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About the IDB

At the Inter-American Development Bank (IDB), we work to improve lives in Latin America and the Caribbean (LAC).

Through financial and technical support for countries working to reduce poverty and inequality, we help improve health and education and advance infrastructure. Our aim is to achieve development in a sustainable, climate-friendly way. Today we are the leading source of development financing for LAC. We provide loans, grants, guarantees, and technical assistance, and we conduct extensive research. We maintain a strong commitment to achieving measurable results and the highest standards of integrity, transparency, and accountability.

The IDB Group is composed of two separate legal entities: the IDB and the Inter-American Investment Corporation (IIC), which was rebranded as IDB Invest in 2017. The IDB Lab is a trust fund administered by the IDB and serves a unique function as the IDB Group’s innovation laboratory. This report pertains to the IDB.

The IDB’s current focus areas include three development challenges—social inclusion and equality, productivity and innovation, and economic integration—and three crosscutting issues—gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. In 2021, the IDB approved 94 sovereign-guaranteed-loan projects, totaling more than US$13.6 billion. The IDB also approved three new contingent credit facilities for natural disasters and public health emergencies (CCFs) for US$1.2 billion in El Salvador, Honduras, and Guatemala, and authorized the use of US$30 million from an existing CCF with the Dominican Republic for the country’s pandemic response. Disbursements for sovereign-guaranteed loans totaled US$11.7 billion in 2021.

$13.6 BILLION
The IDB approved 94 loans in 2021.
The IDB is headquartered in Washington, D.C., and has offices in each of its 26 borrowing-member countries. These country offices play an essential role in identifying and preparing new projects and in executing and evaluating ongoing work. We also have offices in Madrid and Tokyo to facilitate work with European and Asian governments, firms, and nongovernmental organizations (NGOs) interested in the development of LAC.

The IDB Group has more than 3,200 employees, including staff and consultants. Approximately one-third of our employees are posted in LAC to foster close cooperation with clients and partners. The IDB is committed to gender equality, diversity, and inclusion in our projects and in our internal talent-management practices. A more diverse and inclusive IDB is a better IDB—better able to attract the best talent, better able to deliver effective solutions for our borrowers, and better able to meet the expectations of all our shareholders. We are proud of what we have achieved to date and excited about the prospect of achieving even more going forward.

The IDB’s highest authority is its Board of Governors, made up of representatives from each of the 48 member countries. Most governors are finance ministers or central bank presidents. The Board of Governors holds an annual meeting to, among other things, approve the Bank’s financial statements and make major policy and corporate decisions. The Board of Executive Directors, composed of 14 individuals representing the 48 member countries, oversees the Bank’s day-to-day operations. It approves country and sector strategies, operational policies, loans, technical cooperation, guarantees, and investment grants, in accordance with its regulations and guidelines. It also sets the financial charges for Bank loans, authorizes borrowings in the capital markets, and approves the IDB’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 (for countries, for sectors and knowledge, and for finance and administration). Each country’s voting power is determined by its contributions to the Ordinary Capital, the IDB’s main source of lending. At the IDB, borrowing members have majority voting power (just over 50% of the vote).
Message from the President

I am pleased to present the IDB’s 2021 Sustainability Report. This is the first edition we have published since the launch of Vision 2025: Reinvest in the Americas, our blueprint for the post-pandemic recovery and the sustainable, inclusive growth of our 26 borrowing member countries in Latin America and the Caribbean.

Robust action on climate change is a transversal imperative in this agenda. Without it, we would be severely endangering our development gains in other areas, while also foregoing the immense benefits that decarbonization can bring to economies and societies.

At today’s IDB, we believe in the urgent need to move past climate change diagnosis and significantly ramp up our efforts to tackle it. If we and our countries do so, Latin America and the Caribbean is poised to become the world leader on addressing an issue that knows no borders.

Indeed, warmer temperatures, more fires, and stronger storms in our region jeopardize the water and food sources that nourish the world, endanger the CO₂ sinks that are our rainforests, and threaten to unleash unprecedented migration crises.

But while our region is one of the world’s most vulnerable to climate change impacts, we also have a wealth of natural resources and renewable energy assets that give us many opportunities to power the transition to net-zero economies. Doing so can create growth and 15 million net new jobs in our region by 2030, in areas such as plant-based food production, renewable energy, construction and manufacturing.

At the IDB, we are supporting our countries to devise and implement their updated Nationally Determined Contributions under the Paris Agreement, and we are playing an important role in four of our region’s six long-term strategies. It is one of our primary goals to encourage and enable other strategies, as we work for a green transition that is just and that maximizes opportunities. We are also the region’s steadfast partner for building resilience to worsening climate change impacts, while acting as a first responder through our Contingent Credit Facility.

There is much work ahead, but we also have reasons to celebrate 2021 as a critical year of action.
on this front. We took a leading role among multilateral development banks at COP26, where we announced that our loans and projects will be fully aligned with the Paris Agreement by 2023 and set an ambitious further target to provide US$24 billion for climate and green finance over the next four years.

We also recognize the vital role of nature in climate change mitigation, resilience and for economies and livelihoods. Nature-based solutions could account for 40% of the emissions reductions needed to limit global warming to less than 2 degrees Celsius by 2030. We have been investing in projects with nature-based solutions since 2015 and last year, we began supporting 15 member countries to integrate biodiversity into their IDB country strategies.

We also recognize that the key to successful climate action is financing—and bridging the enormous gap that continues to hamper the green transition. In 2021, the IDB approved almost US$4.5 billion for climate-related operations, the highest amount ever. Of all sovereign guaranteed projects approved, nearly 78% had climate-related components.

Moreover, we are developing innovative, market-friendly financing tools to leverage much more of the critical private sector resources we need. Those include risk-sharing products and thematic bonds, such as our region’s very first blue bond, announced by IDB Invest at COP 26. We also launched our Green Bond Transparency Platform this year, and the IDB and IDB Lab helped develop a groundbreaking new natural capital asset class to be traded on the New York Stock Exchange. Stay tuned for much more, as we push ourselves to the cutting edge of climate finance.

The projects and initiatives featured in this edition demonstrate our commitment and our new, bolder approach to generate more green jobs and socioeconomic benefits, reinforce disaster risk management and resilience, promote nature-based solutions and develop the circular economy.

We are honored to work shoulder-to-shoulder with our countries to address this common challenge—and seize this common opportunity for sustainable growth with determination, innovation and vision.
Introduction

Long-term economic growth and the reduction of poverty and inequality in LAC depend on development that is economically, financially, environmentally, socially, and institutionally sustainable. We at the IDB are committed to maximizing the positive outcomes of our work, and sustainability has long been a core element of that work. Our institutional strategy and Vision 2025 reinforce the critical role sustainability plays in the region’s development, building on the IDB’s goals to reduce poverty and inequality and achieve sustainable growth.

In our annual Sustainability Report, we share our approach to sustainability and showcase projects and publications the IDB financed and worked on with partners to contribute to the region’s sustainable development. We share key figures on the greenhouse gas (GHG) footprint of our lending portfolio, the climate finance we provide, our projects’ disaster and climate change risks, and the application of our environmental and social policies, including risk trends for the IDB’s portfolio. We close the main report with information about our corporate sustainability, looking at efforts to reduce our direct footprint where we live and work. In addition, this report includes a Global Reporting Initiative (GRI) annex. The GRI sets global standards for sustainability reporting, relying on best practices for reporting on a range of economic, environmental, and social impacts (Box 1). Considering recent commitments for the IDB to align all its operations with the Paris Agreement by 2023, we plan to reassess the list of topics considered to be material for the GRI annex.

**BOX 1. GLOBAL REPORTING INITIATIVE (GRI) ANNEX.**

We prepared the IDB’s sixth GRI annex as a supplement to this report. The annex uses standardized indicators to report on both corporate and operational topics. The following material topics are included in the annex: active ownership; anticorruption and ethics; biodiversity; climate resilience; employment and labor relations; energy; engagement and coordination; feedback mechanisms; financial inclusion; gender equality and diversity; GHG emissions; health and safety; human rights; indirect economic impacts; market presence; material use; monitoring and evaluation; responsible portfolio; supply chain management; training and education; waste; and water.
KEY MILESTONES IN 2021

The top five sustainability milestones we achieved in 2021 were:

1. At COP26 in Glasgow, we announced our intention to align all operations with the Paris Agreement starting in 2023 and provide US$24 billion in climate and green finance during the 2022-2025 period.

2. Our new Environmental and Social Policy Framework (ESPF) took effect, setting ambitious new standards to help clients tackle environmental and social issues (see page 14).

3. Also at COP26, multilateral development banks (MDBs), through an IDB-led process, released a Joint Statement on Nature, People, and Planet.

4. At Chile’s request, we are helping set up a regional platform on climate change for finance ministries. The forum will be a pragmatic network to advance a shared understanding of the role finance ministries can play in advancing the climate agenda.

5. We approved the Amazon Initiative, devoted to mobilizing public and private resources to forge and implement sustainable development models based on human capital, natural wealth, and the cultural heritage of the Amazon region.
Our Integrated Approach to Sustainability

At the IDB, we have embraced sustainability as a core element of our work in LAC. We are committed to maximizing the positive environmental and social outcomes of our work (“do good”) while minimizing risks and negative impacts on people and the environment (“do no harm”). We take an ambitious, integrated approach to sustainability, considering it at all levels—in our governance, strategies, policies, and projects. Our approach also requires shared commitment and responsibility across the organization.

SUSTAINABILITY IN OUR GOVERNANCE


Our Board of Executive Directors has oversight over the full spectrum of sustainability issues. Its responsibilities include considering and approving all strategies, adopting administrative and operational policies, approving projects,1 and examining financial statements. IDB management regularly informs the Board of Executive Directors and its committees (Box 2) of progress on sustainability issues, including through annual reports (e.g., the Sustainability Report and the Development Effectiveness Overview), internal reports (e.g., the quarterly Financial Risk Report’s section on environmental and social risk and performance in the IDB’s portfolio), progress briefings on various action plans (e.g., gender, diversity, and climate change), ad hoc technical briefings on specific issues at the request of directors, and project-specific completion reports.

Through strategic engagement with civil society, the IDB is better positioned to understand the region’s development challenges and thereby contribute to government and private sector efforts to achieve economic and social development. Timely and strategic participation of civil society improves the sustainability of IDB initiatives and operations. Beneficiaries’ involvement and sense of commitment create development opportunities built on shared objectives, contributing to the legitimacy of these public and private initiatives and operations for the long term.

1 The Board of Executive Directors has authorized the IDB president, or any such representative as the president may designate, to approve up to US$3 million for individual technical cooperation projects and nonreimbursable investment projects financed with donor resources under IDB management.
BOX 2. STANDING COMMITTEES OF THE IDB BOARD OF EXECUTIVE DIRECTORS.

