvement and action: sanitation and drainage, vulnerability to natural disasters, transport and mobility, urban inequalities, and mitigation of climate change.

The ESCI methodology does not stop at analyzing areas for improvement and establishing an action plan. The second phase helps to identify and mobilize financial resources from a variety of sources, including public and private sectors and other commercial institutions, to implement priority projects. With this in mind, the IDB approved financing of US\$150 million in late 2015, as part of an existing line of credit for fiscal strengthening and public management. The new financing, to be implemented by Findeter, establishes a series of investment projects for Pasto and four other intermediate Colombian cities that have developed multi-sectoral Action Plans following the ESCI methodology.

Specifically, the IDB resources will finance three key components in Pasto: environmental and climate change investments, improvements in urban planning and urban infrastructure services,

and improvements to fiscal management and governance. Within each area, specific projects have been given priority, including the construction of two water treatment plants, extension of sewerage and drainage systems, a linear park and urban renewal of a corridor tracing the Rio Pasto known as the “Dos Puentes” marketplace, and pre-investment studies and works for the sustainable development and environmental protection of La Laguna de La Cocha. The IDB loan will also help finance a pilot project for setting aside a section of the historic city for pedestrians only, urban improvements in poor neighborhoods, and efficiency improvements to the municipal water and sanitation utility.

Pasto is one of the many ESCI participating cities that are moving forward in the implementation of priority actions for long-term sustainability.

IN SOUTHERN COLOMBIA, THE CITY OF PASTO HAS AN ACTION PLAN TO PROMOTE RURAL-URBAN INTEGRATION AND STRENGTHEN MUNICIPAL SYSTEMS TO TRANSFORM ITSELF INTO A SUSTAINABLE AND COMPETITIVE CITY.

## THE NUMBERS

**55 cities** participating in the ESCI program

**10 cities** in Colombia participating in the ESCI program

**5** ESCI participating cities in Colombia benefiting from US\$150 million IDB loan

**4 bil US\$** long-term loan commitments from IDB and partner institutions for urban infrastructure interventions resulting from ESCI’s work



## LEARN MORE

- Pasto 2038 Action Plan
- IDB Project: Fiscal and Public Investment Expenditure Strengthening Program



# THE IDB AND NATURAL CAPITAL



## THE CONTEXT FOR OUR WORK

The importance of biodiversity cannot be overstated. This is especially true in Latin America and the Caribbean, home to 40 percent of the world's biodiversity and 50 percent of remaining tropical rain forests, where people have a significant dependence on ecosystem services for food, energy, and employment ➔. These natural assets, in combination with the region's human capital, can drive sustained economic growth and reduce social inequality. Unfortunately, biodiversity is being lost at an alarming rate, often due to land use changes and fragmentation caused by roads, transmission lines, hydropower facilities, and other infrastructure.

As the region grows both demographically and economically, new challenges arise to sustain the flow of natural capital benefits provided by biodiversity and ecosystem services, largely reflecting the fact that environmental public policy and allocation of investments for natural capital conservation have yet to become a major political and economic priority.

Increasingly, we are working toward applying a natural capital approach to infrastructure planning and investment decision making, since failing to do so can cause unintended harm to local communities that critically rely on the services provided by nature for their livelihoods. For example, incorporating ecosystem services into road project design and development can lead to more-sustainable and cost-effective roads while maintaining or enhancing the additional benefits nature provides—from clean water and air to food and timber.





OUR STRATEGIC FOCUS

In 2015 we completed and approved a comprehensive new Sector Framework Document for Environment and Biodiversity ➔ to guide the design and implementation of Bank projects, policies, knowledge, and dialogue with our countries, their governments, and the private sector on environmental issues. More specifically, this provides a framework to improve environmental performance in the region through priority lines of action, including enhancing environmental public policy and governance as well as investments to sustain natural capital and ecosystem services, increasing sector competitiveness through environmental mainstreaming and sustainable natural capital use, and reducing the environmental vulnerability of marginalized groups and indigenous communities while improving their quality of life and the sustainable use of natural resources.

During the year the Bank continued to develop and support a portfolio of projects focused on protected areas, environmental improvement, and disaster risk management, as well as operations that mainstream environmental management and biodiversity components into infrastructure,

agriculture, transport, and other sectors. These included a partnership for the management of a UNESCO World Heritage Site in Costa Rica as part of a US\$200 million geothermal project and the inclusion of a comprehensive watershed management program into a water supply and irrigation project in Bolivia.

We also focus on leveraging grant resources and expertise through our partners, including the Global Environment Facility, as well as through the dedicated grant resources and expertise of the Bank’s BIO Program. This program focuses on how to better integrate biodiversity and ecosystem services values into infrastructure and productive sectors, invest in priority regional ecosystems, strengthen environmental governance and policy, and promote private sector innovation. In 2015, new operations included studies for a road rehabilitation project in Belize that emphasizes identification and management of risks and potential environmental and social impacts on ecosystem services and biodiversity plus, in Honduras, the development of mangrove inventories to help select sites for conservation and restoration.

FIVE THINGS TO KNOW ABOUT OUR BIODIVERSITY WORK IN 2015

1. **We are supporting National Biodiversity Strategy and Action Plans.** In 2015 the IDB and GEF developed an updated National Biodiversity Strategy and Action Plan for Bolivia for 2015–2025, which includes support for implementation of the Clearing-House Mechanism➔.

2. **We are working with partners in the international arena.** The Bank participated as a keynote speaker at the Natural Capital Summit organized by Stanford University➔ and the Natural Capital Project in 2015 in Stockholm. The summit aimed to step up the innovation and impact of natural capital approaches to promote social, economic, and environmental resilience. BIO is helping to bring visibility to advances by demonstrating how data-driven, science-based approaches are improving major policy and management decisions and by providing data analytics and visual platforms to help public and private sector leaders improve land use and resource management by incorporating natural capital into their decisions.

3. **We are mapping priority regional ecosystems.** In partnership with Resources For the Future we established a robust framework for targeting investments for conservation of critical ecosystems and maximizing returns on conservation. This approach, coupled with spatial mapping tools, allowed us to prioritize ecosystems in the region based on their biodiversity and economic contributions. We also collaborated with *National Geographic* to publish an Amazon-themed map to raise awareness on the rich biodiversity of the entire basin, as well as the competing productive activities driving its degradation➔.

4. **We are supporting research on climate risk-resilient coastal zone management.** The Bank is supporting analytical work in the Caribbean to assess how ecosystems provide natural buffers to erosion and flooding and how this can be incorporated into a balanced investment strategy that combines natural and hard infrastructure. It also looks at how to build capacity and awareness on the role of natural capital in the context of integrated coastal zone management. This work builds the foundation for future public and private investments in climate risk-resilient costal management programs.

5. **We are developing innovative tools.** The Bank developed a series of publications that disseminate cutting-edge knowledge on the economics of biodiversity and ecosystem services, to promote interest and demand for new operations that incorporate natural capital in productive and infrastructure sectors. New publications include the *Capital Natural y Carreteras*, which guides dependencies and impacts on ecosystem services for sustainable road investments; a white paper on Managing Watersheds for Ecosystem Services in the Steepland Neotropics➔, which offers new tools to weigh trade-offs between water, timber, biodiversity, and development; and *Good Practices for Biodiversity Inclusive Impact Assessment and Management Planning*➔.

2015 IN NUMBERS

2.1 mil US\$

through 2 Multilateral Investment Fund grants under Access to Basic Services and Green Growth, Leveraging Natural Capital ➔

328 mil US\$

through five new environmental and disaster risk management loans

1.7 mil US\$

through 8 grants under the IDB BIO program.

LEARN MORE

- IDB website: *Biodiversity and Ecosystem Services Program* ➔
- Blog: Natural Capital ➔
- Blog: Is Infrastructure a Threat or an Opportunity to Conserve our Biodiversity? ➔
- Story: Natural Capital, the First Line of Defense Against Climate Change ➔





# THE CARIBBEAN: NATURAL CAPITAL, FIRST LINE OF DEFENSE AGAINST CLIMATE CHANGE

The growth of small islands and low-lying developing states of the Caribbean is historically and inextricably linked to the dynamic coastlines in the area. Over half of the region’s population lives within 1.5 km of the shore; in some countries, the entire population is coastal. People in capital cities and rural communities along the coast are highly dependent on coastal and marine resources for their livelihoods. Important economic activities such as tourism, agriculture, and fisheries all rely on the health of a wide diversity of coastal and marine ecosystems. Tourism alone accounts for 14 percent of the gross domestic product, 17 percent of total export earnings, and 11 percent of employment in the Caribbean. Agriculture and fisheries are fundamental for food security, particularly in the most vulnerable communities.

The sustainability of these economies is under significant threat, primarily due to unplanned coastal development: urban migration, use conflicts, and overexploitation of resources. This is compounded by natural disasters and climate change, which is already altering shorelines, threatening lives, and increasing damage to communities, infrastructure,

and industries. A one-meter rise in sea level would inundate more than 20 percent of major resorts, over 30 percent of airports, almost 80 percent of ports, and more than 500 km of roads.

A few Caribbean countries, however, are meeting this challenge with innovative policies, specialized units trained in cutting-edge science and technology, and strategic investments for stabilizing shorelines, reducing flooding, improving public access, and protecting the resilience of coastal and marine ecosystems and the valuable services they provide. This integrated and multi-sectoral response, called Integrated Coastal Zone Management (ICZM), is increasingly recognized as a means for climate-resilient coastal development that places natural capital criteria at its heart, albeit customized to the wide-ranging conditions of the region—whether in Barbados, the extensive archipelago of The Bahamas, the world’s second largest barrier reef in Belize, or the pristine mangrove coasts of Guyana and Suriname.

Recognizing the potential of this approach in the Caribbean, the Bank has started to develop economically viable and resilient projects that help

countries plan for and implement customized ICZM approaches. In Barbados, an IDB loan financed an integrated coastal risk management program that incorporated climate change adaptation and coastal risk assessment, monitoring, and management, as well as new coastal infrastructure that doubled as a first line of defense against the sea.

