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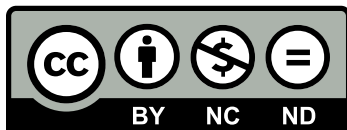
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Introduction

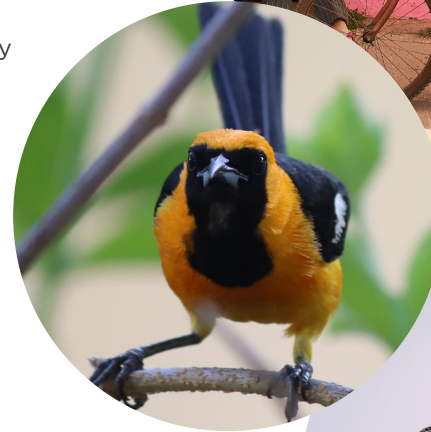


Introduction

Long-term economic growth and the reduction of poverty and inequality in Latin America and the Caribbean (LAC) depend on development that is economically, financially, environmentally, socially, and institutionally sustainable. At the Inter-American Development Bank (IDB), we are committed to maximizing the positive outcomes of our work, and sustainability has long been a core element of that work. Our [institutional strategy](#) reinforces the critical role sustainability plays in the region’s development, building on the IDB’s objectives: reducing poverty and inequality and fostering 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 report with information about our corporate sustainability, looking at efforts to reduce our direct footprint where we live and work.

Going forward, we will continue to evaluate and adjust the contents of our sustainability report to respond to shareholders’ and investors’ evolving expectations and needs for climate and other sustainability-related disclosures. In response to emerging sustainability reporting standards and the development of a new IDB Group strategy, we are currently embarking on a materiality assessment for this report, including the Global Reporting Initiative annex, that will be prepared pending the completion of the materiality assessment. The preparation of the Global Reporting Initiative annex that has accompanied this report for the past six years has been put on hold, pending the completion of the materiality assessment.



About the IDB



About the IDB

At the IDB, we work to improve lives in 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, except where otherwise noted (e.g., some services are shared across the IDB Group and therefore reported at the group level). IDB Invest prepared its first [Sustainability Report](#) for 2022.

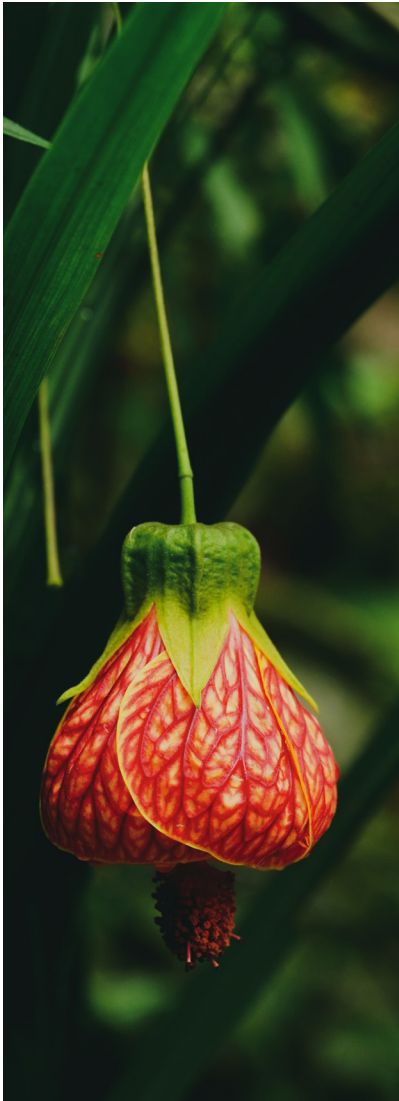
The IDB’s current focus areas include three development challenges—social inclusion and equality, productivity and innovation, and economic integration—and three cross-cutting issues—gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. In 2022, the IDB



approved 96 sovereign-guaranteed-loan projects, totaling more than \$12.7 billion. Disbursements for sovereign-guaranteed loans totaled \$10.7 billion in 2022.

Location

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.



Staff

The IDB Group has more than 3,200 employees, including staff and consultants. About 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.

Governance

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](#) is composed of 14 individuals representing the 48 member countries and also includes 14 alternates, who have full power to act when their principals are absent. The Board 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 borrowing 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



Message from the **President**

I am pleased to present this 2022 Sustainability Report. This report highlights key sustainability achievements of our projects, research, and offices. At the IDB, our team works every day to foster sustainable development in Latin America and the Caribbean. We know that our efforts must be both environmentally and socially sustainable to achieve lasting impact and improve lives.

One important way we seek greater impact is by developing cross border initiatives. Through our *Amazon Regional Program: Amazonia Forever*, we are coordinating efforts to promote sustainable and inclusive development throughout all the countries of the Amazon—Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, and Venezuela. This territorial approach brings together governments, financial institutions, the private sector, civil society, and international organizations to work on a shared common purpose.

We are exploring ways to better leverage our capital to achieve results by offering debt management solutions to the Latin America and Caribbean region and are proud to be the first Multilateral Development Bank (MDB) to have offered clients a hurricane clause that allows the suspension of principal payments in the event of a disaster. In 2022, we also approved an innovative debt-for-nature swap in Barbados supporting long-term marine conservation. This unique deal is an innovation for mainstreaming climate sustainability and biodiversity in fiscal management agendas and will free up an estimated US\$50 million in funding for conservation efforts in Barbados over the next 15 years. This deal was followed by one in Ecuador, approved in 2023, where the IDB and the United States



International Development Finance Corporation (DFC) supported the largest ever debt-for-nature conversion to protect the Hermandad Marine Reserve in the Galapagos. The combination of US\$656 million in political risk insurance from the DFC and a US\$85 million guarantee from the IDB allowed Ecuador to buy back US\$1.6 billion of debt, generating more than US\$450 million for conservation over 18 years. The project expanded the protection and management of marine reserves, fishery reforms, and funded a new 60,000 square kilometer marine reserve.