**Audit Committee:** Assists the Board in overseeing the IDB’s financial reporting, risk-management and internal-control processes, internal and external audit functions, activities promoting institutional integrity in matters involving prohibited practices, and policies and activities (fiduciary aspects).

**Budget and Financial Policies Committee:** Oversees management’s administrative and capital budgets and reviews policies that have a bearing on the IDB’s financial position.

**Organization, Human Resources, and Board Matters Committee:** Reviews proposals and makes recommendations to the Board and IDB management on issues concerning the organization of the IDB, human resources, information and communications technology, Board matters, the Board of Governors, and the IDB’s annual meeting.

**Policy and Evaluation Committee:** Reviews newly developed Bank policies and modifications to existing policies, including new lending instruments; monitors the IDB’s processes in development effectiveness, evaluation, and oversight; and serves as the channel of communication among the Board and the Office of Evaluation and Oversight and the Independent Consultation and Investigation Mechanism (see page 18).

**Programming Committee:** Considers and recommends appropriate action to the Board on proposals, execution reports, and initiatives encompassing activities of the IDB’s country and regional programming, including monitoring the loan portfolio results and outcomes, and other related areas that fall within the realm of operational mandates set forth by the Board of Governors.
Sustainability is the foundation of our institutional strategy, which reaffirms the IDB’s two broad objectives: fostering sustainable growth and reducing poverty and inequality. Our institutional strategy identifies six strategic priorities, which are critical to the region’s development. These include the three development challenges of social inclusion and equality, productivity and innovation, and economic integration, as well as the three cross-cutting issues of gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. The Sustainable Development Goals (SDGs) informed the development of the institutional strategy. Each strategic priority is aligned with at least one of the SDGs, and all 17 SDGs are covered by the strategy (Figure 1).

**FIGURE 1. OUR STRATEGIC APPROACH AND THE SDGS.**

<table>
<thead>
<tr>
<th>IDB Group Strategic Priorities</th>
<th>Sustainable Development Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Inclusion and Equality</td>
<td>1 NO POVERTY</td>
</tr>
<tr>
<td>Productivity and Innovation</td>
<td>2 ZERO HUNGER</td>
</tr>
<tr>
<td>Economic Integration</td>
<td>3 GOOD HEALTH AND WELL-BEING</td>
</tr>
<tr>
<td>Gender Equality and Diversity</td>
<td>4 QUALITY EDUCATION</td>
</tr>
<tr>
<td>Climate Change and Environmental Sustainability</td>
<td>5 WATER QUALITY AND ACCESS</td>
</tr>
<tr>
<td>Institutional Capacity and Rule of Law</td>
<td>6 LIFE ON LAND</td>
</tr>
</tbody>
</table>

- IDB Group Strategic Priorities: Social Inclusion and Equality, Productivity and Innovation, Economic Integration, Gender Equality and Diversity, Climate Change and Environmental Sustainability, Institutional Capacity and Rule of Law.
- Sustainable Development Goals: 1 NO POVERTY, 2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 WATER QUALITY AND ACCESS, 6 LIFE ON LAND.
We also align our sustainability actions with those of our borrowing-member countries through country strategies, and we prepare sector framework documents to provide guidance to project teams on what the IDB seeks to accomplish in the sector.

We use our Corporate Results Framework (CRF) to monitor performance against our strategic objectives. The CRF includes indicators for the IDB’s contributions to environmental and social sustainability results in our member countries and target-driven performance indicators for managing our internal processes for guiding sustainability in our work. Table 1 presents the CRF’s key sustainability indicators.

### TABLE 1. KEY SUSTAINABILITY INDICATORS IN THE CORPORATE RESULTS FRAMEWORK

<table>
<thead>
<tr>
<th>Indicator</th>
<th>SDG</th>
<th>Baseline (Year)</th>
<th>Performance (Year)</th>
<th>Target (Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate finance in IDB projects (% of approved amount) (CRF indicator 3.5)</td>
<td></td>
<td>25% (2016–2018)</td>
<td>30% (2021)</td>
<td>≥30% (2020–2023)</td>
</tr>
<tr>
<td>Projects supporting climate change mitigation and/or adaptation (% of new approvals) (CRF indicator 3.6)</td>
<td></td>
<td>53% (2016–2018)</td>
<td>77% (2021)</td>
<td>≥65% (2020–2023)</td>
</tr>
<tr>
<td>Projects supporting gender (% of new approvals) (CRF indicator 3.7)</td>
<td></td>
<td>41% (2016–2018)</td>
<td>76% (2021)</td>
<td>≥70% (2023)</td>
</tr>
<tr>
<td>New country strategies considering country’s official commitments on climate (%) (CRF indicator 3.11)</td>
<td></td>
<td>54% (2016–2018)</td>
<td>100% (2021)</td>
<td>100% (2020–2023)</td>
</tr>
<tr>
<td>Projects with higher environmental and social risks rated satisfactory in the implementation of mitigation measures (%) (CRF indicator 3.14)</td>
<td></td>
<td>81% (2016–2018)</td>
<td>88% (2021)</td>
<td>≥84% (2023)</td>
</tr>
<tr>
<td>Projects with considerable disaster and climate change risk that applied risk analysis to identify resilience actions (%) (CRF indicator 3.15)</td>
<td></td>
<td>16% (2017–2018)</td>
<td>96% (2021)</td>
<td>100% (2023)</td>
</tr>
<tr>
<td>IDB Group facilities and fleet emissions (tons of CO₂e) (CRF indicator 3.26)</td>
<td></td>
<td>11,200 tons (2018)</td>
<td>9,254 tons (2021)</td>
<td>≤9,600 tons (2023)</td>
</tr>
<tr>
<td>Mid- and senior-level IDB staff who are women (%) (CRF indicator 3.27)</td>
<td></td>
<td>38% (2018)</td>
<td>42% (2021)</td>
<td>≥43% (2023)</td>
</tr>
</tbody>
</table>
SUSTAINABILITY IN OUR POLICIES

One way we show our commitment to sustainability is through our environmental and social policies and guidelines, which are modeled after international best practices. We apply policies to help borrowers identify, manage, and effectively mitigate potential negative environmental and social impacts and the risks associated with investments. Thoughtful application of our environmental and social policies is essential to our mission of improving lives in LAC.

The environmental and social context of the LAC region has evolved since the IDB’s safeguards policies were developed more than 15 years ago. So, in September 2020, the IDB’s Board of Executive Directors approved a new Environmental and Social Policy Framework (ESPF). The ESPF modernizes many of the requirements under a consolidated and comprehensive framework that better responds to the environmental and social challenges facing our countries. The ESPF is composed of a policy statement and 10 standards (Figure 2) that reflect the positive environmental and social outcomes of IDB-financed projects and minimize the risks and negative impacts to people and the environment.

The ESPF also explicitly excludes activities prohibited under national or international law or other legal activities that the IDB will not finance because they could adversely affect people and the environment, and activities that are inconsistent with the IDB’s commitment to addressing climate change and promoting environmental and social sustainability.

The ESPF applies to all new IDB projects, including investment loans, investment grants, and investment guarantees. It also applies to certain policy-based loans and technical cooperation projects. Existing projects will continue to apply the IDB’s safeguard policies in force at the time of their approval, with the two systems running in parallel for an estimated seven years.

See page 46 for information on our performance in 2021 with respect to these policies.

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2 Per the ESPF, the IDB will not knowingly finance, directly or indirectly through financial intermediaries, projects involved in activities that are inconsistent with the IDB’s commitments to addressing the challenges of climate change and promoting environmental and social sustainability, such as (1) thermal coal mining or coal-fired power generation and associated facilities; (2) upstream oil-exploration and -development projects; and (3) upstream gas-exploration and -development projects. Under exceptional circumstances and on a case-by-case basis, consideration will be given to financing upstream gas infrastructure where there is a clear benefit in terms of energy access for poor people and where GHG emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analyzed.
FIGURE 2. ESPF STANDARDS.

- Assessment and Management of Environmental and Social Risks and Impacts
- Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Labor and Working Conditions
- Indigenous Peoples
- Resource Efficiency and Pollution Prevention
- Cultural Heritage
- Community Health, Safety, and Security
- Gender Equality
- Land Acquisition and Involuntary Resettlement
- Stakeholder Engagement and Information Disclosure
SUSTAINABILITY IN OUR PROJECT CYCLE

We take action to promote sustainability throughout our project cycle (Figure 3).

FIGURE 3. THE IDB PROJECT CYCLE.

1. PROGRAMMING
   - We align our sustainability actions with those of our borrowing-member countries through country strategies.
   - We screen all projects for potential environmental and social risks (see page 46) and scan the pipeline for opportunities for climate action.
   - We apply the disaster and climate change risk assessment methodology to all sovereign-guaranteed loans to identify physical climate change risks (see page 43).

2. PREPARATION
   - Our environmental and social specialists classify all projects according to potential environmental and social impacts and rate them for environmental and social risk (see page 46).
   - The Environmental and Social Risk Management Unit provides independent quality assurance of the due diligence process and of our environmental and social solutions (see page 46).
   - Our climate change, gender, and diversity specialists get involved early to provide technical advice and look for sustainability opportunities.
   - We support clients in preparing any additional disaster and climate change risk assessments (see page 43).
   - We measure the GHG footprint of our lending portfolio in gross and net terms (see page 39).

3. APPROVAL
   - We apply the multilateral development bank (MDB) climate finance tracking methodology to each project (see page 42).
   - We include environmental and social clauses in loan agreements.

4. EXECUTION
   - Project teams work closely with executing agencies, building capacity along the way, and submit two progress-monitoring reports each year.
   - Our environmental and social specialists supervise 100% of high- and substantial-risk projects in execution (see page 46).
   - We monitor and report on environmental- and social-risk trends at the portfolio level (see page 46).

5. COMPLETION AND REPORTING
   Teams prepare project-completion reports, including environmental and social lessons, aiming to replicate successes and avoid repeating mistakes in the future (see the Development Effectiveness Overview).
OUR SHARED COMMITMENT FOR SUSTAINABILITY

An effective and impactful approach to sustainability requires shared commitment and responsibility, from the leadership of the IDB president to technical specialists (see page 6 for the president’s message on sustainability).

Our Vice Presidency for Countries manages relationships with our borrowing-member countries, formulates the IDB’s country strategies, and supervises the project portfolio. The team works to integrate sustainability through every part of our dialogue with member countries, helping forge a strong, collective commitment.