As a result of the success of this project and three decades of work on ICZM approaches, new Bank-financed projects—ranging from the economic valuation of ecosystem services to the prioritization of ecosystem-based risk reduction and climate change adaptation approaches (such as coral reef restoration to protect beaches, green/soft coastal engineering, real-time ocean and coastal monitoring, and community science)—are being piloted in The Bahamas, Jamaica, Trinidad and Tobago, and Haiti. In The Bahamas, disaster and climate-resilient ICZM combined with a pilot ecosystem-based development plan for Andros Island, the first of its kind in the Caribbean and the Bank, is being developed as a comprehensive approach.

In 2015, recognizing the need to catalyze sustainable, replicable, and innovative investments in disaster and climate-resilient ICZM, the Bank approved new grant resources to consolidate and disseminate successful experiences in supporting the sustainable use of coastal and marine resources in the Caribbean through ICZM. It will also build on this to create new tools to support state-of-the-art ICZM investment innovations—natural capital approaches, ecosystem-based disaster and climate resilience, and financial sustainability.

ICZM IS INCREASINGLY  
RECOGNIZED AS A MEANS  
FOR CLIMATE-RESILIENT  
COASTAL DEVELOPMENT  
THAT PLACES NATURAL  
CAPITAL CRITERIA AT ITS  
HEART, CUSTOMIZED TO THE  
WIDE-RANGING CONDITIONS  
OF THE REGION.

### THE NUMBERS

50%

of the Caribbean’s population lives within 1.5 km of the coast

14%

contribution of tourism to gross domestic product in the Caribbean

1 meter

rise in sea level would inundate more than 20% of major resorts, over 30% of airports, almost 80% of ports, and more than 500 km of roads

- LEARN MORE
- IDB Project: Coastal Risk Assessment and Management Program
  - IDB Project: Ecosystem-based Development for Andros Island
  - IDB Grant: Knowledge and Innovation: Disaster and Climate-Resilient Coastal Zone Management
  - IDB Blog: Natural Capital
  - IDB Video: Barbados Protects its Coasts





## THE IDB AND GENDER AND DIVERSITY



### THE CONTEXT FOR OUR WORK

Despite important social and economic gains, large development gaps remain between women, indigenous peoples, African descendants, and the rest of Latin America and the Caribbean.

Gender inequalities still constitute barriers to economic development. The most visible evidence of these obstacles is violence against women, which affects one in three women in the region. However, gender inequalities are present in other areas as well: women's labor force participation rates, for example, continue to lag those of men, and women on average earn only 80 percent of what men earn ➔.

Closing the gaps between African descendants, indigenous peoples, and others in the population is a key challenge. In the case of African descendants, ongoing socioeconomic exclusion has an impact on democratic governance, citizen security, and the ability of several subregions to meet strategic development targets. Promoting culturally relevant development models for indigenous peoples is necessary to create conditions for sustainable livelihoods that capitalize on the potential of their cultural, natural, and social assets.





### OUR STRATEGIC FOCUS

The Gender and Diversity Sector Framework Document [↗](#) was approved during the first trimester of 2015. It emphasizes five priorities:

- Indigenous peoples and African descendants have access to quality human capital and infrastructure services.
- Cultures and lands of indigenous and African-descendant peoples are promoted and protected.
- Women's agency is expanded.
- Low-income women have access to quality public services.
- Women, African descendants, and indigenous peoples have better labor market outcomes (participation and quality of jobs) as well as expanded opportunities for entrepreneurship.

One of our main goals is to promote and mainstream the development of identity of indigenous peoples

and African descendants in public policies, programs, and projects in Latin America, focusing primarily on social and economic empowerment while raising awareness of socioeconomic exclusion based on race and ethnicity. We also provide grant resources to finance projects in the areas of integrated services for women, maternal and child health, teen pregnancy prevention, and prevention and treatment of violence against women.

Gender and diversity feature more strongly as a crosscutting theme in the Update to the Institutional Strategy 2016–2019, which was approved in 2015. Disaggregated gender and diversity indicators have been identified and included in the Corporate Results Framework 2016–2019 in order to improve the monitoring of the Bank's contribution in these areas [↗](#).

### FIVE THINGS TO KNOW ABOUT OUR GENDER AND DIVERSITY WORK IN 2015

- 1. We are promoting dialogue on the importance of indigenous peoples' knowledge.** The Bank launched the first Regional Policy Dialogue on Indigenous Peoples in 2015, focusing on biodiversity and indigenous peoples. The Dialogue promoted greater understanding of the importance of biodiversity for indigenous peoples and the value of ancestral knowledge for protecting the environment and adapting to climate change. It emphasized the important role of indigenous women in the preservation and transmission of ancestral knowledge.
- 2. We are replicating successful projects that promote gender equality throughout the region through our lending portfolio.** A second loan for US\$30 million was approved to expand the Ciudad Mujer project in El Salvador by expanding the program to new sites [↗](#). Additionally, Ciudad Mujer Joven will provide specialized services for teen pregnancy prevention. The Bank has also been working on adapting the model in Colombia, the Dominican Republic, Honduras, Mexico, Paraguay, and Trinidad and Tobago.
- 3. We are creating a platform for women leaders to share experiences.** The official launch of Red PROLID [↗](#), a virtual platform and social network of women leaders, took place earlier this year—working with public sector leaders in Latin America and the Caribbean. This network will provide space to generate an exchange of experiences and ideas among women policy makers who have—or aspire to have—leadership positions in public administration.
- 4. We are working with our partners to promote diversity and inclusion policies.** In a joint initiative with the Municipal Secretariat for the Promotion of Racial Equality, the IDB held the second São Paulo Diverso—Inclusive Economic Development Forum in 2015 [↗](#). The event focused on generating new solutions to increase access to opportunities in the formal labor market for Afro-Brazilians. New investment opportunities for financing diversity were launched, and leading senior figures from both the public and the private sector discussed lessons learned from diversity programming and how effective implementation yields high investment returns.
- 5. We are addressing gender challenges in the private sector.** In 2015 three newly approved projects were approved under the Women Entrepreneurship Banking initiative in Costa Rica, Paraguay, and El Salvador [↗](#). Another package of US\$1.75 million is helping female entrepreneurs in Colombia, Chile, Mexico, and Peru take advantage of the business opportunities that the Pacific Alliance will generate [↗](#). And in Brazil, a US\$100 million loan to Itaú-Unibanco is helping expand its package of services to women entrepreneurs [↗](#).

### 2015 IN NUMBERS

**47%** of sovereign guarantee loans with gender-related results

**7** private sector loans and grants with mainstreamed diversity components

**121 mil US\$** in public sector loans with indigenous peoples or African-descendant beneficiaries

**7.3 mil US\$** in grants for gender equality

**9.0 mil US\$** in grants for diversity

### LEARN MORE

- IDB website: *Gender and Diversity* [↗](#)
- Blog: Let's Talk about Equality [↗](#)
- Story: A Women's City [↗](#)





# EL SALVADOR: A WOMEN’S CITY

How many women look for help when they are the victims of violence from their partners without finding services that make them feel safe? How many do not have their own income, or access to credit to start a business, or training to improve their chances to get a job? How many die from causes associated with pregnancy or from cancers that could have been prevented? How many adolescent girls are at risk of becoming pregnant due to a lack of decision-making skills or education or to limited access to sexual health and reproductive services?

In El Salvador, Women’s City—known by its Spanish title, Ciudad Mujer—is a successful model that, under the leadership of the Secretary of Social Inclusion, is changing the lives of women and young girls. It provides them with the essential services for responding to all these issues under one roof, and it does so with quality and warmth.

In 2011 the Bank first approved a US\$20 million loan for these new centers, faced with a high maternal mortality rate in the country and the fact the almost half the female population there is affected by violence against women. Four years after the first center opened its doors, there were six centers in

operation, which had received more than 1 million visits of women and provided 2.7 million services. The centers offer, within a single space, more than 30 services provided by 15 public institutions in several fields: sexual and reproductive health, services for and prevention of violence against women, economic empowerment, and collective education on women’s rights. The centers also provide childcare for children up to age 12, so that mothers may be more relaxed while seeking help. During this time the Ciudad Mujer model continuously evolved, alongside the demands and needs of its users. One important innovation has been the Ciudad Mujer Joven (Ciudad Mujer Youth) subprogram, which was launched in 2014 to empower girls through services specially designed to promote capacity building and knowledge of their rights. With this program, the Secretary of Social Inclusion is responding to the high rates of adolescent pregnancy in the country—19.2 percent of girls ages 15–19 had a child or were pregnant in 2014. This age group of young women is also one of the most affected by violence by partners. In a pilot

test in two centers, more than 55 courses have been given to 1,387 girls between the ages of 11 and 18. Based on the overall success of Ciudad Mujer, in 2015 the Bank approved an additional US\$30 million for expansion of the program and a US\$500,000 grant for Ciudad Mujer Joven. A holistic care model for Ciudad Mujer Joven will be developed and implemented, with the ultimate goal of reducing adolescent pregnancy. Achieving this requires a combination of different interventions that include development of three aspects. First, girls’ capacities—in particular, the relevant and practical knowledge of sexuality and sexual and reproductive health care. Second, their opportunities—access to counseling and contraception methods in a friendly environment for young girls, and support so that pregnant adolescents and young mothers can find positive educational and job opportunities. And third, girls’ agency—the capacity and power that adolescents must achieve in order to make decisions on their own sexual behavior.

Interventions will be chosen that have proved to be successful and that have an impact on areas such as life skills, sex education, sexual and reproductive health, reduction of violence against women, labor and entrepreneurial skills, and better educational and job opportunities for adolescents, including pregnant and adolescent mothers. The program’s success likewise requires information, guidance, and support from young girls’ partners and parents as well as from educational and health professionals.