In 2022, the IDB lent US\$5.9 billion in climate finance. These resources are financing a range of activities, such as preparing all workers for the green jobs of the future, including expanding opportunities for women in underrepresented fields; reducing food insecurity; building resilience; and removing regulatory and policy barriers to encourage solar and wind power generation. The IDB recognizes that development is complex and that we must not shy away from challenges and risks as we support our member countries to become even more sustainable.

The IDB has approved a record number of projects that support gender and diversity. In 2022, the IDB exceeded mainstreaming gender and diversity equality targets through the identification of specific activities and indicators to close gender gaps in 86% of all approved operations, and diversity gaps in 53% of all approved operations. The 2022 Gender and Diversity Action Plan (GDAP) report systematically disaggregates data for Indigenous Peoples, Afro-descendants, Persons with Disabilities, and LGBTQ+.



progress has accelerated over the past year and represents a significant increase from the 2019-2021 baseline of 25%. We look forward to seeing even greater focus on achieving consistent and more ambitious progress across all diverse groups in the years to come.

As an institution we continue to find opportunities to walk the talk by reducing our environmental footprint by monitoring our travel patterns, installing more solar panels at our offices, and lowering our generation of waste, among others. One of our goals is to improve our reporting over time to identify even more potential areas where we can lower our environmental footprint.

Looking ahead, we recently launched a mechanism to link ambition on biodiversity and climate change (IDB CLIMA) that will provide discounts on eligible loans when they reach specific targets. We are also preparing to set new sustainability goals through our new institutional strategy. This is my first sustainability report as president of the Bank and as we continue to learn, we will continue to raise the bar. Sustainability efforts must be integrated across the IDB, we are updating the internal governance on key aspects of sustainability in areas such as climate change and gender and diversity, while reviewing incentives at all levels of the institution to achieve our shared vision with the region.

Today, we see a Latin America and the Caribbean that is full of opportunities for a more sustainable future for all and are honored to partner with our member countries to help them in their sustainability journeys. I invite you to read the report to learn more about our focus on sustainability.



Ilan Goldfajn

President

Inter-American Development Bank



Key Milestones in 2022

The top five sustainability milestones we reached in 2022 were:



\$5.9 Billion of climate finance

Achieved a record volume of climate finance at \$5.9 billion (43%) and implemented our green and climate finance tracking methodology (page 27).



Piloted Paris Agreement Approach

Piloted our approach to assessing the alignment of operations with the Paris Agreement and developed working versions of our guidelines (page 36).



New Record of Projects Approved

Approved a record number of projects that support gender and diversity (page 29).



Innovative Solutions

Took an innovative approach to a guarantee in support of a debt-for-nature swap in Barbados (page 45).



Formation Approved

Our Board of Executive Directors approved the formation of a working group on gender, diversity, equity, and inclusion.

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 approach to sustainability is guided by our shareholders’ interests and commitments on the global stage, including the Sustainable Development Goals (SDGs), Paris Agreement on Climate Change, Convention on the Elimination of All Forms of Discrimination against Women, United Nations Declaration on the Rights of Indigenous Peoples, International Labour Organization Convention 169, United Nations Convention of the Rights of Persons with Disabilities, Sendai Framework for Disaster Risk Reduction, United Nations Convention on Biological Diversity, New York Declaration on Forests, and Bonn Challenge.

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 1](#)) 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 Risk Management 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 \$3 million for individual technical cooperation projects and nonreimbursable investment projects financed with donor resources under IDB management.

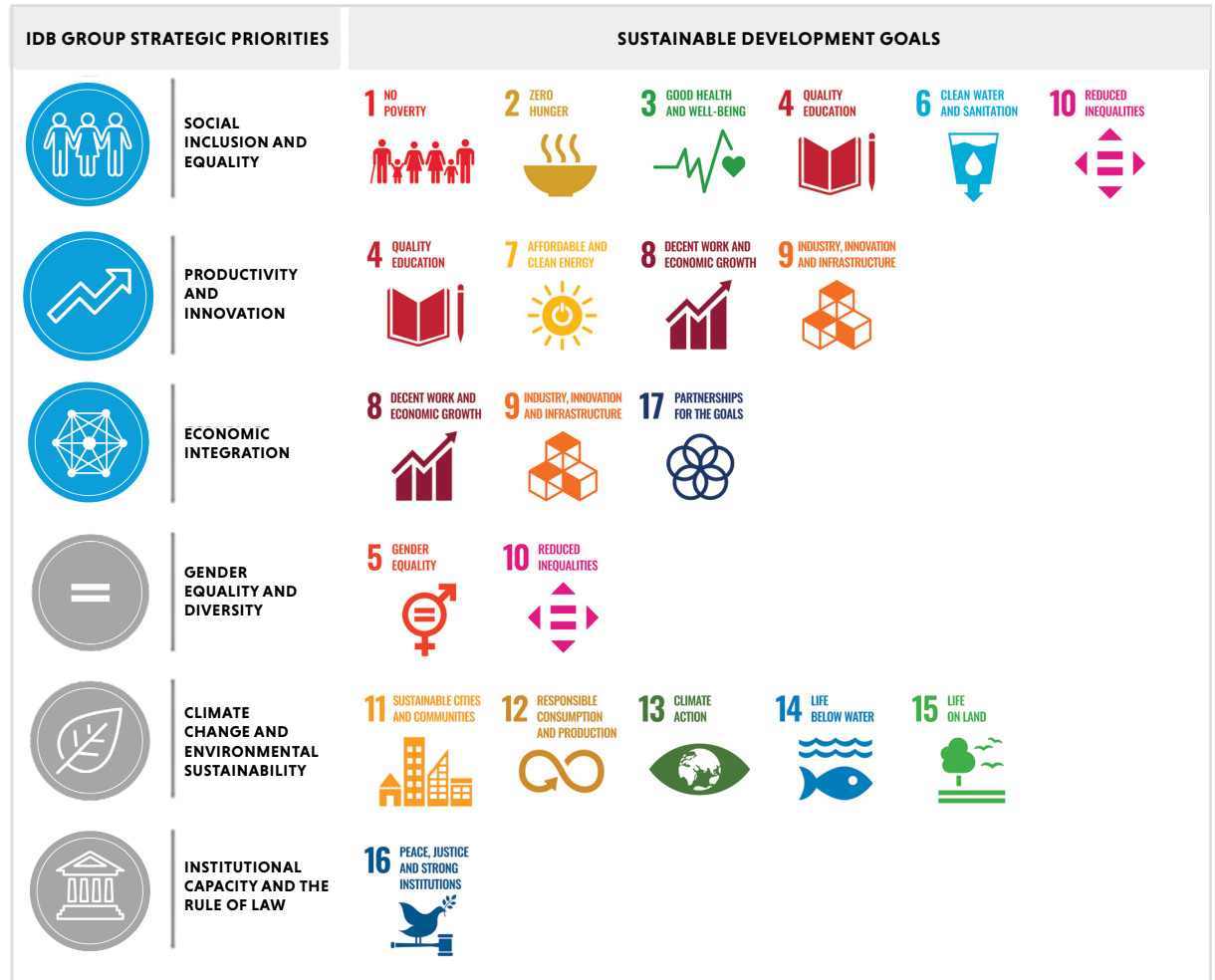
Box 1. Standing Committees of the IDB Board of Executive Directors