Our Vice Presidency for Sectors and Knowledge sets our strategic direction on sustainability from the sector perspective. This vice presidency is home to our Climate Change and Sustainable Development Sector, which conducts cutting-edge research and develops projects in a variety of thematic areas, including sustainable cities, rural development, climate change, tourism, forestry, and biodiversity. It is also home to our Gender and Diversity Division, which advances equal opportunities for men and women and greater inclusion of African descendants, Indigenous peoples, and other vulnerable populations. These teams also collaborate with other sectors to consider sustainability needs across the portfolio.

Our Environmental and Social Solutions Unit contributes to environmental and social sustainability throughout the project cycle in partnership with clients by ensuring that all projects comply with the Bank’s environmental and social policies. Staff from the unit participate in teams for all environmental and social Category A (significant impact) and B (moderate impact) projects and financial intermediaries with high risk.

In 2020, the IDB established the Environmental and Social Risk Management Unit in the Office of Risk Management. This new unit provides environmental and social risk oversight of the IDB-financed portfolio and quality assurance services throughout the project cycle, with special attention to high- and substantial-risk projects. It also manages and reports on the environmental and social risks of the IDB’s portfolio (see page 46).

Our Office of Outreach and Partnerships is responsible for collaborating with international donors and mobilizing resources for sustainability in the region, working through offices in Madrid, Tokyo, and Washington, D.C. The office engages governments, companies, academia, foundations, and others to forge and maintain partnerships that can fill development financing gaps and advance the IDB’s Vision 2025 and the SDGs. Specifically, we help partners connect with IDB initiatives aligned with their development priorities, identify synergies and design innovative instruments that amplify impact, and monitor the results of contributions.
Our Finance Department is responsible for mobilizing and administering the Bank’s financial resources (assets and liabilities) and for managing the Bank’s liquidity, accounting and financial records, and relations with investors. Since 2019, we have used an internal environment, social, and governance sustainability framework to ensure that treasury investments follow quality industry practices.

Our Human Resources Department works to attract a diverse workforce and foster an inclusive work environment. The IDB is EDGE (Economic Dividends for Gender Equality) certified at the Move level, which showcases the progress we have made to foster an inclusive workplace culture for all employees and reinforces our commitment to further accelerating gender balance (see page 53).

We promote sustainability through our Corporate Sustainability Program, which leads the effort to reduce the corporate environmental footprint of the IDB Group (see page 54). The IDB also collaborates extensively on sustainability issues with IDB Invest, the private-sector arm of the IDB Group, and IDB Lab, a platform that mobilizes capital, knowledge, and connections for innovation in LAC.

The Independent Consultation and Investigation Mechanism (known as MICI, based on its Spanish acronym) and other oversight bodies play important roles in ensuring that sustainability is given due consideration. Individuals who believe they have been or may be harmed by an IDB-financed project due to the failure of the IDB to comply with relevant operational policies can communicate their concerns directly to the IDB through MICI. MICI prepares its own annual report.

This structure positions the IDB to integrate sustainability into everything we do. More information on the IDB’s structure, roles, and responsibilities can be found on our website. See Box 3 for an example of how these teams work together.

**BOX 3. INTEGRATED CLIMATE RISK MANAGEMENT.**

Due to the cross-cutting nature of climate risks, in 2021, the IDB established a climate risk management working group to coordinate efforts to improve risk management across the IDB’s operational and corporate functions. The working group made progress on the following areas: (1) transition risk management, (2) climate-related scenario analysis, (3) dynamic time horizons in climate risk management approaches, (4) assessment of climate-related risks in the sovereign-guaranteed loan portfolio, and (5) the first in a series of conversations on climate risk emerging practices with MDBs, hosted by the Office of Risk Management and the Climate Change Division.
IDB’s Contributions Toward Sustainable Development

In this part of the report, we share examples of our projects and research to improve housing through better data, fuel the recovery with green jobs, build a metro system, develop policies for sustainable development, and capitalize on blue carbon. We also dive into Colombia’s green recovery efforts. A committee of IDB employees with an interest in sustainability selected these examples from among those submitted in response to an IDB-wide call for proposals.
Improving Housing through Better Data

**Project:** Program for the Integration of Vulnerable Neighborhoods

**Country:** Chile

**Year Approved:** 2021

**Amount:** US$100 million results-based loan and US$20 million grant

Chile faces an unprecedented increase in informal settlement camps. More than half of households living in the camps are migrants. The often already precarious settlements are now at increased risk due to climate change. This results-based loan and grant aim to (1) prevent existing camps from expanding or repopulating and new camps from forming and (2) increase the social and economic integration of the residents into the local community.

A key challenge to effectively responding to the camps has been ineffective data-collection tools for identifying, characterizing, and monitoring the growth of informal settlements. This project developed an integrated data system that uses artificial intelligence to analyze geo-referenced aerial images and profile the vulnerability of each household in terms of climate change risk, gender, LGBTQI, and migration status. The system also integrates other tools such as demographic surveys, allowing the country’s technical experts from diverse disciplines to coordinate.
Fueling the Recovery with Green Jobs

Project: Supporting the Strengthening of the Ministry of Labor for the Promotion of Green Jobs

Country: Ecuador

Year Approved: 2021

Amount: US$750,000 technical cooperation (with funding from Climate Investment Funds)

The economic crisis caused by COVID-19 has substantially affected GDP and employment levels in Ecuador, disproportionately affecting women, young people, and people with lower levels of education. Ecuador’s decarbonization process can be an engine for the reactivation of the economy and job creation. Transformations in sectors such as agriculture, forestry, energy, transportation, tourism, construction, and waste management—necessary to transition to a net-zero emissions economy—can create 15 million net jobs and 1% of additional growth in the region by 2030.

In this context, the IDB designed a comprehensive support package for the promotion of green employment in Ecuador. This project supports the implementation of the second tranche of a policy-based loan, the Social Expenditure Protection and Employment Recovery Support Program. Under the program, Ecuador’s Ministry of Labor developed a strategy to promote green jobs with a gender focus based on the following policy actions:

- Generation of labor market information, including the potential for job creation and training needs for greening sectors such as agriculture, energy, transportation, and waste management.
- Creation of a multisectoral coordination body—the Green Employment Coordination Committee—to define goals and priorities for the promotion of jobs and the development of skills and complementary measures to support the transition toward a net-zero emissions economy. The committee will coordinate at the national, regional, and local levels and engage the productive sector, civil society, training and certification centers, and the public employment service.
- Promotion of coordination mechanisms to ensure that training responds to productive sector skill needs and to educate employers about the importance of adapting their workforce to the green economy.
- Development of specialized services in the public employment service to redirect the workforce toward emerging or growing green sectors. Through this program, an employment-service delivery model will be piloted to promote the inclusion of women, ethnic groups, youth, migrants, and other vulnerable groups in accessing quality green jobs.
Transforming Public Transportation in Quito

**Project:** Quito Metropolitan Urban Transport System  
**Country:** Ecuador  
**Year Approved:** 2012 (closed 2021)  
**Amount:** US$450 million through two loans

Gasoline used for private transportation is the fastest-growing source of GHG emissions in the region. Sustainable mobility means switching to public transportation, walking and biking, and using electricity instead of gasoline. This operation seeks to improve urban mobility in Quito by addressing the growing demand for public transportation. The First Line of the Quito Metro (PLMQ, based on its name in Spanish) aims to shorten travel times, reduce transportation service operating costs, and improve connectivity, security, and comfort—all while reducing pollutants and GHG emissions (Figure 4). The project lays the foundation for electromobility in the country.

The system consists of an underground metro line with 15 operating stations (and 5 reserve stations), spanning 22 kilometers and 18 trains, each with a 1,500-passenger capacity. The construction of PLMQ is nearly complete, and the Municipality of the Metropolitan District of Quito is preparing to begin commercial operations in the fourth quarter of 2022.

A robust execution structure has made the project successful. The Metropolitan Quito Metropolitan Public Company (EPMMQ) was created in 2012 with the aim of developing, implementing, and managing the Quito Metro. Management and supervision companies were brought in to provide specialized technical advice and supervise construction contracts. PLMQ has benefited from strong government support at the national and municipal levels. The active participation of Quito’s mayors over the years has been key to the successful planning, contracting, and construction of the project—and will continue to be essential as the system starts operating.

Construction has been successful despite the very high level of complexity and the urban context, and the actual budget deviated less than 2% from the plan (very modest compared with similar projects).

The project has been recognized in international forums as a successful example of collaboration between multilateral banks, which include the IDB (lead institution), the World Bank, the European Investment Bank, and the Andean Development Corporation.
Greening Policy-Based Loans

In 2021, we saw continued strong demand for policy-based loans, in part because they can help respond to the COVID-19 crisis by providing liquidity to governments and the financial sector. An agile response to the region’s needs also requires appropriate financial tools, and green policy-based loans can incentivize sustainability reforms. Here, we share two examples of green policy-based loans approved this year.

**Project:** Sustainable Development Policy Program II  
**Country:** Barbados  
**Year Approved:** 2021  
**Amount:** US$100 million loan

Barbados has been actively transitioning its economy to a more sustainable path by designing its flagship Roofs to Reefs Program—an integrated, multisectoral national initiative grounded in sustainable development and climate change resilience—and pursuing innovative ways to continue prioritizing sustainability as a cornerstone for resilient development. The objective of this second operation of the policy-based loan series is to improve the country’s governance for sustainability through strengthening and modernizing the regulatory framework. In Barbados, the program is advancing reforms to improve (1) the efficiency and sustainability of spatial planning and water resource management, (2) natural asset management and a blue economy, and (3) disaster risk management and resilience. A key policy condition of this project was submitting to the United Nations Framework Convention on Climate Change (UNFCCC) the country’s updated nationally determined contribution (NDC) to limiting global temperature rise. Barbados’s NDC sets the goal of achieving a fossil-fuel-free economy and reducing GHG emissions across all sectors to as close to zero as possible by 2030.
**Project:** Program to Support a Fair, Clean, and Sustainable Energy Transition

**Country:** Chile

**Year Approved:** 2021

**Amount:** US$50 million loan

Chile was the first country in the region to commit to reaching net-zero GHG emissions by 2050 in its [NDC](https://idb.org/en/sustainability-report-2021). Many of the technologies required to reach [net-zero emissions](https://idb.org/en/sustainability-report-2021) already exist and are competitive. Wind and solar are the [cheapest sources of energy](https://idb.org/en/sustainability-report-2021) in the world. Electric vehicles are also getting cheaper, thanks to spectacular advances in the cost of batteries, and already represent 10% of new car sales globally. Nevertheless, barriers remain that are slowing the transition to net-zero emissions—among them are financing constraints and social impacts of the transition. This policy-based program aims at improving the regulatory framework in Chile to [mobilize the private sector in financing an orderly, just, and inclusive transition](https://idb.org/en/sustainability-report-2021). The program supported reforms to enable private investment in variable renewable power, create private markets for energy storage, promote electric cars for taxis and households, and help finance the development of a green hydrogen industry. To contribute toward a [just and inclusive transition](https://idb.org/en/sustainability-report-2021), the program includes efforts to reduce energy poverty and provide compensatory measures for workers directly affected by the phasing out of coal power plants.
Capitalizing on Blue Carbon

**Project:** Valuing, Protecting, and Enhancing Coastal Natural Capital

**Country:** Panama

**Year Approved:** 2020

**Amount:** US$2.3 million technical cooperation

Panama’s government is integrating blue carbon (carbon stored in coastal and marine ecosystems) into the economy and setting the stage to establish a carbon market in the country. This presents new opportunities for policy changes favoring mangrove ecosystem conservation and increases the need for robust data to support those changes.