## A WOMEN’S EMPOWERMENT INITIATIVE IN EL SALVADOR, CIUDAD MUJER, BRINGS THE SERVICES OF 15 PUBLIC INSTITUTIONS UNDER ONE ROOF IN AN EFFORT TO IMPROVE WOMEN’S LIVING CONDITIONS AND PROTECT THEM FROM GENDER-BASED VIOLENCE.

### THE NUMBERS

- 20 mil US\$ initial loan
- 1 mil visits of women received
- 6 centers provide services of 15 institutions
- 2.7 mil services
- 30 mil US\$ to expand program



### LEARN MORE

- IDB Project: Ciudad Mujer ➔
- IDB Project: Ciudad Mujer Phase II ➔
- IDB Project: Ciudad Mujer Joven ➔
- Ciudad Mujer (only available in Spanish) ➔
- Video: Ciudad Mujer Youth ➔





## DELIVERING SUSTAINABILITY THROUGH SAFEGUARDS

Seeking environmentally sustainable solutions to infrastructure development and financing climate change adaptation and mitigation initiatives is only part of the sustainability equation. Biodiversity impacts, involuntary resettlement, health and safety concerns, gender equality, and a range of other variables—many of which might not appear on a traditional spreadsheet but that can radically alter the long-term cost-effectiveness of development efforts—are inextricably linked with the long-term environmental and social viability of sustainability and inform the overall efficacy of any project.

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. Safeguards are the measures the IDB puts in place to protect against environmental and social harm and to uphold best international practices and standards, thereby improving the value of the projects to local communities, governments, and investors alike.

### IN THIS SECTION

#### OUR PROGRESS

- 58 Delivering Sustainability through Safeguards
- 60 Adding Value with Environmental and Social Safeguards
- 62 Managing Safeguards in Our Most Complex Projects
- 76 Calculating our Greenhouse Gas Footprint in Our Lending Portfolio
- 78 Our Accountability Mechanism

#### OUR STORIES

- 64 Bolivia: Engaging Communities and Protecting Wetlands in the High Andes
- 66 Costa Rica: Using Geothermal Energy to Conserve Biodiversity
- 68 Brazil: Encircling South America's Megacity
- 70 Panama: Moving Larger Ships with Less Water
- 72 Honduras: Making Resettlement Work in San Pedro Sula
- 74 Central America: Energy Transmission Grid Reduces Emissions and Saves Birds



# DELIVERING SUSTAINABILITY THROUGH SAFEGUARDS IN PRACTICE

In line with our review of the Bank’s Sustainability Journey over the last 10 years, ➔ we have taken a look at the contribution of IDB’s safeguard policies to sustainability outcomes in development projects. Using three projects financed by the IDB over the last decade, we look at how the effective implementation of different aspects of our policies—environment, gender, indigenous peoples, and resettlement—combined with innovation, cutting-edge knowledge, and strong collaboration has transformed these projects. From these projects, and many others, we draw important lessons about how safeguards work in practice, helping us to better implement these policies in the projects we finance.

## MISICUNI, BOLIVIA

**Project Challenge:** To mitigate and manage the impacts of the construction of a hydroelectric plant (including the dam, which is not financed by the IDB) on the livelihoods of more than 200 indigenous families, including in some cases physical resettlement.

**Policy Application:** The IDB Resettlement Policy is being applied to minimize the disruption of the livelihoods of people living in the project’s area of influence and to ensure, with the preparation of a resettlement plan, that when people must be displaced they receive fair and adequate compensation and rehabilitation. The Indigenous Peoples policy has and will continue to be applied to ensure the implementation of measures to minimize or prevent adverse impacts of the project on indigenous peoples and their rights, including physical and food security, lands, territories, resources, society, traditional economy, and way of living, among others. Mitigation measures include consultation and good faith negotiation processes consistent with the legitimate decision-making mechanisms of affected communities, along with fair compensation for any damage from the loss of livelihoods and dwellings as a result of the project. Implementation of the Bank’s suite of safeguard policies will continue to be of key importance to this project, particularly when the process of water storage begins, flooding areas that are used by the community and that were compensated some years ago.

**Sustainability Outcomes:**

- **Improved housing conditions for persons affected by the dam and plant:** Families received a new dwelling with better characteristics than the ones they had before and with basic services.
- **Improved community infrastructure:** Infrastructure was replaced or improved, while gravel roads and portable water and sanitation systems were built.
- **Restored income sources and livelihoods:** An additional loan aimed at improving and diversifying the agricultural production of the affected communities provided agricultural infrastructure, new technologies and crops, and support to local indigenous communities to improve and/or restore income levels and means of livelihood. The project installed 107 solar tents for raising vegetables, introduced new dryland crops, built two small weirs and two fish hatcheries, and set up irrigation systems.
- **Enhanced community organization:** Communities were fully involved in all decisions regarding the resettlement process, which helped strengthen their organizational systems. Affected communities were relocated to sites selected by them, allowing for the preservation of communal and family networks.
- **Strengthened institutional capacities:** The executing agency has developed and is implementing a social and environmental plan to secure the long-term sustainability of livelihood restoration initiatives beyond the IDB’s involvement.

## CARACOL INDUSTRIAL PARK, HAITI

**Project Challenge:** To improve gender management at the Caracol Industrial Park (PIC, from its name in French) through the National Society of Industrial Parks (SONAPI) and in collaboration with its contractors and tenants.

**Policy Application:** IDB’s Gender Policy requires preventive action to identify and address adverse impacts and the risk of gender-based exclusion, inclusion of women and men in consultation processes, and compliance with applicable legislation relating to equality between men and women. A gender action plan was prepared so that the executing agency (SONAPI) and its counterparts could respect the obligations under our Gender Policy and Haitian legislation and could comply fully with the Haitian Labor Code and the ILO Declaration on Fundamental Principles and Rights at Work, for the greater protection of employees, including specific provision for protection of women’s rights. The IDB worked hand in hand with SONAPI to develop and implement a Gender Action Plan.

**Sustainability Outcomes:**

- **Improved understanding and application of the Haitian labor code with regards to the rights of female employees:** A total of 217 upper and lower management staff at the PIC received training on the protection of women’s rights, proactive approaches to addressing gender-based violence within in the workplace, and possible sanctions and/or consequences as a result of noncompliance.
- **Strengthened institutional capacity to improve occupational safety and health for women:** SONAPI will implement its own Gender Action Plan in 2016. The plan’s objective is to improve the working conditions of women by reducing sexual harassment cases, improving feminine hygiene practices of working women, and working with local authorities to ensure the safety of employees using public transportation to connect to bus services provided by the PIC.
- **Improved conditions for young mothers and pregnant women:** IDB is working with SONAPI and counterparts to create a designated center for breast-feeding women.

## REVENTAZON HYDROELECTRIC PROJECT, COSTA RICA

**Project Challenge:** To reduce loss and disruption of forest habitat connectivity and negative impacts on migratory fish routes on the Reventazon River due to a large downstream hydropower project on a river that already has three hydropower plants in middle and upstream sections.

**Policy Application:** Costa Rica’s national power company, the IDB, and an international conservation organization turned the potential environmental liability into a net gain for habitat protection through the application of the Bank’s Environment and Safeguards Compliance Policy. Specifically, the policy required implementation of appropriate mitigation measures for potential impacts on natural habitats, such as the restoration and improvement of forest habitat connectivity around the reservoir area and in the Jaguar Corridor, and for impacts that cannot be fully mitigated, such as blocking of fish migration in the Reventazon River, through implementation of compensation or offsets.

**Sustainability Outcomes:**

- **Improved protection of Parismina River:** The project implemented the first river offset, protecting migratory routes for fish species in perpetuity in the ecologically sensitive Parismina River. The offset agreement guarantees that artificial modifications, including dams that would block migrations, will be prohibited and that the Parismina’s natural flow pattern and its biological integrity will be preserved or restored.
- **Improved protection of critical habitats for jaguars:** This involved measures to protect the “Jaguar Corridor” land along the southern, eastern, and western portions of the reservoir at higher and more permanent levels than at the start of the project, including through payments to landowners for environmental services related to preserving forest cover and connectivity in the Jaguar Corridor.
- **Improved protection of downstream users and habitats:** An adaptive management program was introduced to ensure the project can deliver the expected electricity generation targets while protecting downstream users and habitats, including a major ecotourism site in Costa Rica, the Tortuguero National Park.





# ADDING DEVELOPMENT VALUE WITH ENVIRONMENTAL AND SOCIAL SAFEGUARDS

## WE IMPLEMENT SAFEGUARDS IN ORDER TO:

- Protect against environmental and social harm
- Improve value of projects for all stakeholders
- Enable clients to meet international practices and standards

## WHAT DO OUR SAFEGUARDS COVER?



## HOW DO OUR SAFEGUARDS WORK IN PROJECTS?

Classifying impact according to potential negative environmental, social, health, safety, and labor impacts.