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 22).
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 in Our Strategy

Sustainability is the foundation of our [institutional strategy](#), which reaffirms the IDB’s two broad objectives: reducing poverty and inequality and fostering sustainable growth. Our institutional strategy identifies six strategic priorities that are critical to the region’s development: the three development challenges of social inclusion and equality, productivity and innovation, and economic integration, and 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 SDG, and all 17 SDGs are covered by the strategy (Figure 1).

Figure 1. Our Strategic Approach and the SDGs



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. In addition, we classify each new approval based on its expected contributions to specific SDGs and publish this information on our [website](#).

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 IDB's key sustainability indicators.

Table 1. Key Sustainability Indicators in the Corporate Results Framework (CRF)

INDICATOR	BASELINE	2022	TARGET
Climate finance in IDB projects (% of approved amount) (CRF indicator 3.5)	25% (2016-2018)	43% See page 27.	≥30% (2020-2023)
IDB projects supporting climate change mitigation and/or adaptation (% of new approvals) (CRF indicator 3.6)	53% (2016-2018)	94%	≥65% (2020-2023)
IDB projects supporting gender equality (% of new approvals) (CRF indicator 3.7)	41% (2016-2018)	86% See page 29.	≥70% (2023)
IDB projects supporting diversity (% of new approvals) (CRF indicator 3.8)	7% (2016-2018)	53% See page 29.	≥20% (2020-2023)
New IDB Group country strategies considering country's official commitments on climate (%) (CRF indicator 3.11)	54% (2016-2018)	100%	100% (2020-2023)
IDB projects with higher environmental and social risks rated satisfactory in the implementation of mitigation measures (%) (CRF indicator 3.14)	81% (2016-2018)	94% See page 39.	≥84% (2023)
IDB projects with considerable disaster and climate change risk that applied risk analysis to identify resilience actions (%) (CRF indicator 3.15)	16% (2017-2018)	98% See page 31.	100% (2023)
IDB Group facilities and fleet emissions (tons of CO₂ equivalent) (CRF indicator 3.26)	11,200 tons (2018)	7,712 tons See page 61.	≤9,600 tons (2023)
Mid- and senior-level IDB staff who are women (%) (CRF indicator 3.27)	38% (2018)	43% See page 62.	≥43% (2023)

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. Our Environmental and Social Policy Framework (ESPF), approved in 2020, 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.² 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 that were in force at the time of their approval, with the two systems running in parallel for an estimated seven years. See page 37 for information on our performance in 2022 with respect to these policies.