Supported by the United Kingdom’s Blue Carbon Fund and executed by the National Audubon Society, this project focuses on the natural capital in Panama’s coastal mangrove ecosystems and related wetlands, the carbon they sequester, and the biodiversity they support (Figure 5). It seeks to shift perceptions about the value and importance of these assets. It will (1) establish a science-based baseline for blue carbon, (2) place an economic value on the ecosystem services mangroves and related wetlands provide and develop financial instruments for their continued maintenance, (3) build awareness among and engage key stakeholders, (4) strengthen policies to conserve mangroves and reforest, and (5) seek behavioral change through environmental education modules in public schools on conservation, alongside public art competitions.

The COVID-19 crisis has led to delays, and a key challenge has been the country’s lack of laboratories specialized in soil analysis, essential for processing the soil samples. Despite these challenges, steady progress is being made on Panama’s blue carbon agenda.

**FIGURE 5. STUDENTS BIRDING IN PANAMA BAY WITH THE AULAS VERDES PROGRAM.**
SPOTLIGHT ON COLOMBIA

The COVID-19 crisis is posing significant challenges for the sustainable development of Colombia, on economic, social, and environmental levels. The IDB can play a key role in supporting Colombia and other member countries in designing and implementing green recovery packages that promote economic growth while also fostering environmental and social sustainability.
Supporting the Green Recovery

**Project:** Sustainable Growth and Resilient Program  
**Country:** Colombia  
**Year Approved:** 2021  
**Amount:** US$800 million loan, including US$100 million from Korea

The COVID-19 crisis has led to significant challenges and opportunities for green growth for LAC. A key measure for sustainable development has been declining in Colombia since 2016. This program recognizes the opportunity to promote policies that contribute to the economic reopening, sustainable growth, and the response to climate change.

This ambitious and comprehensive policy-based loan supported Colombia’s green recovery, engaging nine national public entities to establish more than 40 policy measures. It was made possible through the collaboration of the IDB and five other financial institutions and donors—the Agence française de développement (AFD), the German Development Bank (KfW), the Export-Import Bank of Korea (KEXIM), the Swedish International Development Cooperation Agency (SIDA), and the United Kingdom. In the long term, this program is expected to contribute to the country’s progress on the SDGs and other targets.

In the short term, the policy results of the program are already remarkable:

- The country updated its NDC, increasing its goal for GHG emission reductions from 20% to 51% by 2030.
- At COP26, President Iván Duque committed to reaching carbon neutrality by 2050 and presented the country’s long-term climate change strategy (see page 29).
- The Ministry of Finance published its Green Bond Framework and issued bonds on the local market for the first time, valued at roughly US$375 million.
- A series of policy reforms is strengthening carbon markets, building economic opportunities based on the sustainable use of natural capital (forestry, agriculture, and livestock sectors), and fostering entrepreneurship and promoting green business and the circular economy.
- The program includes regulations aimed at promoting electromobility and renewable energy.
- The Policy to Control Deforestation and Sustainable Forest Management and an accompanying implementation plan were issued.
- Congress approved laws on Sustainable Tourism and Energy Transformation.

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3 Source: World Bank. Adjusted net savings are equal to net national savings plus education expenditure and minus energy depletion, mineral depletion, net forest depletion, carbon dioxide, and particulate emissions damage.
The IDB is designing a second programmatic loan for 2022, which will include Colombia’s new Climate Action Law, an update to the National Climate Finance Strategy, and the revision of the Green Business Action Plan. Both programs are supported with US$1.6 million of technical cooperation (Figure 6).

**FIGURE 6. SUPPORTING ENVIRONMENTALLY SUSTAINABLE POLICY REFORMS.**
Supporting Colombia’s Long-term Climate Change Strategy

**Project:** Informing the Design of Long-Term Decarbonization Strategies

**Country:** Regional

**Year Approved:** 2020

**Amount:** US$997,000 technical cooperation

Under the Paris Agreement, countries committed to prepare and submit long-term decarbonization strategies, aiming to fulfill the agreement’s goal of keeping the global temperature increase well below 2°C. The IDB’s Deep Decarbonization Pathways in Latin America and the Caribbean (DDPLAC) program is building the scientific evidence base to inform the design of such strategies. The program targets building the capacity of local academia and think tanks to use numerical models.

At the request of the government, the IDB supported Colombia in preparing its long-term climate change strategy, known as E2050, by developing technical studies and conducting modelling exercises to identify decarbonization pathways in key emitting sectors. The Universidad de Los Andes, with the support of the University of Maryland, and other private and public research institutions in Colombia developed the studies, which focus on energy, transportation, agriculture, and waste, as well as a cost-benefit analysis of the main decarbonization measures. The IDB plans to publish the results in 2022.

Colombia was keen to consider adaptation aspects in the strategy, and the IDB supported the design and execution of climate risk studies with financing from the Agence française de développement and Expertise France.

After extensive internal and public consultations, President Duque launched E2050 at COP 26 in Glasgow. Mauricio Claver-Carone, president of the IDB, was in attendance.
Green Bonds in Colombia

**Project:** Regional Green Bonds Program for Latin America and the Caribbean  
**Country:** Regional  
**Year Approved:** 2019  
**Amount:** US$1.9 million technical cooperation, including financing from the NDC Pipeline Accelerator and the Sustainable Energy and Climate Change Initiative multidonor trust funds

In September 2021, Colombia issued its first sovereign green bond on the domestic market, making it the first country in the region to issue such a bond in local currency. The Ministry of Finance and Public Credit led the effort, with technical support from the IDB and the World Bank. The “Sustainability Pact” of the National Development Plan 2018–2022 shaped the eligibility categories to be financed by the bonds: renewable energies and energy efficiency, conservation of biodiversity and ecosystems, sustainable agricultural production, clean transportation, access to and conservation of water resources, and adaptation to and reduction of risks of natural disasters related to climate change.

The bond’s objective is to boost the development of a sustainable capital market in the country, offering domestic and international investors a high-quality and liquid investment instrument. It was offered on the TES (domestic public debt securities) market as a twin issuance of conventional and green securities.

In 2021, the issuances totaled COL$1.49 billion and were very successful in attracting a broad and diversified investor base, registering very high levels of demand (five times the amount at auction) and interest rates below those of conventional bonds.

**Project:** Pilot of Alternative Financing Mechanisms for the Drinking Water Sector in Colombia  
**Country:** Colombia  
**Year Approved:** 2020  
**Amount:** US$1.15 million technical cooperation, including financing from the Aquafund multidonor trust fund

The IDB supported the water and sanitation sector in Colombia to start exploring green bonds and other green financing options as a mechanism to ensure the sustainability of utilities in the country. Under the program, the IDB provided technical assistance to two utilities (Empresa de Acueducto y Alcantarillado de Bogotá and Aguas y Aguas de Pereira) to build capacities for issuing future green bonds. The process included identifying a green portfolio in accordance with best practices, consolidating the reference framework, and developing high-quality means of verification (e.g., second-party opinion).
Sustainable Infrastructure

**Projects:** Country Dialogues and Program Preparation for the UK Sustainable Infrastructure Program; Integrating the IDB Sustainable Infrastructure Framework into Infrastructure Assets; Strengthening Colombian Institutional Capacity to Integrate Large-Scale Non-Conventional Renewable Energy; and Sustainable Urban Transport

**Country:** Colombia

**Year Approved:** 2018–2020

**Amount:** US$3.8 million technical cooperation, including financing from the UK Sustainable Infrastructure Program

Colombia continued to make significant progress on sustainable infrastructure in 2021 through the UK Sustainable Infrastructure Program (UKSIP):

- The government will exceed its goals for renewable energy capacity—reaching 2,250 megawatts (50% more than the target in the National Development Plan 2018–2022)—thanks in part to support from the UKSIP on energy auctions.

- The **Energy Transformation Mission** is transforming Colombia’s energy sector, making it more efficient, diversifying suppliers, improving service coverage, increasing resilience to extreme climate events, and facilitating interconnections among countries.

- The Ministry of Energy developed a **Hydrogen Road Map** with technical assistance from the UKSIP that analyzes the viability of producing and using green hydrogen in Colombia, defines short- and long-term actions, assesses the potential for exports, and designs pilot projects in cooperation with the private sector.

- Support from UKSIP has been instrumental in deploying electromobility, particularly in Bogota. In total, 1,485 electric buses will be added, making Bogota the city with the largest fleet of e-buses outside China and reducing emissions by 155 tons of CO₂ and 30 tons of particulate matter per year (Figure 7).

- Colombia continues to make progress in adopting international rules for electric vehicles, working with the Colombian Institute of Technical Standards and Certification and other regulators. The program is also helping develop business models and roadmaps for charging infrastructure for electric vehicles, including a strategy for deploying a public electric charging network.

- To improve the navigability conditions of the Magdalena River, UKSIP supported the structuring of a public-private partnership that promotes multimodal transport. The project has potential to reduce the cost of exporting a container on the Bogota-Caribbean corridor and to reduce GHG emissions significantly.

**FIGURE 7. ELECTRIC BUS IN BOGOTA.**
Habitat Banking

**Project:** Implementation of the Habitat Banking Model in Colombia

**Country:** Colombia

**Year Approved:** 2018

**Amount:** US$760,000 equity investment (IDB Lab)

Habitat banking is a nature finance model whereby unavoidable environmental damage is offset by generating long-term environmental assets. Using investor funding, the “habitat bank” builds and maintains environmental assets over time. Companies later purchase biodiversity credits from the habitat bank to satisfy required offsets. Since the model relies on long-term environmental assets, a financing mechanism is required to bridge the gap for building assets today and revenue from offsets in the future.

In 2018, IDB Lab made a US$760,000 equity investment in Terrasos, a Colombian company specializing in structuring environment financing. Along with funding from other investors, this investment allowed a habitat bank to be established in the Meta region of Colombia. The model was implemented in response to Colombian legislation requiring companies that cause environmental damage (e.g., land degradation or habitat loss) to compensate for it.