In 2015 we approved

**US\$11.3 BILLION** including guarantees, special funds, trade finance):  
**168 NEW LOANS**

Our Impacts Classifications

**CATEGORY A**  
SIGNIFICANT

**7 projects**  
**US\$750.1 MIL**

**CATEGORY C**  
MINIMAL

**23 projects**  
**US\$893.4 MIL**

**CATEGORY B**  
MODERATE

**40 projects**  
**US\$3,329.5 MIL**

**CATEGORY FI**  
FLEXIBLE INSTRUMENT

**98 projects**  
**US\$6,280.8 MIL**

### ASSESSING RISK

that may affect the success of the project, such as environmental and social capacity, track record, local sensitivities, or reputational risks

- In 2015, 21 of these projects were classified by the Bank as high environmental and social risk

### ASSIGNING IDB SAFEGUARD SPECIALISTS

to all high-risk operations, including all Category A operations, as well as high-risk Category B operations

### EVALUATING THE ADEQUACY

of environmental and social impact assessments, management plans and procedures, and institutional arrangements for mitigating and managing impacts and risks

### DETERMINING ADDITIONAL MEASURES

to be included in the project design and operation to ensure that environmental and social impacts and risks are mitigated and managed

### MONITORING IMPLEMENTATION

and working closely with Borrowers and Stakeholders to ensure that each project complies with IDB safeguards as well as specific national and international standards

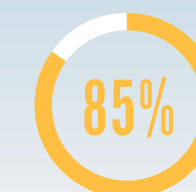
## WE TRACK KEY SAFEGUARD ISSUES IN HIGH-RISK PROJECTS

In 2015, the 21 projects classified by the Bank as “high environmental and social risk” triggered the following safeguard issues:

- 10 NATURAL HABITATS AND CULTURAL SITES
- 12 PHYSICAL AND ECONOMIC RESETTLEMENT
- 18 DISASTER RISK MANAGEMENT
- 13 HAZARDOUS MATERIALS
- 15 POLLUTION PREVENTION AND ABATEMENT
- 4 INDIGENOUS PEOPLES
- 7 GENDER

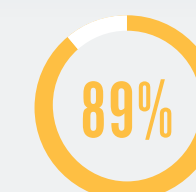
## WE MONITOR SAFEGUARD PERFORMANCE

IDB tracks the effectiveness of its safeguards against institutional goals



OUR TARGET BY 2015

85% of projects in our portfolio with high environmental and social risks to rate “satisfactory” in implementation of mitigation measures



OUR PERFORMANCE BY 2015

89% of our sovereign guarantee and 91% of our non-sovereign guarantee projects classified by the Bank as high environmental and social risk in our portfolio in 2015 were rated satisfactory or partially satisfactory for the implementation of their safeguard mitigation and management measures

## OUR SAFEGUARDS ADD LONG-TERM DEVELOPMENT VALUE

### BYPASSING COSTLY FUTURE DELAYS

and reducing costs through improved environmental, health, and safety performance

- Fewer accidents
- Fewer fines
- Fewer lost workdays

### INCREASING REVENUE

while gaining market share through environmentally and socially sound products and services

### GUARDING AGAINST

- Unforeseen risks (e.g., strikes/protests)
- Costly environmental cleanups
- Loss of investor and public confidence due to unfavorable media attention

### MEETING AND/OR EXCEEDING GLOBAL BENCHMARKS

in environmental and social performance

## WE MANAGE SAFEGUARD CONCERNS & COMPLAINTS

Projects must meet safeguard standards on all levels:

LOCAL & NATIONAL LEGISLATION & STANDARDS	IDB STANDARDS	INTERNATIONAL STANDARDS	SECTOR-SPECIFIC STANDARDS
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IF THESE STANDARDS ARE NOT MET, WE HELP DEVELOP A COURSE OF ACTION THAT MAY INCLUDE:

- Modification of the design
- Inclusion of mitigation measures in legal agreements

IF OUR REVIEW REVEALS SERIOUS PROBLEMS WITHOUT REASONABLE REMEDIES:

- IDB puts financing on hold
- Project is re-worked to resolve specific issues

Persons who believe they have actually or may be potentially harmed by an IDB-financed operation, due to the failure of the IDB to comply with its relevant operational policies, may also raise concerns directly to IDB through the Independent Consultation and Investigation Mechanism

19 requests managed in 2015      7 requests carried over from previous years      12 new requests      11 requests closed during the year      8 active requests at year's end



# MANAGING SAFEGUARDS IN OUR MOST COMPLEX PROJECTS

Large-scale infrastructure development is necessary to foster growth and competition in a demanding economy. These projects are often the most complex ones from an environmental and social perspective, but the IDB offers our member countries a comparative advantage. Our collective expertise and support—combined with robust safeguards and structured mitigation and management measures—aim at ensuring that complex projects are developed with resilience and long-term sustainability in mind.

In 2015, the IDB approved seven loans for Category A projects. Six of these are new projects (see below), and the seventh is for additional grant financing for the Productive Infrastructure Program IV in Haiti ➔. Our most complex projects are those that have the most significant environmental and social impacts and risks, which by definition require additional input and evaluation. The IDB works closely with clients from beginning to end on Category A and high-risk Category B projects to implement and monitor necessary environmental and social safeguard mitigation measures.

## HAITI ROAD REHABILITATION

The IDB approved a US\$65 million grant to finance improvements to the last 30 km tranche of road on the Route Nationale 1 corridor between Port-au-Prince and Cap Haïtien on the north coast. The project will improve road safety through measures such as eliminating blind mountain curves and installing sidewalks in urban areas. It is particularly complex due to the potential impacts on natural habitats. The road runs parallel to the River Limbé, a critical natural habitat site, and in part passes through a Key Biodiversity Area (KBA) that is home to 36 species of threatened animals and plants, 6 of which are critically endangered. The project also has complex social impacts due to the need to resettle 450 affected persons. Environmental mitigation measures agreed upon include total avoidance of extraction of construction materials from the Limbe and the KBA, which will avoid damaging the aquatic biodiversity and also set a new standard for road construction in Haiti; the use of the least-hydrocarbon-polluting road building technology; the establishment of clear environmental guidelines; and the training of all workers in guideline implementation. Additionally, the Bank and the government have agreed on a comprehensive resettlement and compensation plan, which will ensure that affected people will have new properties and livelihoods equal to or better than what they currently have ➔.

## CONTAINER PORT UPGRADES IN JAMAICA

A new IDB project finance loan will provide US\$125 million to upgrade the Kingston Container Terminal in Jamaica so that larger ships passing through the expanded Panama Canal will still be able to reach the terminal. A 30-year concession has been awarded to Kingston Freeport Terminal Limited to upgrade and operate the terminal. The key environmental and social issues include impacts to important marine habitats primarily from dredging, the loss of livelihoods in vulnerable local fishing communities, and possible damage to cultural heritage, including the proposed UNESCO Heritage Site of the Port Royal “Sunken City.” These challenges were met through a combination of changes to the project design; additional focused studies, especially on dredging; and collaborative development of livelihood restoration and community development plans with the fishing community. An important change to the project design was the removal of an option for disposal of dredge sediment that would have resulted in the loss of critical natural habitats in the marine environment and possible destruction of critical heritage sites. The additional studies on dredge spoil dispersion meant a more precise disposal option could be developed that would avoid impacts to the Sunken city or important marine habitats ➔.

## GEOTHERMAL ENERGY DEVELOPMENT, COSTA RICA

With a US\$200 million loan to the government of Costa Rica, the IDB is increasing the country’s electricity supply and responding to climate change with two new geothermal power plants in Guanacaste. Together, these plants will generate 110 MW of electricity. The most significant impacts and risks relate to the potential for habitat fragmentation and biodiversity loss in an area adjacent to the Parque Nacional Rincón de la Vieja, a UNESCO World Heritage Site, as well as the potential for air and water contamination. The Bank also identified risks associated with natural disasters that could affect the project and local communities, as well as risks of micro-seismic activity and soil subsidence that may result from geothermal perforation and reinjection activities. To address these challenges, IDB has been working with the Costa Rican Institute of Electricity to create a conservation partnership for biodiversity management and monitoring; to implement habitat connectivity, water quality monitoring, and microseismic monitoring plans; and to create a community and worker education program to minimize and manage the impacts associated with natural disasters. The goal is to improve the protection of biodiverse tropical dry forest habitat in and around the park and to raise the quality of life in local communities ➔. Read the Story ➔.

## BOGOTA PUBLIC-PRIVATE PARTNERSHIP, COLOMBIA

In a new loan approved in 2015, IDB committed US\$158 million to the rehabilitation, construction or improvement, and operation and maintenance of a toll road. The project—which covers 154 km of expansion and upgrade of existing brownfield road sections and 5 km of greenfield construction—is expected to improve connectivity and reduce traffic congestion and accidents. The project is particularly complex, as the road transects various biologically sensitive areas, including forestry reserves and native forests. To address this, an environmental management plan is being implemented that places an emphasis on avoiding significant impacts on these sensitive areas, in line with IDB’s Environment Policy. Additionally, the project will affect over 1,500 lots and more than 450 family units, so the IDB required extensive work on a resettlement plan to meet Colombian legislative requirements and its own resettlement policy. This plan, already under implementation in the pre-construction phase, includes detailed requirements for land acquisition, social compensation, livelihood restoration, and communications. A mitigation plan for the potential cumulative impacts of this project and others in the same area, particularly to address the impacts on people affected by the right-of-way, is under consideration by Colombian authorities ➔.

## STEEL MANUFACTURING IN ECUADOR

A new IDB private sector corporate financing project provides US\$37 million to Ecuadorian steel manufacturer Adelca for the construction and operation of a new steel plant with an annual production capacity of 400,000 tons of wire rod and rebar. This will allow the company to expand its growing operations of converting scrap metal into products used to build infrastructure. The main potential environmental and social impacts and risks are related to the construction and operation of the new steel mill and its associated facilities. But as a corporate loan, there are also potential risks related to the company’s industrial activities, including an original steel mill, a shipbreaking operation, and several scrap yards. The key issues include wastewater management, flood and natural disaster management, and health and safety, plus possible soil and groundwater contamination from past practices. These issues are being addressed through a number of interventions, including strengthening the company’s internal environmental and social capacity through hiring new staff, the development of comprehensive environmental and social management plans for the project as well as the entire corporation, additional disaster and climate risk studies, contamination studies, and a health and safety audit. Through these interventions the Bank is helping Adelca strengthen its environmental, social, health and safety (ESHS) policies and procedures to ensure that the company, which has gone from a small family business to a multi-facility corporation over the past 50+ years, is able to meet national and international ESHS standards over its lifetime ➔.