Figure 2. ESPF Standards

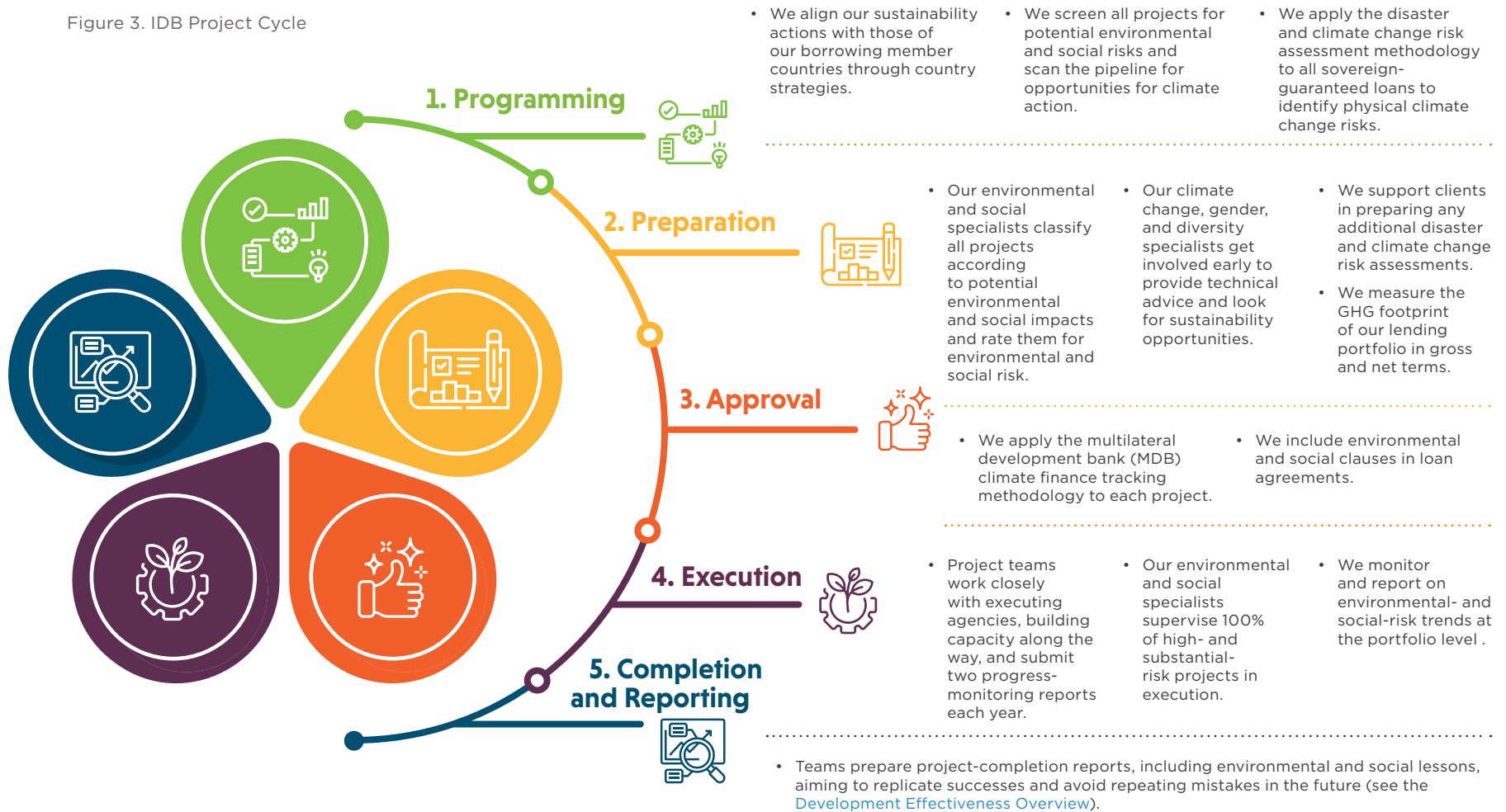


² Per the ESPF, the IDB will not knowingly finance, directly or indirectly through financial intermediaries, projects involved in activities that are inconsistent with the IDB’s commitments to addressing the challenges of climate change and promoting environmental and social sustainability, such as (1) 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.

Sustainability in Our Project Cycle

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

Figure 3. IDB Project Cycle



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.

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, agriculture, natural resources, disaster risk management, and biodiversity. It is also home to our **Gender and Diversity Division**, which advances equal opportunities for men and women and greater inclusion of Afro descendants, Indigenous peoples, and other vulnerable populations. These teams also collaborate with other sectors to consider sustainability needs across the portfolio. The **Knowledge Innovation and Communications Department** coordinates knowledge and learning efforts for staff and the region. Finally, our **Research Department** sits in this vice presidency, generating new ideas to enrich the knowledge base that supports our policy agenda with member countries for achieving sustainable and equitable development in the region.





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.

Our **Environmental and Social Risk Management Unit** in the Office of Risk Management 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.

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 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,

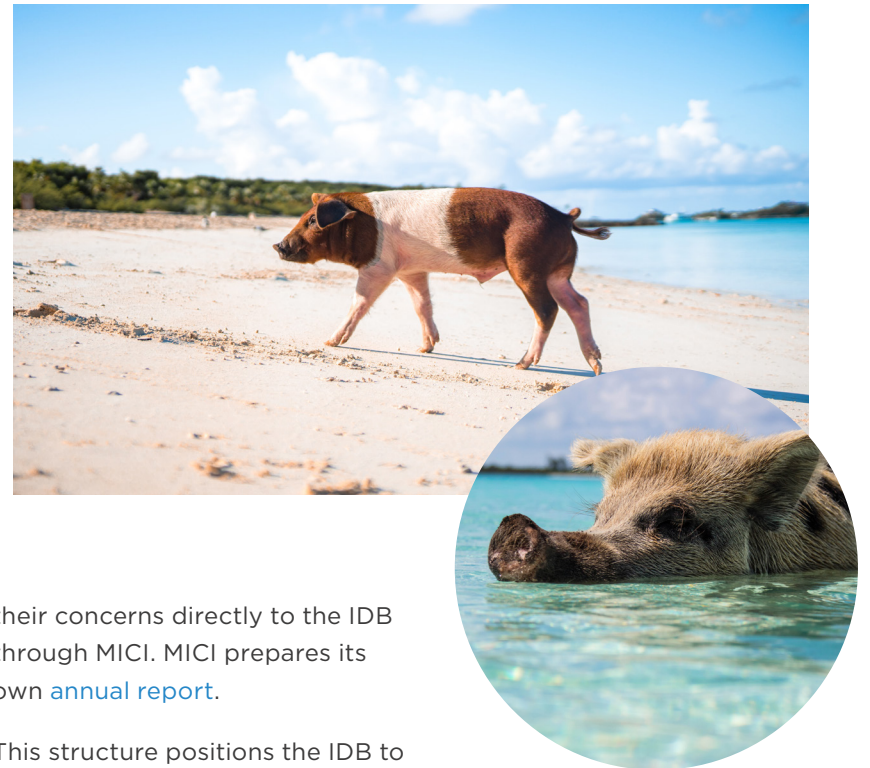
and governance sustainability framework to ensure that treasury investments follow quality industry practices.

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.