This was a high-risk, experimental investment aimed at proving that the concept of a habitat bank could take hold in Colombia. The equity agreement signed with IDB Lab required the restoration and maintenance of 600 hectares of land for 30 years, with expected impacts of maintaining biodiversity in the Meta region, one of the most important ecological regions in Colombia. By November 2021, the project had already exceeded its scope, establishing the Meta Habitat Bank and securing the sale of the associated biodiversity credits to private companies (valued at about US$4.2 million).

The equity agreement was amended in 2021 to expand the scope of the project to two additional habitat banks—in the regions of Cesar and Antioquia. Moving forward, IDB Lab estimates there is demand for at least 180,000 hectares of preservation and associated biodiversity credits in Colombia that can be addressed by scaling up habitat-banking models.
**Connecting Families and Schools in Rural Colombia to Renewable Energy**

**Project:** Renewable Energy Financing Program for the Non-Interconnected Zones and Mitigation of Greenhouse Gas Emissions through Renewable Energy Projects in ZNIs

**Country:** Colombia

**Year Approved:** 2016 (closed 2021)

**Amount:** US$19.27 million loan (US$9.27 million from the Clean Technology Fund and US$10 million from Bancoldex) and US$500,000 technical cooperation

Colombia’s overall electricity coverage is very good, but 60% of the country is not connected to the electricity grid (areas called non-interconnected zones (ZNIs)). More than 1,500 localities—nearly all in rural areas with low-income populations—sit in ZNIs. Providing electricity to these areas currently depends on highly subsidized arrangements, mostly relying on diesel generators. Renewable energy resources are plentiful in these zones, but private investments in electricity generation are quite limited. It is cheaper to operate renewable energy systems than those using diesel-based generation, but the upfront capital needs to establish them are significantly higher.

Local financial institutions have lacked the capacity to analyze and structure renewable energy projects and perceived the risks associated with renewable technologies to be high, resulting in requests for collateral and guarantees from project developers.

In response to these barriers, the IDB structured a replicable and scalable solution, enabling Bancoldex, Colombia’s development bank, to finance six mini-grid projects. A dedicated credit line was established with resources from the IDB and Clean Technology Fund and used to finance projects ranging between US$100,000 and US$3.8 million. This range shows that the program can provide adequate conditions to finance projects with various risk and amortization profiles. Built between 2018 and 2020, the mini grids have already generated 17.5 gigawatts of clean energy and connected more than 14,000 families and 176 schools in Antioquia, Arauca, and Choco (some of the most remote areas in Colombia) to clean renewable energy. One example of a project financed by the program is **Sol de Inirida**, the first utility-scale solar power plant in a ZNI.

A training program was implemented for local financial institutions so they could assess the environmental and social risks as part of evaluating loan applications for renewable energy projects. This training has proven to be vital for the scalability and long-term sustainability of the program.
Key Publications on Sustainability in 2021

Achieving Sustainable Recovery: Criteria for Evaluating the Sustainability and Effectiveness of COVID-19 Recovery Investments in Latin America and the Caribbean

The pandemic has precipitated unprecedented health, social, and economic crises across LAC. Countries in the region continue to implement recovery plans to safeguard lives and livelihoods: designing packages of investments and initiatives to stimulate employment, provide liquidity, reignite sustainable and inclusive economic growth, and transition toward net-zero emission and climate-resilient economies. These policies must be sustainable in the short and long term and bring institutional, social, economic, and environmental co-benefits. This working paper proposes criteria for evaluating the sustainability of recovery investments and initiatives that serve as a checklist for stakeholders to use to set a recovery path that builds an inclusive, sustainable, and resilient future for all.

An Amazon Tipping Point: The Economic and Environmental Fallout

Unsustainable economic forces are pushing the Amazon biome toward an ecological tipping point where restoration may become impossible due to self-reinforcing interactions among deforestation, climate change, and fire. In this paper, we develop scenarios leading to a tipping point and strategies to avoid them. We assess the scenarios’ economic, natural capital, and ecosystem services impacts. We find that a conservative estimate of the cumulative cost through 2050 of an Amazon tipping point would be more than US$250 billion. At the same time, policies for averting a tipping point would generate more than US$300 billion in additional wealth. Quantifying the costs, benefits, and trade-offs of policies in a transparent and replicable manner can pave the way for evidence-based policy action.

Climate Policies in Latin America and the Caribbean: Success Stories and Challenges in the Fight against Climate Change

This work is aimed at nontraditional climate policy actors such as the finance and planning ministries of LAC, with the objective of (1) identifying policy options that contribute to sustainable development, (2) presenting public and private financial solutions for a just transition, (3) considering green recovery packages, (4) framing these elements within the regional political economy, and (5) suggesting further research avenues to support the adoption of relevant measures.
Costs and Benefits of Carbon Neutrality in Peru: A Robust Assessment (available in Spanish only)

This study assesses the costs and benefits of getting to net-zero emissions in Peru through the investigation of decarbonization pathways. Peruvian experts from across sectors participated in discussions on the kind of transformations that would allow the country to reduce greenhouse gases while improving sustainable development outcomes. The study finds that Peru could achieve net-zero emissions by 2050 using renewable power, electrifying, energy efficiency, reforestation, improved agricultural and livestock practices, changes in diets, and improvements in waste and industrial processes management. These transformations could bring a net benefit of US$140 billion, thanks to energy savings, lower operating costs, improved productivity, time saved through more efficient transportation systems, health benefits, and enhanced ecosystem services. The study provided useful inputs to Peru’s National Strategy on Climate Change and its post-pandemic economic reactivation policies. The study also aligns IDB operations in Peru to the goals of the Paris Agreement.

Decarbonization of Costa Rica’s Agriculture, Forestry and Other Land Uses Sectors

This working paper evaluates the economic and environmental impacts of implementing Costa Rica’s decarbonization plan, focusing on agriculture, forestry, and other land use (AFOLU). We apply the Integrated Economic-Environmental Modeling framework and link with high-resolution land cover and ecosystem services modeling. This is the first economy-wide analysis of Costa Rica’s decarbonization plan that integrates economic and ecosystem services impacts. Our results indicate that fully decarbonizing Costa Rica’s AFOLU sectors (1) could accumulate wealth on the order of US$8 billion by 2050, (2) is pro-poor, and (3) could generate economic returns of more than US$1 billion when natural capital and environmental quality are considered.

Ecological Design: Strategies for the Vulnerable City

In LAC, the most vulnerable populations often reside in informal settlements. In recent years, important advances have been made in rethinking these settlements and developing intervention strategies to improve the quality of life, safety, and opportunities for their inhabitants. Today it is essential to effectively incorporate climate criteria into urban interventions. Ecological Design reports on measures of the impacts of the climate crisis in the most vulnerable areas of our cities while reflecting on how to protect those most affected by the consequences of climate change. It also provides new approaches for analyzing risk and designing nature-based solutions in precarious and informal urban settlements so that the informal city can be made more resilient in the face of climatic pressures.
Fiscal Policy and Climate Change: Recent Experiences of Finance Ministries in Latin America and the Caribbean

This publication shares recent experiences of finance ministries in LAC in three crucial areas where their responsibilities intersect with climate change issues: (1) management of economic, fiscal, and financial risks associated with extreme weather events and climate change, (2) challenges of the transition to low-carbon economies, and (3) reorientation of public finances so they contribute to national objectives of resilience and decarbonization. It presents key elements for designing fiscal policies that contribute to sustainable growth and provides evidence that economic and employment opportunities can be achieved simultaneously, with efficient planning and implementation, despite the risks and challenges involved in transitioning to green economies.

Impact Investment for Biodiversity Conservation: Cases from Latin America and the Caribbean

LAC countries are home to a vast array of terrestrial, freshwater, coastal, and marine ecosystems that generate life-supporting ecosystem services for people. As countries strive to reach their commitments under the Convention on Biological Diversity, the Paris Agreement, and SDGs, the funding needed to protect these critical assets is becoming clearer. Mobilization of private investment may help address the shortfall. This report evaluates the performance of innovative financing approaches including blended finance, green bonds, payment for ecosystem services, capital markets solutions, habitat banks, direct equity and pooled funds, and accelerators.

Latin American and Caribbean Forests in the 2020s: Trends, Challenges, and Opportunities

This publication presents expert assessments of four different facets of LAC forests at the start of the 2020s. Chapter 1 distills lessons from case studies of the application of various approaches to forest conservation and restoration. Chapter 2 summarizes what we know about the effects of climate change on forests and human migration in the region and the effects of forest loss and degradation on global and regional climate change. Chapter 3 explores forest management, including trends in international trade in timber and bioenergy, sustainable forest management, nontimber forest products, illegal logging, property rights, and climate change as it affects managed forests. Chapter 4 presents an analysis of the IDB Group’s experience with forest projects over the past 13 years.
Let’s Build Green: A Practical Guide to Sustainable Buildings, Public Spaces and Construction Sites in Brazil (available in Portuguese only)

The construction sector contributes significantly to GHG emissions. This guide provides practical information on how to incorporate sustainability elements into buildings, housing, equipment, and public spaces. What technologies are there to save water? What techniques can be used to save energy? How can we best manage a construction site to reduce its environmental impact?

Nature-Based Solutions in Latin America and the Caribbean: Regional Status and Priorities for Growth

Nature-based solutions (NBSs) can contribute to equitable and sustainable development in LAC and represent an important investment opportunity for governments, infrastructure service providers, development banks, and companies. To chart a way forward, this report provides a review of NBS projects in the region and their status. These projects aim at securing water supplies, improving water quality, reducing landslide risk, and helping manage urban flooding, river flooding, and coastal flooding and erosion. Projects use a wide variety of NBS types, from forest management to coral reef restoration. We describe the challenges of expanding the adoption of NBSs in the region and identify strategies to deal with them. Related publications include Resilient by Nature: Increasing Private Sector Uptake of Nature-based Solutions for Climate-resilient Infrastructure: A Market Assessment for Latin America and the Caribbean, Nature-based Solutions in Latin America and the Caribbean: Support from the Inter-American Development Bank, and Nature-based Solutions in Latin America and the Caribbean: Financing Mechanisms for Regional Replication.