## WATER SUPPLY AND IRRIGATION IN THE HIGH ANDES, BOLIVIA

A financial package of US\$109 million will provide potable water to residents of El Alto and access to improved irrigation for almost 7,000 farmers in the high Andes. The project includes an integrated watershed management plan and land management, with a focus on climate change, institutional strengthening and capacity building, and community-based social programs, as well as monitoring and evaluation. The project is particularly complex due to the potential environmental and social impacts from the diversion of naturally flowing water from the watershed and its resulting downstream impacts on *bofedales* (high-altitude wetlands) and downstream users, including indigenous communities. To address these, robust mitigation measures were incorporated. An Integrated Watershed Management Plan included the restoration of 210 hectares of *bofedales* habitat and 70 hectares of new *bofedal* habitat, to be closely monitored over 10 years. And public consultations were conducted as part of a detailed community engagement plan, leading to an agreement with affected parties. There are also significant positive impacts for the area. The new potable water systems will benefit over 10,000 people in remote communities over 20 years and over 250,000 people in El Alto. And the improvements in irrigation will more than triple the area of irrigated farmlands in two municipalities ➔.





# BOLIVIA: ENGAGING COMMUNITIES AND PROTECTING WETLANDS IN THE HIGH ANDES

At 4,150 meters above sea level in the high Andes of Bolivia, the city of El Alto is growing rapidly. The population of 1 million today is expected to reach 1.5 million in the next 20 years, and the demand for water is due to rise to 54.4 million cubic meters per year. By then, climate change may reduce the volume of water available by 10 percent due to the rapid retreat of glaciers in the Andean region.

In 2015, the Bank approved a US\$109 million financial package—including US\$42.5 million from the Climate Investment Fund—to provide 55,000 homes in the city of El Alto with improved access to potable water and to give the same to 6,700 farmers in the municipalities of Pucarani and Batallas, along with better access to irrigation services.

The project was designed to address critical water provision issues and to promote integrated management of water resources through the sustainable use of the area's natural resources. But the IDB also identified a series of potentially significant environmental and social impacts tied to the construction of the dams, the water purification plant, and the potable water system and to the installation of over 250 km of portable water pipes in El Alto and Batallas and irrigation pipes in two

river basins. These could have impacts on habitats and natural resources as a result of water extraction, economic displacement, and disruptions of the livelihoods of some indigenous communities, which if not managed could undermine the project's development objectives.

Rather than shy away from complex environmental and social projects like El Alto, the Bank works closely with countries in the region to develop solutions to mitigate and manage these, relying on its suite of environmental and social safeguards. In El Alto, the Bank worked closely with the Bolivian Ministry of Environment and Water (MMAyA), focusing particular attention on actions to bring about significant changes during project preparation to ensure its long-term sustainability. Key among these actions was increasing public consultation and community engagement. Participation by different stakeholders is a core tenet of IDB policies and enriches the long-term sustainability of any project. Public consultations were held in various communities, and a system of ongoing community engagement was established in order to disseminate project information and obtain feedback from affected communities. As a result, the government

acquired written agreements of consent to the project from indigenous communities.

The Bank was also able to work with MMAyA to better assess and understand the water resource needs of the project and the significant impacts on natural habitats of its extraction, a core requirement of IDB's Environmental and Safeguards Compliance Policy. The project design was amended to change the water resource allocations: first, reducing from 50 to 40 percent the amount of water to be diverted from the natural stream to the water treatment plant to be processed for potable water supplies in El Alto; second, increasing the ecological flow in the watershed to maintain sensitive ecosystems such as *bofedales*—high-altitude wetlands found predominantly in the Andes.

*Bofedales*, a unique and extremely fragile wetland ecosystem sensitive to climate changes and human disturbances, are known for a number of rare species that live there. In addition to the water reduction measures agreed to in the design phase, the Bolivian authorities, with the help of the IDB, developed a multi-component, community-based Integrated Watershed Management Plan (MIC, from its name in Spanish) to protect the overall ecological conditions of heavily affected watersheds, particularly the *bofedales*. Multiple projects will be implemented to prevent soil erosion and protect water quality as part of the MIC, along with a biological offset established to create new *bofedal* areas and restore existing degraded *bofedales*. This project was approved by IDB's Board of Executive Directors and by the Bolivian government in 2015, and construction will commence in 2016.

IN THE HIGH ANDES OF BOLIVIA, A PROJECT TO IMPROVE ACCESS TO POTABLE WATER AND IRRIGATION RELIED ON PUBLIC CONSULTATIONS IN VARIOUS COMMUNITIES AND ONGOING COMMUNITY ENGAGEMENT TO HELP MITIGATE POSSIBLE IMPACTS ON HABITATS AND NATURAL RESOURCES.

THE NUMBERS

109 mil US\$

will benefit 55,000 homes and 6,700 farmers in three municipalities

70 hectares

new *bofedales* (biodiversity offset)

60 km

of potable water pipes

220 km

of irrigation pipes in the Jacha Jahuira and Kullu Kachi river basins

16 consultation events

in 7 areas, involving participants over 40 communities (more than 500 participants)

210 hectares

of *bofedales* to be restored



- LEARN MORE
- IDB Project: Multipurpose Water Supply and Irrigation Program for the Municipios of Batallas ➔
  - IDB News Release: Bolivia will improve access to potable and irrigation water with IDB assistance ➔





# COSTA RICA: USING GEOTHERMAL ENERGY TO CONSERVE BIODIVERSITY

Costa Rica has a unique record in the global community: it can boast a 92 percent renewable national electricity grid and 99.4 percent access of its population to electricity. Dependent on geothermal, hydropower, wind, and solar, Costa Rica continues to prove to countries in the region that low-cost, modern electricity services can be provided to consumers while avoiding greenhouse gas emissions that create climate change.

To keep Costa Rica’s grid renewable and to meet growing demand, investment in geothermal energy is on the rise. Yet the majority of Costa Rica’s geothermal resource is located in the volcanic highlands, which have been protected by a series of national conservation areas. This presents both a challenge and an opportunity: how to leverage geothermal energy to achieve biodiversity conservation.

In 2015, the IDB approved a loan to finance two new utility-scale geothermal projects in Costa Rica, the first since 1994: Las Pailas II and Borinquen. Together, the two plants will generate 110 MW of electricity for the national grid.

But the geothermal plants border the Parque Nacional Rincón de la Vieja, a UNESCO World Heritage Site, so they present risks of habitat fragmentation and biodiversity loss. To bring the projects in line with IDB policies and international best practices, the IDB is fostering a partnership with the Ministerio de Medio Ambiente y Energía; the Área de Conservación Guanacaste, which manages the park; and the Instituto Costarricense de Energía (ICE), the project developer. The partnership will create a biodiversity monitoring and adaptive management program in and around the park, seeking to ensure a gain in forest cover, and that no habitat or species is adversely affected by the project.

Meanwhile, geothermal energy brings specific challenges related to disaster risk. To make sure the projects will comply with IDB’s Policy on Disaster Risk Management, we are working with ICE to implement a microseismic monitoring program and a geothermal fluids reinjection policy to minimize seismic and subsidence risk related to project operation. Additionally, naturally occurring disasters such as earthquakes and volcanic activity can

present risks to affected communities’ health and safety in the project areas. For this reason, the IDB is helping to increase community resilience to natural disasters by working with ICE to create a community and worker disaster risk education program and a community-based water quality monitoring program.

This IDB intervention in geothermal energy in Costa Rica is helping the country reach its goal of a national electricity grid that is 100 percent renewable by 2035. It is also helping to bring ICE’s environmental and social management system and internal procedures in line with IDB policies and international best practices. As investment in geothermal energy grows in the country’s ecologically sensitive volcanic regions, the Pailas II and Borinquen projects will demonstrate the value that geothermal energy has in improving the management of protected areas and advancing environmental and social sustainability.

AS COSTA RICA WORKS TO HAVE 100 PERCENT RENEWABLE ELECTRICITY BY 2035, A NEW PARTNERSHIP HAS CREATED A BIODIVERSITY MONITORING AND ADAPTIVE MANAGEMENT PROGRAM FOR A PARK NEAR TWO NEW GEOTHERMAL PROJECTS.

## THE NUMBERS

**200 mil US\$** in total IDB financing  
**25%** of Costa Rica’s territory protected by conservation areas  
**110 MW** of renewable energy produced



## LEARN MORE

- IDB Project: Renewable Energy, Transmission and Distribution of Electricity Program
- Publication: Promoting Geothermal Development: Geothermal Power and Our Energy Challenge





# BRAZIL: ENCIRCLING SOUTH AMERICA’S MEGACITY

Brazil’s largest city, São Paulo, is a bustling megacity with more than 12 million inhabitants. Efficient and sustainable movement of people and cargo is a constant challenge here, with an exponential rate of urban growth that is heavily reliant upon motorized transport.

Creating a more organized and better integrated flow of traffic within and throughout the city is the primary goal of the Rodoanel Mário Covas Highway. This massive project brings together four sections of freeways that cover more than 176 km (110 mi), creating a beltway around the city and providing a linkage between the 10 major highways of Brazil, the country’s primary sea port (Santos), and its largest airport (Guarulhos International Airport). The project is expected to be completed in 2018 with a total cost of US\$3 billion, and it is considered a key infrastructure component for sustainable transportation and economic development in the state of São Paulo and for Brazil as a whole.

This major undertaking is not without some unique environmental and social challenges. The final section of the highway, the northern section, financed by the IDB will traverse the Cantareira State

Park, one of the few secondary growth remnants of the Mata Atlântica Rainforest, a vulnerable area already suffering from significant environmental degradation. It will also cross a densely populated area, thereby requiring resettlement and engagement with local communities.

To address these concerns, the public company in charge of the projects (DERSA) worked closely with all stakeholders, soliciting input to produce a road layout that is highly collaborative and that minimizes both environmental impact and social risks. A comprehensive program was implemented to resettle 4,100 families (1,900 in new state-provided homes) without conflict and with minimal disruption to their livelihoods. For most resettled families the project provided access to better living conditions while maintaining or improving employment and economic opportunities. Diverse social programs were also established to cover wide-ranging specific needs for compensation during project development. In addition, programs were introduced for local employment, training courses for workers and entrepreneurs, and special attention for vulnerable households.