We promote sustainability through our **Corporate Sustainability Program**, which leads the effort to reduce the corporate environmental footprint of the IDB Group (see page 44). 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 **Office of Evaluation and Oversight** independently evaluates the performance and development effectiveness of the activities of the IDB Group. These evaluations seek to strengthen the IDB Group through learning, accountability, and transparency. OVE evaluations are disclosed to the public in accordance with IDB Group policies to share lessons learned with the region and the development community at large.

The **Independent Consultation and Investigation Mechanism** (known as MICI, based on its Spanish title) 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](#).

In Numbers

In this chapter, we present progress on quantitative aspects of the sustainability of our projects, with respect to policy support, sustainable finance, disaster and climate change risk, GHG emissions, Paris Agreement alignment, and environmental and social policies.



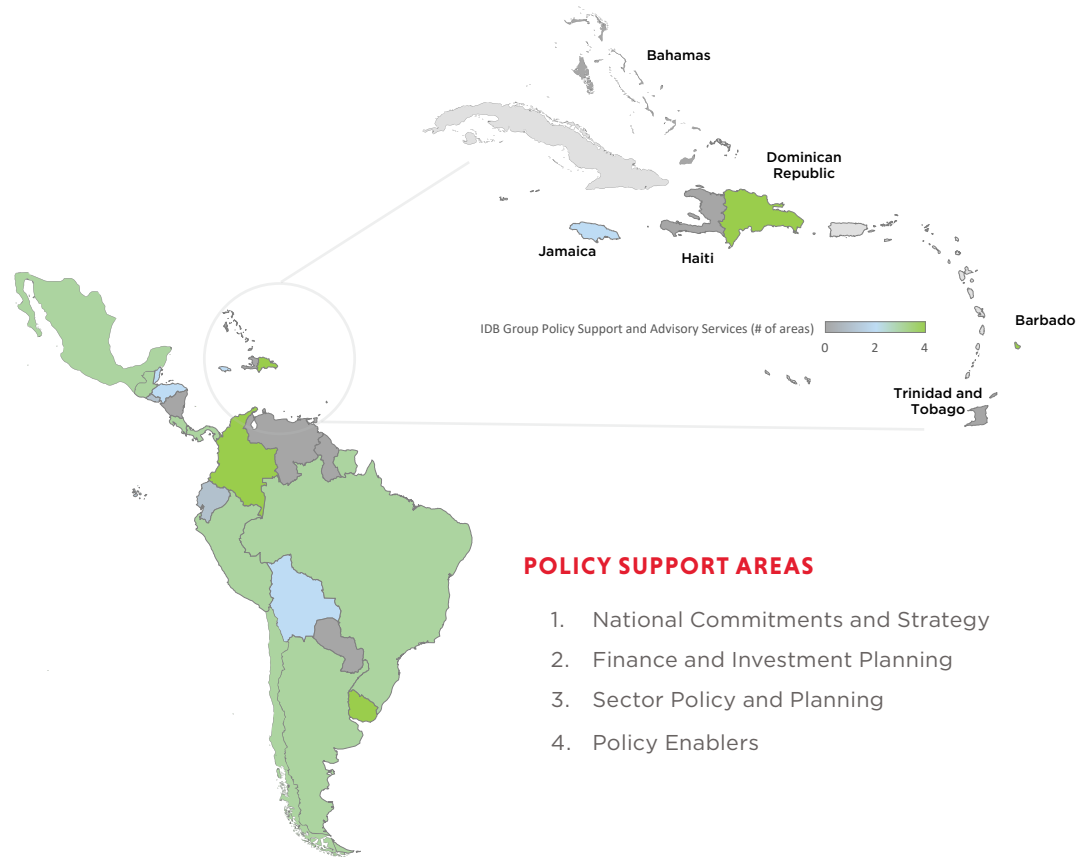
Climate Policy Support

Through technical assistance and other instruments, we support member countries to develop institutional capacity on sustainability matters, particularly on climate change. Achieving a climate-resilient and net-zero economy in the region will require redirecting \$1.3 trillion every year,³ and most climate action will be financed by redirecting the everyday spending decisions of households, firms, and governments.⁴ For these reasons, multilateral development banks' (MDBs') most important support is likely to be technical support for planning and reforms.

Under the CCAP 2021–2025, the IDB has provided climate change policy support to 19 countries, 14 of which have received support for National Commitments and Strategy (LTSs and NDCs) (Figure 4).

Looking ahead, we will continue working with our member countries to provide the policy support they need across a broad range of sustainability topics.

Figure 4. IDB Climate Change Policy Support by Country



3 Galindo, L. M., Hoffman, B., and Vogt-Schilb, A. (2022). *How Much Will It Cost to Achieve the Climate Goals in Latin America and the Caribbean?* Washington, DC: Inter-American Development Bank.

4 Songwe, V., Stern, N., and Bhattacharya, A. (2022). *Finance for Climate Action: Scaling Up Investment for Climate and Development*. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. <https://www.lse.ac.uk/granthaminstitute/publication/financefor-climate-action-scaling-up-investment-for-climate-and-development>.

Sustainable Finance

Through our loans, we provide demand-driven finance that directly supports green, climate, and gender and diversity actions. In this section, we provide an update on the volume of approvals in 2022 that supported these objectives.

Green Finance

In 2022, we began implementing a methodology to track green finance to complement our existing reporting of climate finance. As part of these efforts, the IDB Group has been scaling up investments to improve environmental quality and halt and reverse natural resource degradation. Our methodology assesses whether projects make a positive contribution to one or more of the following objectives (*in addition to their positive effects on climate change*):

- Sustainable use and protection of water and marine resources.
- Transition to a circular economy.
- Pollution prevention and control.
- Strengthening environmental governance systems.
- Resilience and disaster risk management.
- Protection, sustainable use, and restoration of biodiversity and ecosystems.
- Production of environmental goods and services.