One Region, One Commitment: Toward Sustainable Recovery in Latin America and the Caribbean

This publication showcases the key achievements of LAC countries in the lead-up to the biodiversity COP15 and climate COP26. It is based on a three-day virtual summit that highlighted the leadership of the region and made the case for more ambitious climate action. Through a series of 22 panels with experts from the public and private sectors, academia, and civil society organizations, we emphasized the need for a sustainable, resilient, and inclusive recovery. We still have a window of opportunity to act on climate and create growth in a more sustainable way. And that’s our commitment to the region.
Options to Achieve Carbon Neutrality in Chile: An Assessment Under Uncertainty

Chile is committed to reaching carbon neutrality by 2050. To get there, line ministries identified actions for transforming their respective sectors, including closing coal-fired power plants, promoting electromobility, and reforesting. This study evaluates how these sectoral transformations would fare under 1,000 different scenarios considering a wide range of economic, environmental, and technological uncertainties. It asks under what conditions the actions would fall short of achieving the country’s goal of net-zero emissions and identifies options for making plans more likely to succeed. Sector experts participated in proposing additional measures, including speeding up the retirement of coal-fired power plants, promoting telework and non-motorized transport, reducing beef consumption, expanding thermal retrofitting of houses, and expanding protected areas. The study informed the design of Chile’s long-term climate strategy, which will now provide insights that will help the IDB align its operations in the country with the Paris Agreement.

Using Satellite Images to Measure Crop Productivity

This study combines three rounds of surveys with remote sensing to measure the long-term impacts of a randomized irrigation program in the Dominican Republic. The results confirm that program beneficiaries had higher vegetation indices and therefore experienced higher productivity post treatment. There is also some evidence of spillover effects for neighboring farmers. The analysis indicates that productivity impacts are obtained in the third year after the adoption of irrigation technologies, showing that the process can take a long time and be complex. In general, this study reveals the great potential for combining survey and remote-sensing data to assess the long-term impacts of agricultural programs on agricultural productivity.

Social Housing in Brazil: Proposals for Socio-environmental Sustainability (available in Portuguese only)

To contribute to the modernization and sustainability of Brazil’s low-income housing policy,
By the Numbers

In this part of the report, we present progress on key indicators of the sustainability of our projects, including GHG emissions, climate finance, disaster and climate change risks, financing for gender and diversity actions, and environmental and social safeguards, including risk trends.

**GHG EMISSIONS**

Our Environmental and Social Policy Framework (ESPF) commits us to calculating gross (or absolute) emissions from IDB-financed projects that may generate significant amounts of GHG emissions. We work with our member countries and clients to incorporate zero-emissions technologies into project designs and to minimize emissions where such technologies are not yet viable. For selected projects, we also calculate net (or relative to a business-as-usual scenario) GHG emissions. These estimates improve our ability to identify possible transition risks and to understand how a project can contribute to a country’s decarbonization efforts.

To quantify both gross emissions and net emissions reductions, we follow the guidelines set in the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting. The Environmental and Social Solutions Unit, the Climate Change Division, and IDB project teams apply a common set of tools to collect relevant project data and calculate GHG emissions. We continuously improve our tools and processes as we learn from our projects and interact with other MDBs and stakeholders.

$4.5 \text{ BILLION in Climate Finance}$
**Gross Emissions**

Our Environmental and Social Solutions Unit (ESG) estimates gross GHG emissions at the project level as part of the project-assessment process. This analysis focuses on investment loans with potentially medium or significant environmental or social impact (i.e., projects with an environmental and social impact classification of Category A or B as defined in the applicable environmental and social policy). All Category A or B projects that include greenfield expansion or infrastructure projects are selected for a detailed gross GHG emissions assessment. These projects typically involve large infrastructure works in the energy, transportation, urban, and water and sanitation sectors. The assessment includes emissions from construction and operation, focusing on a project’s scope 1 and scope 2 emissions (Box 4).

In 2021, gross GHG emissions were reported for 23 greenfield and expansion projects, generating an estimated 88,900 metric tons of carbon dioxide equivalent, or CO₂e (Figure 8).⁴ In 2022, we plan to use the gross GHG emissions data to more thoroughly assess the climate risks associated with projects and identify suitable risk-mitigation measures.

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**BOX 4. DEFINING SCOPE**
- Scope 1: direct emissions
- Scope 2: energy indirect emissions
- Scope 3: other indirect emissions

**FIGURE 8. IDB GROSS GHG EMISSIONS, 2017–2021.**

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⁴ The pandemic shifted the composition of the IDB’s portfolio dramatically in 2020 away from infrastructure, resulting in fewer projects that required estimates of GHG emissions.

⁵ Emissions from projects are estimated in the year of project approval as the annual emissions expected to be produced during a representative year over an assumed 20-year project lifetime.
**Net Emissions Reductions**

Net emissions reductions compare the gross GHG emissions from a project with the GHG emissions that would have occurred in a reference scenario, defined either as a scenario absent any intervention or as an alternative scenario that reflects the most likely alternative means of achieving the same project outcomes or level of service. Our project teams, with the assistance of the Climate Change Division, estimate GHG emissions reductions for investment loans that contribute to the IDB’s climate mitigation finance. For most projects, the estimate covers scope 1 and scope 2 emissions. Scope 3 emissions are also included for projects where changes in emissions are concentrated in a scope 3 source—for example, public transportation projects intended to replace private transportation or centralized wastewater systems intended to replace household systems.

In 2021, we assessed emissions reductions for 16 investment projects and two credit lines, for a total of more than 277,000 tons of CO₂e per year during the projects’ lifetimes.  

In Colombia, the energy-transition investments we support this year are expected to reduce GHG emissions by more than 139,000 tons of CO₂e per year. In Argentina and Peru, investments in electromobility are estimated to reduce emissions by about 19,000 tons of CO₂e per year through the displacement of trips made by vehicles with internal combustion engines.

In the water and sanitation sector, we supported the construction of wastewater treatment systems for small communities in Argentina and Brazil, which will lead to a reduction in methane and nitrous oxide emissions while also improving resilience and quality of life in the affected communities. These projects are estimated to reduce GHG emissions by a minimum of 12,000 tons of CO₂e per year.

Working with public administrations in Brazil, Colombia, the Dominican Republic, and Peru, we financed various projects that increase the quality and efficiency of public services by investing in energy-efficient buildings and rooftop solar systems and streamlining and digitizing public services. Overall, these initiatives are expected to deliver about 6,100 tons of CO₂e per year in GHG emissions reductions.

Finally, through credit lines to small and medium enterprises, we supported productivity improvements and the economic recovery in Mexico, with investments in energy efficiency and renewable energy that are expected to generate GHG emission reductions of 99,800 tons of CO₂e per year.

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6 The complete list of operations is available on the CRF webpage.
CLIMATE FINANCE

Significant levels of finance are needed to fulfill the commitments made in the Paris Agreement in 2015. Recognizing this, the IDB’s CRF 2020–2023 includes a climate finance target of 30% of total approved volume.7

Nine of the largest MDBs apply a common methodology to track climate finance in projects financed with their own resources and the external resources they manage. “Climate finance” refers here to the financial resources MDBs commit to development projects and the components that enable activities that mitigate and adapt to climate change in developing and emerging economies. In mid-2021, the MDB working group released its 10th annual joint report, with detailed information on 2020 and a full description of the applied common methodology.

In 2021, the IDB financed a record US$4.5 billion in activities related to climate change that benefit LAC—through loans, grants, technical cooperation, guarantees, and equity investments—accounting for 30% of total IDB annual approvals (Figure 9).8 Climate finance was concentrated in operations that offer green credit lines to capitalize banks and strengthen institutional capacity on climate change, sustainable agriculture, and urban development.

“Climate-mitigation finance” (US$2.4 billion in 2021) refers to efforts to reduce or capture GHG emissions to lessen the risks of climate change. Mitigation finance is primarily associated with renewable energy, energy efficiency, urban mobility, mass transportation, forestry, and green buildings.


<table>
<thead>
<tr>
<th>YEAR</th>
<th>CLIMATE FINANCE IN U.S. DOLLARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$3.0 B</td>
</tr>
<tr>
<td>2018</td>
<td>$4.2 B</td>
</tr>
<tr>
<td>2019</td>
<td>$3.6 B</td>
</tr>
<tr>
<td>2020</td>
<td>$2.0 B</td>
</tr>
<tr>
<td>2021</td>
<td>$4.5 B</td>
</tr>
</tbody>
</table>

7 At COP26, the IDB’s president announced targets to align 100% of new operations with the Paris Agreement goals by January 2023 and to deliver US$24 billion in green and climate finance in the next four years. Discussions are underway with the Board of Directors to formally approve these goals.

8 Climate finance for the entire IDB Group (IDB, IDB Lab, and IDB Invest) in 2021 was US$6.0 billion.
“Climate-adaptation finance” (US$1.3 billion in 2021) refers to the resources that finance the change processes aimed at lowering the current and expected risks or vulnerability posed by climate change. Such finance is identified in projects that explicitly define a context of climate vulnerability, intend to reduce such vulnerability, and allocate resources to specific vulnerability-reduction tasks. Adaptation finance in 2021 focused mainly on disaster risk management and preparedness (primarily through contingent credit lines for natural disasters), resilient infrastructure, and coastal zone and water supply management.

In 2021, the IDB provided additional climate finance through a few projects that benefit mitigation and adaptation simultaneously. Dual-benefit climate finance accounted for US$782 million in 2021.

**DISASTER AND CLIMATE CHANGE RISK**

The IDB is committed to assessing disaster and climate change risk and identifying opportunities for resilience and adaptation measures in the projects it finances. Our Disaster and Climate Change Risk Assessment (DCCRA) methodology takes a phased approach that allocates resources commensurate with project risk. The methodology is organized around five steps: (1) classify hazard exposure, (2) revise classification based on criticality and vulnerability, (3) conduct a simplified qualitative analysis (narrative), (4) conduct a qualitative analysis, and (5) conduct a quantitative analysis, grouped into three phases.

The methodology provides practical guidance to project teams, executing agencies, technical experts, and external consulting and design firms on how to integrate disaster and climate change risk considerations into projects in a meaningful and relevant way. On the one hand, ignoring the potential impact of future climate conditions puts investments at risk. On the other hand, it is also possible to overengineer solutions and apply costly or inappropriate mitigation measures. Given the inherent uncertainty of climate change impacts, the methodology focuses on low-regret solutions (i.e., solutions likely to minimize costs and achieve co-benefits that will be valuable even if the future climate differs from the central trend of model predictions).

The methodology is applied to loans and investment grants classified as Category A or B under the IDB’s ESPF. We have committed to reporting annually on projects with considerable disaster and climate change risk that applied risk analysis to identify resilience actions in our Corporate Results Framework. Our target by 2023 is for 100% of high- and moderate-risk projects to have completed Step 3 of the DCCRA methodology. In 2021, 96% of the projects required to do so completed Step 3. Of the three Category A projects approved in 2021, two were classified as high risk and one as moderate risk. Of the 24 Category B projects approved, two were classified as high risk, 21 as moderate risk, and one as low risk for disaster and climate change.