Similar measures were undertaken to reduce the environmental impact on Rodoanel North’s surrounding region. This started with planning the right-of-way to avoid direct impact to an existing protected area (the Cantareira State Park) and closing the roadway to avoid inducing densification. The design also uses tunnels and viaducts to minimize deforestation and environmental impact along the road’s alignment. Structural underpasses will help preserve local terrestrial fauna. And the project established a goal of reducing energy consumption in the extraction, processing, manufacture, and transport of materials. Project managers focused on materials that were locally sourced, thereby decreasing transportation needs.

Extensive monitoring systems have been put in place to establish benchmarks for the quality of nearby land, water, and biodiversity, and ongoing testing will be conducted to ensure any environmental impact is quickly discovered and abated.

Smaller details taken into account throughout the planning and construction process ensured that every decision was made with sustainability principles in mind. For example, energy efficiency was obtained by using LED lighting, which successfully reduces light spillage and requires far less energy than traditional lighting. Carefully sited noise barriers are being constructed to avoid discomfort to nearby built-up areas.

PLANNING FOR THE RODOANEL MÁRIO COVAS HIGHWAY, A BELTWAY AROUND SÃO PAULO, IS OVERCOMING ENVIRONMENTAL AND SOCIAL CHALLENGES BY REDUCING ENERGY USE, MINIMIZING THE IMPACT ON A PROTECTED AREA, ADDRESSING THE NEEDS AND CONCERNS OF LOCAL STAKEHOLDERS, AND MINIMIZING WASTE AND ENERGY USE.

The net effect of these design choices is the result of planning efforts throughout the project. Most noteworthy is the reduction in GHG emissions of approximately 12.5 percent (by 2024) and a cumulative savings projected by 2039 of over 100,000 tons of CO<sub>2</sub> per year from cargo and private vehicles using the road. Furthermore, partnerships with the three municipalities forged during the project design and development kept 75 percent of all the excavated materials out of landfills by reusing them in urban structures.

Projects like Rodanel illustrate how sustainable infrastructure can be implemented on a massive scale, even in the challenging context of a megacity such as São Paulo. In the future, the Bank will introduce extensive planning processes and methodologies and capture even greater environmental and social co-benefits. It will also take into account opportunity costs and future challenges such as climate change as a key measure of success for major infrastructure projects.

## THE NUMBERS

12 mil inhabitants in São Paulo

1.1 bil US\$ loan

3 bil US\$ total project cost

47 km (27 mi) forming the northern section

10 major Brazilian highways linked together

## LEARN MORE

- IDB Project: Mario Covas Rodanel Project➔





# PANAMA: MOVING LARGER SHIPS WITH LESS WATER

For over 30 years the Bank has supported watershed preservation work in countries throughout Central America. Chief among these is Panama, whose most important watershed struggled to retain large rainfalls in the wet season and where water availability is jeopardized by El Niño-Southern Oscillation events, the most recent resulting in the drought in 2015.

In 2008 the Bank approved a loan of US\$400 million to support the region’s most ambitious watershed use project to date: a US\$5.2 billion expansion of the Panama Canal by the Panama Canal Authority (ACP, from its name in Spanish). This project will increase the capacity of the Canal by adding a larger set of locks that will enable the transit of much larger vessels, the so-called New Panamax ships, which have more than twice the cargo carrying capacity. The cornerstone of this project’s innovation is a series of water-saving basins that will recover and reuse up to 60 percent of the water in the new locks.

Lake Gatun—a key component of the watershed and the lake through which vessels transit when making a passage—has been dredged, increasing its total capacity by over 500 million gallons. Additionally,

the maximum operational level of Lake Gatun is being raised by approximately 0.45 meters to increase water reserve capacity. This will reduce water usage, create deeper lanes for larger vessels, and increase the lake’s capacity to retain water.

The expansion of the Panama Canal will increase revenue for the ACP and Panama. With the new locks, twice as much cargo can be accommodated while using 7 percent less water. The project is slated for completion, with inauguration of the new locks, in late 2016.

The project has had to address a number of potential concerns—from seismic-related disaster risk management to water quality and availability. A major challenge was the potential risk of an earthquake along the fault lines that surround and intersect key Canal infrastructure. If the locks or dams were breached by such an event, the unrestricted flow of water would create an economic and environmental disaster. Early in the design process the ACP retained the services of highly recognized scientists and engineers to advise them on how to ensure that the construction and

operation of the new locks and associated facilities are protected from potential seismic damage.

The design selected by the ACP made the reuse of water via the water recirculation basins a priority, while ensuring minimal impact on water quality. Sophisticated models have been produced to assess the basins’ effects on water quality. After the new locks are opened, regular monitoring will test for key indicators. If problems are identified, a further investigation will be conducted to identify the best technological solutions to them.

Once complete, this project will usher in a new era for Panama, allowing for more transits than ever before, thereby generating new revenue for the ACP and yielding higher employment to support the expanded operation. Meanwhile, water usage per transit will be greatly reduced thanks to the project’s innovative water-saving basins. Lake Gatun’s capacity expansion will also benefit the watershed by increasing its total capacity by more than 25 percent.

While the Bank has made an important contribution to the financing of the expansion of the Canal, its relation to the project dates back to efforts a couple of decades ago on land use titling in the watershed, which contributed to reduced reforestation and overall management of the watershed, the fundamental component for the operation of the Canal.

THE PANAMA CANAL’S CAPACITY IS SLATED TO INCREASE WITH CUTTING-EDGE TECHNOLOGY TO RECOVER AND REUSE 60 PERCENT OF THE WATER IN NEW LARGER LOCKS: TWICE AS MUCH CARGO WILL BE ACCOMMODATED WHILE USING 7 PERCENT LESS WATER.

## THE NUMBERS

400 mil US\$ investment

5.2 bil US\$ total project cost

1.04 bil US\$ cost for water-saving basins

240% larger shipping capacity in new locks

500 mil gallon increase in capacity of Lake Gatun (greater than 25% increase)



## LEARN MORE

- IDB Project: The Panama Canal ➔
- Panama Canal Expansion Website ➔
- Blog: “Sustainable Infrastructure, we want it, we need it and we can live better with it” by Alexandre Meira da Rosa ➔





# HONDURAS: MAKING RESETTLEMENT WORK IN SAN PEDRO SULA

The Atlantic Corridor of the Mesoamerica Project, which stretches 1,745 km, unites Mexico, Belize, Guatemala, Honduras, and El Salvador. In Honduras, the spine of the corridor is highway CA-5, connecting Tegucigalpa with San Pedro Sula and with Puerto Cortes on the Atlantic Coast. This 294-km stretch of road is critical for Honduras to become more competitive and to support integration in the Mesoamerica Project by improving transport conditions and reducing operating costs, travel times, and accident rates. With this in mind, the IDB has invested US\$112 million since 2004 to rehabilitate this road.

Despite efforts to reduce the negative impacts of the road improvements and construction, an Environmental and Social Impact Assessment revealed that works associated with the San Pedro bypass, a 5.5-km stretch included in the project, would require acquiring lands and the right-of-way for improvements and widening urban roads in order to efficiently connect CA-5 and Atlantic corridors.

According to a 2014 census, it would be necessary to relocate 175 families illegally occupying lands along a 1-km stretch by the San Pedro River. Most

of these families had migrated from poorer rural areas; their lack of formal education and occupation meant that they generally worked in temporary jobs or the informal sector. Housing consisted mostly of shacks without basic services or regular electricity connections, and violence was rife between local gangs. Poorly planned resettlement could cause them to lose their housing and main sources of income and could further disrupt the local sense of community.

Recognizing the challenges this posed, and as part of the commitments required for an IDB loan, the executing agency prepared a resettlement plan focused on identifying alternatives that would maintain community integrity, livelihoods, and employment opportunities. After almost a year-long process of consultation and negotiation with the affected families and local leaders—many of whom embraced relocation as an opportunity to improve their situation—a site with adequate housing, services, and access to income sources was identified in Choloma, around 16 km from the original location. This offered residents an opportunity to restore and improve their living conditions.

The families were resettled over four months in early 2015. Each family received a house with basic services according to the number of family members and taking into account family relations and community networks. The property was guaranteed to remain within the family through housing and land titling. By mid-year, 171 families had moved into new houses, and all 141 children attended a new local school. Three youth sports clubs began operating, families have access to nearby health services, community organizations have been strengthened, and small businesses are beginning to operate, including three women's cooperatives. The social program aims to consolidate adaptation to the new place and to develop the new community's links in a completely different environment. A six-month work program is under way to continue supporting community cohesion and to consolidate the gains.

While IDB projects attempt to minimize disruption to local communities and their livelihoods, it is not always possible to avoid this. In this case, the Bank was able to work hand in hand with the government to implement a strong resettlement plan for illegal settlers on the right-of-way. Coupled with a robust review of alternatives and strong community involvement, this project was significantly more successful than other approaches, such as cash-compensation payments, which are often insufficient to truly restore community living conditions and livelihoods.

The community now lives in a clean, safer environment—one where residents have already begun making housing improvements and building a sense of community with their neighbors. The establishment of a democratically elected directive committee and ongoing social programs are an indication of a new attitude and a positive perspective about the future.

## THE NUMBERS

- 112 mil US\$ IDB investment in the Honduras Atlantic Corridor Road
- 1 Resettlement Plan
- 294 km of rehabilitated and improved highway
- 171 families resettled
- 141 children enrolled in new schools
- 5 women's cooperatives established

A NEARLY YEAR-LONG PROCESS OF CONSULTATION LED TO SUCCESSFUL RESETTLEMENT OF 171 FAMILIES WHO HAD BEEN ILLEGAL OCCUPANTS OF A RIGHT-OF-WAY NEEDED FOR HIGHWAY EXPANSION IN HONDURAS.



## LEARN MORE

- IDB Project: Improvement Plan Puebla Panama Atlantic Corridor ➔





# CENTRAL AMERICA: ENERGY TRANSMISSION GRID REDUCES EMISSIONS AND SAVES BIRDS

In the mid-1990s, six countries in Central America came together to develop the Central American Electrical Interconnection System known as SIEPAC (from its name in Spanish), a program that established the first regional transmission system and a wholesale electricity market in the region. Over the last decade the IDB has invested more than US\$250 million through several loans to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama to support the program’s long-term sustainable development. Adding investments from co-financing agencies, the total tops US\$500 million.