Analysis of 2022 approvals showed that combined green and climate finance totaled \$6.5 billion (47% of all IDB financing), of which \$617 million (4%) was additional green finance (that is, after removing financing for activities that also count toward climate finance to avoid double counting). See Figure 5 for the intersection of green finance and climate finance and Figure 6 for a breakdown of the \$6.5 billion for green finance at the IDB by environmental objective.

We are leading an effort to harmonize the tracking and reporting of these investments among MDBs.

Figure 5. Green and Climate Finance as Percent of IDB Total Finance, 2022

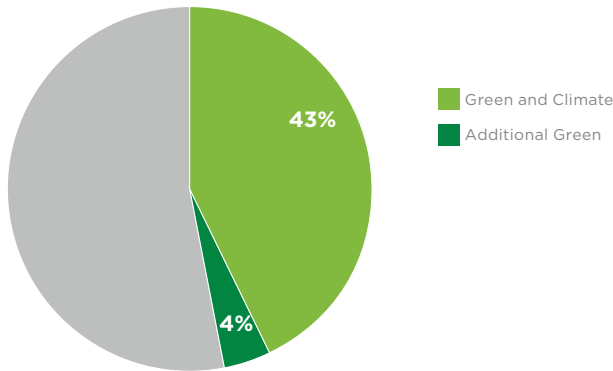
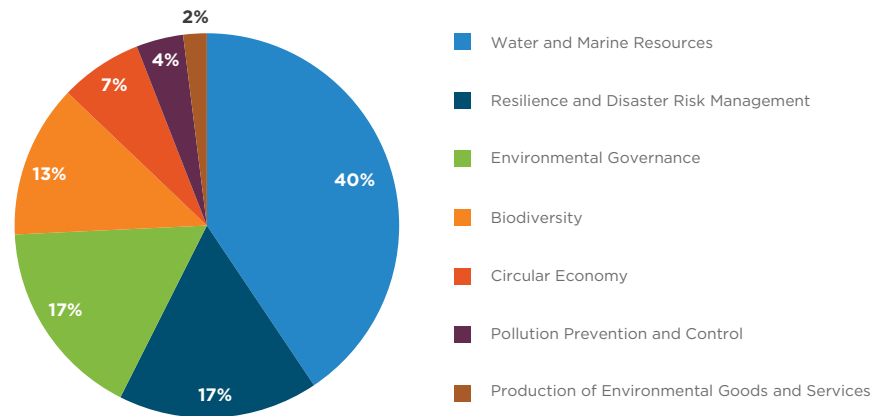


Figure 6. Green Finance by Environmental Objective, 2022



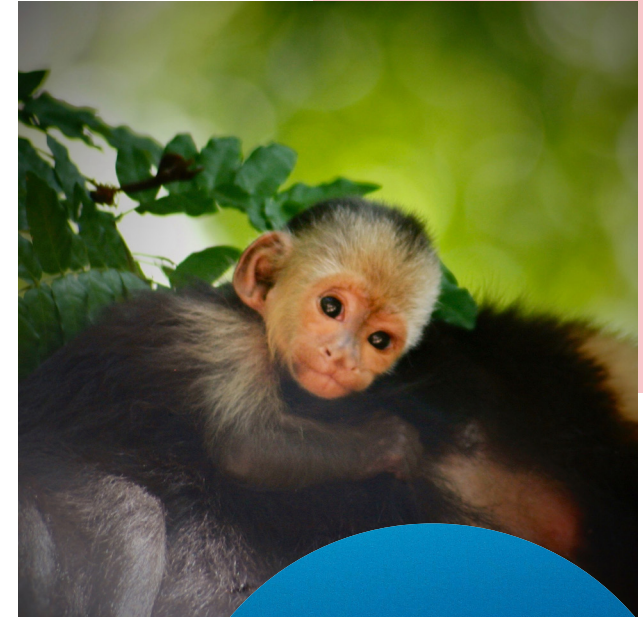
Climate Finance

Significant levels of finance are needed to fulfill the commitments made in the Paris Agreement in 2015. Recognizing this, the IDB’s 2020–2023 CRF includes a climate finance target of 30% of total approved volume. The target is cascaded to management and employee performance indicators to provide an incentive for implementation.

Ten 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 developing and emerging economies to mitigate and adapt to climate change. In 2022, the MDB working group released its [11th annual joint report](#), with detailed information on 2021 and a full description of the applied common methodology.

In 2022, the IDB financed a record \$5.9 billion in activities related to climate change that benefit LAC—through loans, grants, technical cooperation, guarantees, and equity investments—accounting for 43% of total IDB annual approvals (Figure 7).⁵ Climate finance was concentrated in operations that offer green credit lines to capitalize banks and strengthen institutional capacity for climate change, sustainable agriculture, and urban development.

“Climate-mitigation finance” (\$2.2 billion in 2022) 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.