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9 Calculated by dividing the number of projects approved in the year with a high or moderate disaster and climate change risk classification that have completed Step 3 of the DCCRA methodology by the total number of projects approved that year with that classification.
The process ultimately led to the preparation of a narrative (Step 3) and in some cases a Disaster Risk Assessment (DRA) (Step 4 or 5) for 25 projects in 2021 (Figure 10). Going forward, additional resources will be needed to further consider disaster and climate change risks in projects and ensure project resilience. The DRA is not required prior to approval because the preparation sometimes depends on detailed designs available only during implementation.

**FIGURE 10. APPLICATION OF THE DCCRA METHODOLOGY.**
LAC is one of the most diverse regions in the world—including different ancestries, cultures, races, sexual orientations, abilities, and languages. Unfortunately, certain groups have historically been marginalized. This marginalization affects not just those groups but the entire region. We must recognize that this is both a matter of rights and of achieving social and economic development. When a person is unable to fully exercise their citizenship rights and contribute to society, it impacts everyone. There is growing evidence that diversity spurs economic development,\textsuperscript{10} improves business performance,\textsuperscript{11} and facilitates innovation.\textsuperscript{12}

At the IDB, we not only want to improve lives; we strive to improve all lives. We are committed to improving lives through gender equality, women’s empowerment, and inclusion of diverse population groups across LAC, including Indigenous peoples, African descendants, people with disabilities, and people with diverse sexual orientations and gender identities.

In 2021, 76% of IDB projects supported gender equality (Figure 11). Our goal is to have at least 70% of projects support gender equality by 2023 (starting from a 2016–2018 baseline of 41%). We consider projects to support gender equality if they include three elements: (1) analysis of gender gaps or issues, (2) actions to address the gaps or issues (based on evidence-based or promising approaches, when feasible), and (3) at least one gender-related results indicator in the results matrix.\textsuperscript{13}

In 2021, 37% of IDB projects supported diversity (Figure 12).

\textbf{FIGURE 11. PROJECTS SUPPORTING GENDER EQUALITY.}

\textbf{FIGURE 12. PROJECTS SUPPORTING DIVERSITY.}


\textsuperscript{13} Please refer to the \textit{CRF Technical Guidance Note} for the complete criteria.
Our goal is to have at least 20% of projects support diversity between 2020 and 2023 (starting from a 2016-2018 baseline of 7%). We consider projects to support diversity if they include three elements: (1) analysis of issues affecting at least one of the following diverse populations: Indigenous peoples, people with disabilities, African descendants, and LGBTQ+ individuals, (2) actions to address diversity gaps or issues (based on evidence-based or promising approaches, when feasible), and (3) at least one diversity-related results indicator in the results matrix that measures the effect of interventions on at least one of the four diverse populations.  

**ENVIRONMENTAL AND SOCIAL POLICIES**

At the IDB, we apply policies to help borrowers identify, manage, and effectively mitigate potential negative environmental and social impacts and the risks associated with investments. Our environmental and social policies are modeled after international best practices. In this section, we look at how we apply environmental and social policies to projects and how we manage environmental and social impacts and risks in complex projects. In 2020, the IDB’s Board of Executive Directors approved a new Environmental and Social Policy Framework (ESPF), which took effect in 2021 (see page 14). In 2021, as part of the rollout of the new ESPF, all IDB employees were required to complete an online training to promote their understanding of the modernization of the framework and its implications for correctly managing environmental and social impacts, risks, and performance. The [IDB’s New Environmental and Social Policy in a Nutshell](#) training is also available to the public.
Applying Our Environmental and Social Policies to Projects: A Risk-Based Approach

We assess and monitor environmental and social impacts and risks throughout the project cycle. We work closely with borrowers and stakeholders to manage environmental and social risks and ensure each project complies with our safeguards and with specific national and international standards. Two teams hold principal responsibility for these actions: the Environmental and Social Solutions Unit (in the Vice Presidency for Sectors) and the Environmental and Social Risk Management Unit (in the Office of Risk Management).

When entering the portfolio, all IDB projects are classified according to potential environmental and social impacts to establish the scope of impact assessments and public consultations. Projects are classified as Category A, significant impact; B, moderate impact; C, minimal impact; or B13, noninvestment-lending and flexible-lending instruments. Under the new ESPF, the B13 category was eliminated and a new category for financial intermediaries (FI) was created. We assign specialists from the Environmental and Social Solutions Unit to all Category A and B and high-risk financial intermediary projects during the preparation phase.

New sovereign-guaranteed loan projects in 2021 were classified as follows (Figure 13).

- **Category A (significant impact):** 3 loans (US$240 million), all of which received environmental and social support
- **Category B (moderate impact):** 24 loans (US$2.25 billion), all of which received environmental and social support
- **Category B13 (noninvestment lending and flexible lending instruments):** 46 loans (US$8.77 billion), 22 of which received safeguards support
- **Category C (minimal impact):** 41 loans (US$2.5 billion), 7 of which received environmental and social support

**FIGURE 13. CLASSIFICATION OF 2021 LOAN APPROVALS.**
In addition, we assign a dynamic Environmental and Social Risk Rating (ESRR) to projects during the preparation phase. Projects are rated as low, moderate, substantial, or high based on four risk factors (Box 5). As projects move into implementation, we use this rating to apply a risk-based approach to environmental and social management. The Environmental and Social Risk Management Unit provides independent quality assurance of impact and risk classifications, of the due diligence process, and of the quality of our environmental and social solutions for all projects during the preparation phase. The proportion of the portfolio rated high and substantial for environmental and social risks remained relatively stable throughout the year, ending at 39% (Figure 14). During 2021, 31 new projects were rated as high or substantial risk, 20 projects had their risk rating lowered, 63 projects had their risk rating elevated, and 110 projects exited the portfolio.

**FIGURE 14. DISTRIBUTION OF ENVIRONMENTAL AND SOCIAL RISK IN THE PORTFOLIO.**

**BOX 5. ENVIRONMENTAL AND SOCIAL RISK FACTORS.**

- **Cause**: direct impacts and project footprint
- **Contribution**: indirect and cumulative impacts; third-party actions
- **Context**: political, social, and cultural conflicts; economic vulnerabilities
- **Performance**: institutional capacity; political will
During supervision, specialists from our Environmental and Social Solutions Unit, many of whom are based in our country offices, supervise projects rated as high or substantial risk, while project teams supervise low- or moderate-risk projects with the unit’s guidance and support. We assign an environmental and social performance rating to all high- and substantial-risk projects to determine each project’s level of compliance with our environmental and social policies.

- **Satisfactory:** all actions are being implemented according to commitments and standards
- **Partially satisfactory:** not fully consistent with commitments but has not resulted in material negative adverse impacts
- **Partially unsatisfactory:** prompt corrective action is required to prevent material noncompliance
- **Unsatisfactory:** has caused damage or there is a reasonable expectation of material noncompliance

The Environmental and Social Risk Management Unit complements project-level supervision by monitoring the environmental and social risk of the portfolio through analyzing and reporting environmental and social risk trends and dynamics and by carrying out periodic risk analyses of projects in execution. Figure 15 shows the compliance performance ratings for high- and substantial-risk projects in execution in 2021. In 2021, among those projects, 88% rated satisfactory or partially satisfactory in terms of environmental and social performance (against a 2023 CRF target of 84%).

**FIGURE 15. ENVIRONMENTAL AND SOCIAL COMPLIANCE PERFORMANCE RATINGS FOR HIGH- AND SUBSTANTIAL-RISK PROJECTS IN EXECUTION, 2021.**

- Satisfactory: 27 (12%)
- Partially satisfactory: 94 (41%)
- Partially unsatisfactory: 1 (0%)
- Unsatisfactory: 108 (47%)
Managing Environmental and Social Impacts and Risks in Our Most Complex Projects

Development projects can be environmentally and socially complex. The IDB offers a comparative advantage to our member countries by providing our collective expertise and support. Combined with robust safeguards and structured mitigation and supervision measures, IDB support aims to ensure complex projects are developed with resilience and long-term sustainability in mind. In this section, we look at some examples of complex projects in Brazil, the Dominican Republic, and Haiti.

**Project:** Social and Environmental Program of Manaus and the Interior  
**Country:** Brazil  
**Year Approved:** 2021  
**IDB Amount:** US$80 million

This project is a continuation of a series of interventions the IDB has financed in the city of Manaus since 2006. The project aims to improve the health and socioeconomic conditions of the resident population in the Igarapé do Quarenta sub-basin. It includes urban infrastructure works, micro and macro drainage projects, water and sanitation improvements, recovery of degraded areas, and gender and diversity inclusion actions (offering professional training, implementing a gender observatory, and supporting itinerant points of care for women with emphasis on preventing gender violence).

The project is classified as Category A due to the resettlement of 2,580 families that reside in areas exposed to recurrent flooding, which has serious implications. Due to the COVID-19 pandemic, the socioeconomic census of the affected families was initially carried out online and by telephone and was later completed and corrected by the traditional method of door-to-door visits. The consultations also followed a hybrid face-to-face-virtual model. The project is classified as moderate risk for disaster and climate change because of riverine flooding and landslide hazards. The environmental and social impact assessment included a qualitative DRA to verify design measures to prevent and mitigate risks related to extreme rainfall events. To incorporate the potential impacts of climate change, a quantitative DRA will be completed prior to implementation to verify the capacity of drainage infrastructure and ensure the resettlement areas are located outside the 25-year floodplain.
**Project:** Rehabilitation and Expansion of Puerto Manzanillo  
**Country:** Dominican Republic  
**Year Approved:** 2021  
**IDB Amount:** US$100 million

The objective of this project is the rehabilitation and expansion of the maritime logistics terminal located in the northern Bay of Montecristi in the Dominican Republic and the improvement of a section of a main transit road in the region (including the Duarte Highway). The project has been classified as Category A and high risk for disaster and climate change.

The project is located between two national parks, which presents certain vulnerabilities for nearby mangroves, coral reefs, and artisanal fishing. Managing possible socio-environmental risks has required a careful technical analysis and a detailed strategy. The project is also located on the border with Haiti, requiring analysis of cross-border impacts and risks and a dedicated consultation process (managed by the diplomatic authorities of the two countries). The rehabilitation component of the Duarte Highway required further socio-environmental analysis and an independent, dedicated consultation process.