National transmission systems have improved significantly, reducing transmission loss and energy costs, improving reliability, quality, and continuity of electrical service, and avoiding an estimated 1,000 tons of CO<sub>2</sub> per year. The project has also successfully implemented a robust and effective approach to environmental management—thanks to a long partnership between the IDB and the regional entity in charge of the project, Empresa Propiedad de la Red (EPR), helping establish SIEPAC as a model of sustainable energy infrastructure for the region.

One of the most complicated environmental issues in any project of this magnitude is the impact of transmission lines on migratory birds—and the impact of migratory birds on those lines. The team identified a high probability of bird collisions with the SIEPAC transmission lines, which can lead to costly outages for EPR and has impacts on the bird population. EPR undertook the first-ever study of the interaction between migratory birds and transmission lines in five SIEPAC countries, starting in Nicaragua in 2012. (Panama was not included, as its line did not affect migratory bird routes.) The study confirmed the risks and proposed a number of solutions, including the installation of an effective device known as “Salva Pajáros” (literally “Save Birds” in English but commonly called “line marking devices”). The device increases the visibility of the lines to help birds avoid collision. EPR agreed to implement the devices on 80 kilometers (out of the 1,790 kilometers) of transmission lines where the lines intersect with migratory routes, at an initial cost of more than US\$1 million. This would enhance the effectiveness of the electrical service over time—reducing costs as a result of outages—and would contribute to the long-term environmental

sustainability of a number of critical bird species throughout the region.

Additionally, the Bank worked closely with EPR to put in place a tough monitoring program, which entailed determining a baseline and indicators to track the effectiveness of the devices. This has created a useful reference point on the value of environmental mitigation measures for transmission lines. Preliminary results suggest a positive impact on migratory bird species as a result and a reduction in outages. As a result, each country is undertaking similar bird studies and mitigation measures as part of the environmental impact assessment process for transmission projects in the region.

In Honduras, a separate exploratory study on local fauna collected important data on the population and habitats of the Honduran Emerald hummingbird, which is on the IUCN Red List of endangered species. This prompted EPR to collaborate with the Department of Wildlife to prepare and establish a National Honduran Emerald Hummingbird Conservation Plan.

In addition to the measures taken to protect and mitigate the impacts on birds, SIEPAC has implemented a series of socio-environmental management plans on the management of rights-of-way, complaints, and claims and on forest clearance and compensation, archaeological finds, and the protection of mammals. It is also undertaking studies to decrease the project’s vulnerability to natural disasters and providing environmental capacity building support to EPR and national regulatory agencies in each country.

LINE MARKING DEVICES ON ELECTRICITY TRANSMISSION LINES IN CENTRAL AMERICA ARE REDUCING MIGRATORY BIRDS’ COLLISIONS WITH LINES AND CUTTING COSTS DUE TO OUTAGES AFTER COLLISIONS.

THE NUMBERS

1,000 tons of CO<sub>2</sub> avoided annually

80 km of transmissions lines fitted with a special device to reduce bird collisions

1,790 km of transmission lines and fiber optic lines create integrated electricity and telecommunications markets

6 countries’ electrical systems integrated, creating a single energy market

- LEARN MORE
- IDB Webstory: Energy integration in Central America: Full steam ahead ➔
  - Fact Sheet: Infrastructure Electrical Interconnection System for Central American (SIEPAC) and Regional Electricity Market (MER) ➔
  - Agency website: EPR SIEPAC ➔





# CALCULATING OUR GREENHOUSE GAS FOOTPRINT IN OUR LENDING PORTFOLIO

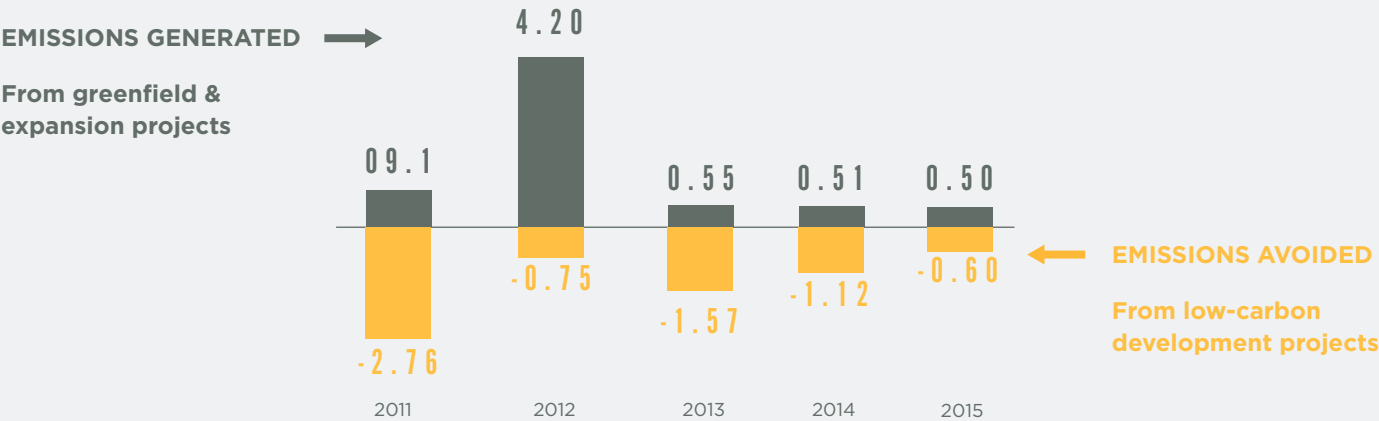
## WHAT IS THE GHG FOOTPRINT OF IDB'S LENDING IN LATIN AMERICA AND THE CARIBBEAN?

IDB calculates annual greenhouse gas emissions

AVOIDED NET EMISSIONS

GENERATED GROSS EMISSIONS

In 2015, as a result of the projects financed by the IDB



## WHAT STEPS DO WE TAKE TO CALCULATE THE GHG FOOTPRINT OF OUR LENDING?

- ① Screening Process → ② Detailed Assessment → ③ Calculation of Avoided Emissions → ④ Calculation of Gross Emissions

**58 projects** underwent screening during their preparation phase

Of the 58 projects screened,  
**37 projects** underwent a more detailed GHG assessment

Of the 37 projects that underwent a more detailed GHG assessment,  
**9 sustainable energy projects** reported overall avoided emissions

**THESE INCLUDED:**  
3 wind energy projects in Uruguay, 1 hydroelectric plant in Honduras, and a geothermal plant in Costa Rica, among others

Of the 37 projects that underwent a more detailed GHG assessment,  
**28 projects** reported gross emissions, with 4 projects accounting for 62% of 2015 emissions

**THESE INCLUDED:**  
a steel production mill in Ecuador, an industrial park in Haiti, and a wastewater project in Argentina.

## WHAT DOES A GHG ASSESSMENT LOOK LIKE IN PRACTICE?

Taking the example of a wind energy project, we look first at the land that will be converted and what type of ecosystem it is. By doing so we are able to calculate the aboveground biomass and the carbon fraction and to understand the total land use change emissions; conversion of grasslands, for example, results in fewer emissions than conversion of a tropical rainforest.

We also look at whether the project includes any associated facilities such as transmission lines, which are included in the calculation of land use change, as well as calculating the emissions associated with the construction and fugitive emissions and transmission losses from the line. Other emissions counted include the construction of access roads, all buildings, and the wind turbine towers.

The sum total of this calculation is the emissions generated as a result of this project. However, we also calculate the annual energy output of the wind project, which gives us the greenhouse gas reduction emissions (emissions avoided) from the project.

CONVERSION OF GRASSLANDS, FOR EXAMPLE, RESULTS IN FEWER EMISSIONS THAN CONVERSION OF A TROPICAL RAINFOREST.

## WHY DO WE CALCULATE THIS?

The IDB Environment and Safeguards Compliance Policy commits us to calculate emissions from Bank-financed projects that generate significant amounts of GHG emissions. At the project level, calculating emissions allows us to identify high-emitting projects and/or those with potential to reduce those emissions, as well as projects with the potential for high emission reductions. We work with potential clients to incorporate emission savings technologies into the design and preparation of the project. At the portfolio level, the IDB has made a commitment to harmonize reporting on GHG emissions with other multilateral financial institutions and to report on this publicly. Portfolio reporting allows us to track the trends in our portfolio and to understand the implications of our investments.

WE WORK WITH POTENTIAL CLIENTS TO INCORPORATE EMISSION SAVINGS TECHNOLOGIES INTO THE DESIGN AND PREPARATION OF THE PROJECT.



# OUR ACCOUNTABILITY MECHANISM

For 20 years the Bank has provided a space where people who believe they might be harmed by an IDB-financed operation, due to potential non-compliance by the IDB with its relevant operational policies, have the opportunity to have their concerns addressed by a body independent from IDB Management. This accountability function has been continuously improved, from the creation of the first Independent Investigation Mechanism in 1994, the development of a reinforced mechanism as part of the Better Bank Agenda in 2010—the Independent Consultation and Investigation Mechanism—and the new MICI Policy, approved in 2014. The new MICI Policy went into effect immediately.

To support implementation of the new policy, in early 2015 a Transition Plan was approved by the Board of Executive Directors with the objective of guaranteeing the mechanism’s response capacity under an interim governance structure during recruitment of the MICI Director. After a highly competitive selection process conducted by the Board, the MICI Director was appointed and took office in mid-2015, immediately embarking on a selection process for the Coordinators for the Consultation and Compliance Review Phases. By the end of 2015, with the new governance structure in place, the transition period was complete.