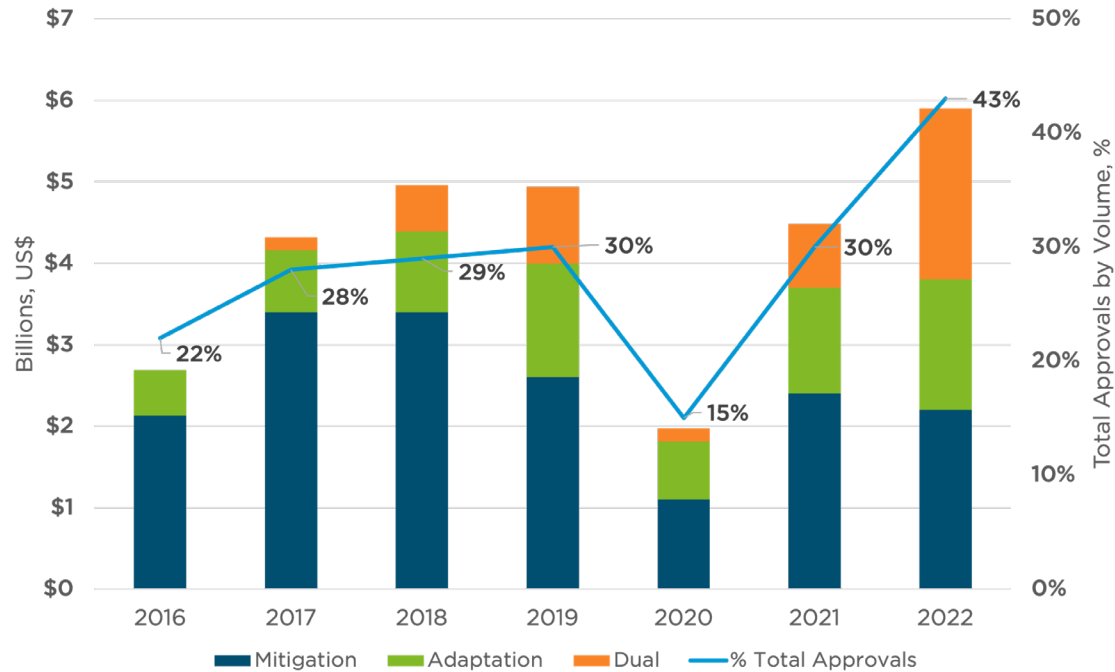


⁵ Climate finance for the entire IDB Group (IDB, IDB Lab, and IDB Invest) in 2022 was \$7.8 billion.

“Climate-adaptation finance” (\$1.6 billion in 2022) 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 2022 focused mainly on disaster risk management and financial preparedness (primarily through contingent credit lines for natural disasters⁶), resilient infrastructure, and coastal zone and water supply management.

The IDB also provides climate finance through projects that benefit mitigation and adaptation simultaneously. Dual-benefit climate finance accounted for \$2.1 billion in 2022.

Figure 7. IDB Climate Finance, 2016-2022



6 The IDB approved one new operation under the Contingent Credit Facility for Natural Disasters and Public Health Emergencies (CCF) for \$400.0 million in Panama and one increase for the CCF in Argentina for \$100.0 million. In 2022, the IDB authorized the use of \$97.0 million from existing CCFs in the Dominican Republic, El Salvador, and Nicaragua.

Projects Supporting Gender and Diversity

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,⁷ improves business performance,⁸ and facilitates innovation.⁹

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, Afro descendants, people with disabilities, and people with diverse sexual orientations and gender identities.

In 2022, 86% of IDB projects supported gender equality (Figure 8), reaching our goal to have at least 70% of projects support gender equality by 2023 (starting from a 2016–2018 baseline of 41%). Projects that support gender equality 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.¹⁰

In 2022, 53% of IDB projects supported diversity (Figure 9). Our goal is to have

Figure 8. Percent of All Approved IDB Projects That Support Gender Equality, 2022

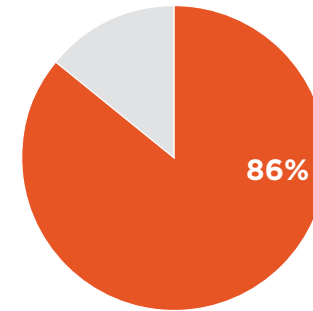
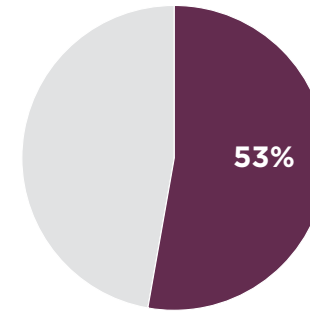


Figure 9. Percent of All Approved IDB Projects That Support Diversity, 2022



7 Buckup, S. (2009). The Price of Exclusion: The economic consequences of excluding people with disabilities from the world of work. Geneva: International Labour Organization. Ashraf, Q., and Galor, O. (2011). Cultural diversity, geographical isolation, and the origin of the wealth of nations (No. w17640). Cambridge: National Bureau of Economic Research.

8 Hunt, V., Prince, S., Dixon-Fyle, S., and Yee, L. (2018). Delivering through diversity. McKinsey and Company, 231, 1-39.

9 Hewlett, S. A., Marshall, M., and Sherbin, L. (2013). How diversity can drive innovation. Harvard Business Review, 91(12), 30-30. Forbes Insights. (2011). Global Diversity and Inclusion: Fostering Innovation through a Diverse Workforce. New York: Forbes.

10 Please refer to the [CRF Technical Guidance Note](#) for the complete criteria.



at least 20% of projects support diversity between 2020 and 2023 (starting from a 2016–2018 baseline of 7%). Projects that support diversity include three elements: (1) analysis of issues affecting at least one of the following diverse populations: Indigenous peoples, people with disabilities, Afro 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.¹¹ Mainstreaming progress in 2022 was uneven: (1) persons with disabilities (35%) surpassed the 2025 target set in our Gender and Diversity Action Plan, (2) Indigenous peoples was on track (at 18%), (3) Afro descendants showed modest advances (at 8%), and (4) LGBTQ+ individuals was stable (at 2%). In the future, intentional efforts to promote inclusion will focus on the countries with more opportunities to close gaps in favor of Afro descendants and LGBTQ+ individuals.

In addition, to support gender and diversity mainstreaming in our projects, in 2022, we prepared a course, Opportunities for Sustainable Development: the ABCs of Gender. The course presents key aspects of gender mainstreaming for IDB operational teams. More than a thousand employees completed the course (83% of operational personnel). A version for external audiences is under preparation.

In line with our mandate and strategic goals, we will continue providing sustainable finance to our members on a demand-driven basis.

¹¹ Ibid.

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.

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. These solutions are likely to minimize costs and be valuable even if the future climate differs from the central trend of model predictions.