During project preparation, a qualitative DRA and a disaster risk management plan were developed for both the port and road interventions that assessed (1) the potential severity and frequency of heat waves, hurricanes, sea level rise, floods, droughts, earthquakes, tsunamis, and landslides and (2) the exposure and vulnerability of the infrastructure. The risk-management plan includes structural and non-structural measures to be implemented during the life cycle of the project.
Project: Productive Infrastructure Program V

Country: Haiti

Year Approved: 2021

IDB Amount: US$65 million

This project—the last in a series of interventions—is providing the basic infrastructure, industrial facilities, and management support required for the expansion and long-term operation of the Caracol Industrial Park (PIC). The project contributes to the sustainable economic development of Northern Haiti, creating 6,000 new jobs and economic opportunities for the textile industry. It has been classified as Category A and high risk for disaster and climate change.

As part of project preparation, the DRA (prepared for the 2013 work) was updated. The DRA highlights hurricanes, earthquakes, tsunamis, and flood risks. Mitigation measures include (1) prevent and mitigate impacts from disasters, (2) minimize economic losses to the Technical Execution Unit of the Ministry of Economy and Finance and to tenants, and (3) support worker safety and identify strategies so that work can be quickly and safely resumed after a disaster. The project is considering the most cost-effective ways to reduce energy and water use as well as sustainable building materials, using Excellence in Design for Greater Efficiency (EDGE) to design, verify, and certify the buildings. It is the first time the EDGE standard is being used in Haiti.

Women represent 60% of the PIC’s labor force. The gender-oriented activities envisioned for the project, which include training for PIC workers, supervisors, and managers on gender matters and implementing a gender-sensitive regulatory framework and grievance mechanisms, are key to better managing gender risks.
Corporate Sustainability

At the IDB, we are committed—both in our projects and in our offices—to protecting the environment around us and to inclusivity. That means maximizing the potential of employees, empowering neighborhood communities, and minimizing the environmental impact of our facilities and employee travel. The actions we take in our own work routines demonstrate the IDB’s commitment to global environmental sustainability and social responsibility and to setting an example of stewardship for employees, investors, and stakeholders in LAC.

GENDER, DIVERSITY, EQUITY, AND INCLUSION AT THE IDB GROUP

The IDB Group’s employees are vital to achieving our institutional goals, and we continue to make progress on equity and inclusion.

In 2021, we approved our Diversity Equity and Inclusion Action (DEI) plan for 2021-2022. In developing the plan, we considered several factors, including the COVID-19 pandemic, economic uncertainty, and high-profile racial justice events. Given that the pandemic has disproportionately impacted certain groups, we are focusing on actions and initiatives that will help us advance toward a more equitable workplace for all, including women, Indigenous people, African descendants, LGBTQ+ people, and people with disabilities. We continued implementing our DEI learning curriculum to build awareness of unconscious bias and other barriers to the institution’s DEI agenda.

42% WOMEN

IDB staff in mid- and senior-level positions
EDGE recertification was among our 2021 accomplishments. We were awarded the second level of certification, EDGE Move—making us the second multilateral worldwide, and the first in the Americas, to reach this prestigious distinction. Attaining EDGE Move has allowed us to articulate a more intentional action plan to pursue even greater gender equity in the workplace.

We established a baseline for the percentage of African descendants and people with underrepresented nationalities at the IDB. In 2022, we will implement targets for the percentage of Afro-descendants and nationals from small and island countries to ensure the organization continues to reflect the diversity of the LAC region.

We continued to modify physical installations to create a more welcoming workplace for all. For example, at Headquarters, we now have Wudu washrooms for employees of the Muslim faith and gender-neutral bathrooms to facilitate the needs of an increasing number of employees who identify as nonbinary.

We formed our first disability-inclusion working group. The group is charged with developing and implementing a disability-inclusion policy and guidelines for reasonable accommodations, which will apply to all employees.

We continued with our successful Emerging Women Leaders Program and plan to develop a Women’s Career Advancement Initiative in 2022. As of December 2021, 42% of staff in mid- and senior-level positions at the IDB were women (compared with our target of 43% by 2023).

COMMUNITY RELATIONS PROGRAM

The IDB Community Relations Program began in 1998. It includes volunteering, donations, and corporate philanthropy. The program holds volunteer fairs at the IDB Headquarters and remotely. Through the Improving Lives Grant, every year, 10 local organizations that work in the D.C. area with populations from LAC are selected to receive a donation of US$25,000 each. The Community Relations Program partners with the IDB’s information technology department and the IDB Family Association to donate surplus technology equipment to more than 5,000 beneficiaries in countries in the region and in the Washington metropolitan area.

CORPORATE SUSTAINABILITY PROGRAM

The IDB has a long-standing commitment to ensuring that our internal operations are environmentally sound. The Corporate Sustainability Program (CSP) works to reduce the IDB Group’s environmental footprint. CSP measures the organization’s footprint to track trends and behaviors, identifies opportunities for increased employee awareness through targeted engagement activities, and develops and implements practices that contribute to making us more environmentally responsible. The section that follows describes some of our advances in 2021. See also the IDB’s Global Reporting Initiative (GRI) annex.
Carbon Neutrality

Recognizing that climate action is not just for our clients, we were the first MDB to commit to carbon neutrality. We began by measuring and offsetting GHG emissions resulting from our 2006 Annual Meeting and, soon after, we began doing so for all our corporate activities (facilities operations, corporate vehicle fleet, and employee business travel).

In 2019, the Board of Executive Directors approved a CRF target to reduce emissions from our facilities and fleet by 14% by 2023. The COVID-19 pandemic has drastically changed our carbon footprint. Our physical offices were closed for much of 2020, and when they reopened in mid-2021, building occupancy remained low. In addition, nearly all business travel has been suspended since the onset of the pandemic. In 2021, corporate operations were responsible for 9,254 tons of CO$_2$e, which we compensated for through verified emissions reductions credits.

The IDB Group’s unavoidable carbon footprint is offset through a series of investments in carefully selected Verified Emissions Reductions projects in LAC. In 2021, we supported a forest-protection project in the Brazilian state of Pará. The project area covers 148,000 hectares where the regional forests are rich in valuable timber species. To prevent illegal logging, the project encourages the *ribeirinhos*, who live along the rivers and small streams, to use sustainable agroforestry techniques. In turn, they receive land-use rights for their contribution to nature conservation.

Green Buildings

We are incorporating environmental and health measures into the design and construction of corporate facilities. Two of our Headquarters buildings and our office in the Dominican Republic qualify for the Leadership in Energy and Environmental Design (LEED) certification at the Platinum level (the highest level). The office in the Dominican Republic was the first building in the country to achieve that status. In addition, our offices in Brazil, Costa Rica, Panama, and Peru have qualified at the LEED Certified level. LEED certification is being pursued for our office in Jamaica, and our new country office in Ecuador, completed in 2021 (Figure 15), is pursuing EDGE (Excellence in Design for Greater Efficiencies), LEED (Leadership in Energy and Environmental Design), and WELL (health and safety) certifications.

**FIGURE 16. OUR NEW OFFICE IN ECUADOR HAS AMPLE NATURAL LIGHTING.**
Even with most employees working from home, lighting, heating, and cooling of the IDB Group’s facilities are required. These functions represented 89% of our 2021 corporate carbon footprint—a much higher share of our overall organizational footprint than past years, due largely to the suspension of business travel. Following industry standards in the COVID-19 era, we increased the amount of outside air brought into our buildings with greater ventilation, improved air filtration, and adjusted air-handling-system schedules. Consequently, our energy consumption increased for heating and cooling. We are carefully monitoring the impact of maintenance adjustments to provide a healthy workplace while continuing to reduce our environmental footprint.

Several IDB country offices have on-site solar panels to generate zero-carbon electricity. In 2021, solar panel systems in the Bahamas, Brazil, the Dominican Republic, Haiti, Jamaica, Nicaragua, and Uruguay produced 558 megawatt-hours in renewable energy, meeting 62% of office energy needs. A project is underway to install solar panel systems in eight additional country offices. By investing in renewable energy for our offices, we not only do our part to mitigate climate change, but we are also supporting local markets for renewable energy and green buildings.

We are creating efficient and flexible office layouts that maximize access to natural light and minimize the waste and other environmental impacts associated with construction and renovations. We now recycle or donate most of the furniture and equipment that leaves our facilities. Our requirements for contractors and construction practices now include strict provisions to prioritize material selection, equipment specifications, and procedures that are aligned with environmental certification standards.

**Green Transportation**

Historically, the largest piece of the IDB’s transportation footprint has been air travel. Long considered an unavoidable part of doing business, the experience of operating virtually during COVID-19 has presented opportunities to shift that mindset. New ways to collaborate virtually are constantly being developed and embraced—and there is hope that travel reductions can be sustained after the pandemic subsides.

Although a small component of our overall carbon footprint, our fleet of vehicles was responsible for 429 tons of carbon emissions in 2019 (pre-pandemic). To reduce this, as we replace our aging fleet, we are gradually acquiring hybrid and electric vehicles where business needs and local conditions allow. Several IDB offices have already made the switch, and in 2021, our country offices acquired hybrid (Guyana) and electric (Dominican Republic) vehicles.
Waste Reduction
Waste is costly, contributes to climate change, pollutes ecosystems, and harms human health. At the IDB, we aim to reduce the waste we generate and divert unavoidable waste from landfills through recycling. In 2021, all individual trash bins at our Headquarters were replaced with communal waste stations. This initiative reduces waste, improves waste separation, saves money, enhances health and safety amid the pandemic, and aligns us with industry best practices.

Employee Engagement and Education
Even beyond the office, our employees’ habits affect the sustainability of the communities we operate in. By providing sustainability training events and cultivating a community of environmental champions, CSP raises the visibility of sustainability issues and fosters action. The telework environment required changes in our employee engagement tactics, such as these virtual efforts:

- We continued to grow and evolve our Green Ambassadors Program with additional tools and dedicated training on sustainability communications.
- We launched a zero-waste training program and tool kit for country offices.
- In April, we celebrated Earth Day. CSP joined forces with the water and sanitation division to carry out a webinar, “COVID and the Plastic Pandemic,” that featured a panel of experts from the IDB, the International Solid Waste Association, the World Economic Forum, and Latitud Fundación Avina. The event was attended by thousands of employees and external participants.
- Although not included in our organizational carbon-footprint calculations, employee commuting is a significant contributor to carbon emissions. The pandemic gave rise to new opportunities and interest in commuting methods that benefit human well-being and the environment. To encourage green commutes, we celebrated Bike Anywhere Days with a distance challenge and small-group rides with colleagues, friends, and families (Figure 16). We also organized a green commuting challenge for employees coming into the office.

Despite the new challenges brought by the pandemic, CSP continues to find ways to educate employees on ways to help reduce our environmental footprint at home and upon returning to the office.

Starting with changes at home, IDB employees are showing their dedication to environmental and social sustainability.

FIGURE 17. ON A RIDE DURING BIKE ANYWHERE DAYS.