In the framework of the consolidation of the Bank’s private sector operations in the Inter-American Investment Corporation (IIC), the IIC Board of Executive Directors instructed its management to adopt the MICI as its independent accountability mechanism. On December 15, 2015, the IIC Board approved the MICI-IIC Policy with the objective of establishing an Independent Consultation and Investigation Mechanism of the IIC. The MICI-IIC Policy is based on the MICI-IDB Policy, with minor modifications necessary to adapt it to the IIC’s private sector mandate. In this way, the MICI broadens its mandate to cover operations financed by the IIC as well as those of the IDB.

### THE MICI PROCESS

**Request Management:** Requests that fall under the MICI’s mandate are registered and go through a process of eligibility that includes a response from Management and lasts 42 business days. Eligible Requests can be managed under the Consultation Phase, Compliance Review Phase, or both, if so indicated by the Requesters.

**Consultation Phase:** The Consultation Phase provides the opportunity to address the concerns raised in the Request and for the Parties to reach an agreement through a process of dialogue and the use of flexible and agreed-upon criteria.

**Compliance Review Phase:** The Compliance Review Phase consists of impartially and objectively investigating the issues raised in a Request alleging that the Bank has failed to comply with its Relevant Operational Policies and thereby caused harm to the Requesters.

### A SNAPSHOT OF MICI IN 2015

By the end of 2015, the MICI had managed 19 requests: 7 carried over from previous years and 12 new ones received during the year. At year’s end, 8 remained active in the portfolio and 11 had been closed.

Registration (8 not registered)	8
Eligibility (2 not eligible, 2 in process)	4
Consultation Phase (2 in monitoring)	2
Compliance Review Phase (2 in investigation, 2 in preparation of TORs, 1 investigation concluded)	5



### REQUEST MANAGEMENT HIGHLIGHTS IN 2015

#### PANAMA CANAL EXPANSION PROGRAM - CONCLUDED

The Compliance Review Report of the Panama Canal Expansion Program was submitted for consideration by the IDB Board of Executive Directors in July. Based on the Panel’s findings on seismic risk and compliance with the Disaster Risk Management Policy, the Board instructed management to produce and disclose a report with the results of the seismic risk level classification assigned to the project and the steps that the Bank had taken to ensure that those risks had been appropriately addressed. The Board did not accept the findings and recommendations made by the Panel regarding water availability and compliance with the Environment and Safeguards Compliance Policy.

#### RURAL LAND TITLING AND REGISTRATION PROJECT, PERU - ELIGIBILITY PROCESS BEGUN

The MICI received a request filed by 1,166 native communities, represented by the President of the Inter-Ethnic Association of the Peruvian Amazon. The requesters allege that the IDB’s non-compliance with its operational policies would cause harm related to their property and land rights, increased pressure of land use, and territorial conflicts. The MICI Director granted a temporary 45 day suspension of the eligibility process requested by Management. The request for suspension included an Action Plan that had as its main objectives strengthening the project’s execution and increasing benefits for the communities. Upon conclusion of the suspension, the MICI initiated the process of eligibility determination for the request.

#### EL DORADO INTERNATIONAL AIRPORT, COLOMBIA - COMPLIANCE REVIEW UNDER WAY

In December the IDB Board of Executive Directors approved the Recommendation for a Compliance Review of the El Dorado International Airport project submitted by the MICI Director under short procedure. The concerns raised regarding the project refer to compliance with the Environmental and Safeguards Compliance Policy, as well as inadequate and ineffective access to information and social participation mechanisms.

#### SÃO JOSÉ DOS CAMPOS URBAN STRUCTURING PROGRAM, BRAZIL - COMPLIANCE REVIEW UNDER WAY

The MICI facilitated a dialogue process according to a plan agreed upon by the parties in March 2015, focusing on the creation of a resettlement plan in consultation with the affected population. In May 2015 the requesters suspended their participation in the process, on the grounds that the counterpart was not fulfilling the conditions agreed upon. Consequently, the request was transferred to the Compliance Review Phase. By the end of 2015 the Terms of Reference and Recommendation were being prepared by the MICI.

LEARN MORE

• Information on the MICI and the management of Requests



## SUSTAINABILITY AT HOME



At the IDB we are committed to preserving the environment in which we live and work, both in our projects and in our workplace. Our commitment includes empowering neighborhood communities, maximizing the potential of employees, and minimizing the environmental impact of our facilities (our footprint). The actions we take in our own work routines help the Bank make a greater contribution toward addressing global environmental and social responsibility issues, and they set an example of stewardship for stakeholders in Latin America and the Caribbean.

Through our internal Corporate Sustainability Program, we are committed to reducing the environmental impact of activities at Bank facilities, to establishing and promoting environmental awareness in the workplace, and to encouraging and supporting IDB staff to become more conscious of their own impacts. Our Community Relations Program provides support to members of the Latino and Caribbean communities both in Washington, D.C., and in the region. And internally we have progressive human resources policies and practices to ensure a diverse, inclusive, and welcoming workplace.

### OUR PROGRESS IN 2015

The IDB strives to enhance the overall energy efficiency of its facilities, and a number of conservation measures are continually being investigated and implemented. In 2015, two rooftop photovoltaic panels were installed in our country office in Uruguay and inaugurated during No Impact Week™, an event that was also held at IDB Headquarters in Washington, D.C. During this week-long event, employees learned how to reduce their impact on the environment, by taking on daily challenges focused on reducing waste generation, reducing water and energy use, eating locally, using sustainable transportation, and volunteering in community service projects.

As part of the IDB Corporate Sustainability Program, an annual award is given to the country office that presents the best proposal for a project to reduce its environmental footprint. In 2015, our country office in The Bahamas was awarded resources to install solar panels on its roof that will produce 19.6 kW of energy.





82

The Bank has also made a commitment to incorporate environmental sustainability measures into the design and construction of all new and renovated corporate facilities. In 2015, the new IDB offices in Panama and Costa Rica achieved LEED certification under the LEED for Commercial Interiors category.

The Bank's Community Relations Program launched the "Shift Your Belief System: Build Resiliency and Meaningful Connections" grant at the Latin American Youth Center. Four key essential skills were addressed to empower at-risk youth to become healthier members of society through communication skills; belief systems; ways to heal from anxiety, stress, and depression; and learning about personality traits and their impacts. This pilot program was successful in demonstrating that profound change can and does happen when there is willingness and the right tools to shift belief systems.

We also held the Share the Magic Campaign, an IDB annual drive that provides toys and food during the holidays to underprivileged children in

the Washington, D.C., metropolitan area, joining forces with #GivingTuesday—a global initiative that connects diverse groups of individuals, communities, and organizations around the world for one common purpose: to celebrate and encourage giving. The campaign donated 3,338 toys, 65 boxes of food and baby items, and almost US\$4,000 in mini-grants for special projects in D.C. itself, along with more than US\$6,000 and 400 toys in the region. The Warmth Giving Campaign was also held to support homeless individuals, raising almost US\$10,000 for winter kits that included a backpack, blanket, hat, gloves, and socks.

At the IDB Board of Governors Annual meeting in 2015, the Community Relations Program supported a project to strengthen groups of Afro-descendant/ Garifuna women living with HIV/AIDS in six communities in Honduras. This project was designed to expand coverage and close gaps of a larger project funded by the European Union and executed by the Llanto, Valor y Esperanza Foundation with the technical support of Oikos.

FIVE THINGS TO KNOW ABOUT OUR CORPORATE SUSTAINABILITY WORK IN 2015

- 1. We have an established Corporate Sustainability Program.** The program's mission is to align sustainable practices in all aspects of day-to day operations of the Bank, to manage and report on the Bank's institutional environmental footprint, and to provide ongoing education and awareness activities.
- 2. We continue to meet our "carbon-neutral" commitment.** Since 2007, we have been measuring and offsetting our carbon emissions. Our annual carbon footprint in 2015 was 32,413 tons CO<sub>2</sub>eq, which was offset through a combination of Renewable Energy Certificates (RECs) and carbon credits from a reforestation project in Nicaragua.
- 3. We have extensive volunteer and awareness programs.** Our employees in Washington, D.C., and throughout the region are engaged in community service. In 2015 the Bank's Community Relations Program mobilized 261 volunteers and ran a series of campaigns, drives, and community projects.
- 4. We partner with over 50 local community-based organizations.** We work with these organizations through grants, volunteerism, surplus equipment donation, and technical assistance. In 2015, over US\$300,000 was awarded to 34 local institutions that provide programs and services in the areas of education, health, and economic and community development for the Latin American and Caribbean community in Washington, D.C. Additionally, the Bank donated 3,535 items of surplus furniture equipment and 142 computers to local communities to help equip schools, offices, training facilities, and organizations.
- 5. We embrace diversity and inclusion in our own workplace.** We have in place a series of progressive human resources policies and practices. Women account for nearly 52 percent of the Bank's total staff. The IDB invests in career development and work-life initiatives to better attract, support, and retain

talented women. These include a focus on women in the Bank-wide mentoring program; the Emerging Women Leaders Program—which focuses on accelerating the growth of mid-level women; and the Working Mama Program, a group coaching program to support women in managing their professional and personal roles. In addition, the Bank provides pregnant and lactating women with greater flexibility regarding work-related travel as well as options to continue breast-feeding upon return to work. In 2015 the Bank created a new Afro-Descendant Alliance Group to increase awareness of the cultures, experiences, and overall presence of people of African descent, both professionally and in the region.

2015 IN NUMBERS

**5.8 mil US\$** more than 56,000 pieces of surplus equipment, and 3,200 computers donated over 17 years to more than 197 Washington-based institutions through the Community Relations Program

**32,413 tCO<sub>2</sub>eq** emitted in 2015

**198,731 tCO<sub>2</sub>eq** of carbon credits purchased to date from 12 projects in nine countries

**100%** of footprint offset through the purchase of RECs and carbon credits from a reforestation project in northwest Nicaragua that directly supports farmers who grow trees on their farms to mitigate climate change, improve livelihoods, and restore ecosystems

LEARN MORE

- IDB Community Relations Program ➔
- IDB Corporate Sustainability Program ➔





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