As part of the IDB's environmental and social due diligence, the DCCRA methodology is applied to all loans and investment grants. We report annually on projects with considerable disaster and climate change risk that applied risk analysis to identify resilience actions¹² 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 2022, 98% of the projects (43 of 44) required to do so developed a complete narrative (in other words, completed Step 3). The remaining project had an incomplete narrative.

To strengthen the technical and decision-making capacities of project teams, we offer an [online course](#) about disaster and climate change risk assessment in infrastructure projects. Between 2020 and 2022, we delivered 13 sessions to public officials, IDB specialists, and executing agency staff.

¹² Calculated by dividing the number of projects approved in the year classified as Category A or B and as having moderate or high disaster and climate change risk that have completed Step 3 of the DCCRA methodology by the total number of projects approved that year with that risk classification.

In addition, a specialized working group continued to coordinate to improve climate risk management across the IDB's operational and corporate functions. The group was established to coordinate interdisciplinary activities to strengthen climate risk management across the organization, taking as reference the approach used by the Task Force on Climate-Related Financial Disclosures (TCFD). Key progress in 2022 includes:

- A diagnostic on the integration of climate change physical and transition risks in the IDB sovereign-guaranteed portfolio.
- An analysis of the IDB's capital adequacy that introduces climate scenarios from the Network for Greening the Financial System to the stress testing of the sovereign credit risk portfolio.
- Training for staff on climate change transition risk management to build awareness of the relevance of climate change transition risks for the IDB and the socioeconomic implications of those risks for LAC.
- In the future, we are planning to further integrate our approaches to disaster risk management and climate change adaptation.



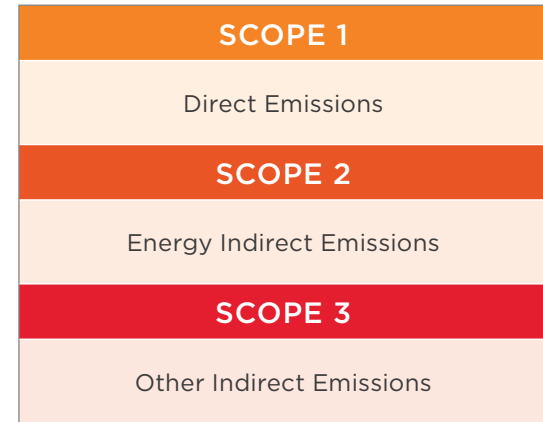
GHG Emissions

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.¹³ 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 to calculate GHG emissions. We continuously improve our tools and processes as we learn from our projects and interact with other MDBs and stakeholders.

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, agriculture, 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 2](#)).

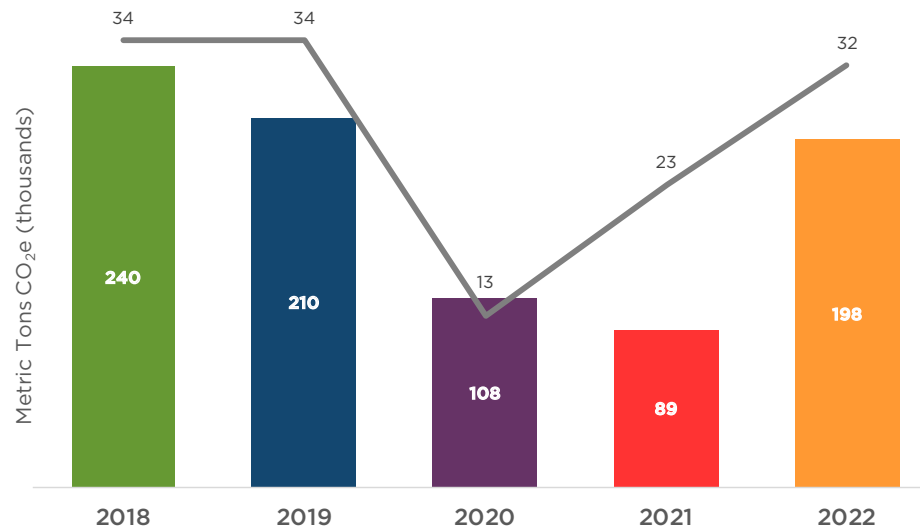
Box 2. Defining Scope



¹³ [ESPF](#) standard 3, section 8: “For projects that are expected to or currently produce more than 25,000 tons of CO₂e annually, the Borrower will quantify gross emissions from the project, including direct and indirect emissions associated with the project. Indirect emissions include those associated with the off-site production of energy and GHG-intensive materials used by the project, and emissions generated by project’s direct users, when significant. The Borrower will quantify GHG emissions annually, in accordance with internationally recognized methodologies and good practice.”

In 2022, gross GHG emissions were reported for 32 greenfield and expansion projects, generating an estimated 198,255 metric tons of carbon dioxide equivalent, or CO₂e (Figure 10).¹⁴ Post-COVID, as our portfolio returns to a more typical composition in terms of infrastructure investments, the number of projects reporting gross emissions has increased.

Figure 10. IDB Gross GHG Emissions, 2018–2022



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.

¹⁴ 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.



In 2022, we assessed emissions reductions for 19 investment projects and found they totaled more than 1 million tons of CO₂e per year during the projects' lifetimes. We report on total emissions reduced in our CRF, and the complete list of projects is available on the [CRF webpage](#).

- We supported energy-transition investments in transmission infrastructure for renewable energies in Argentina and Paraguay.
- In the water and sanitation sector, we supported the improvement of solid waste management in Argentina and the Dominican Republic and investments to improve the quality of the water supply service and access to wastewater collection and treatment services in Brazil.
- Working with public administrations in Brazil, Ecuador, Guyana, Panama, and Uruguay, we financed energy-efficient buildings and digitizing public services.
- In the agricultural sector, we promoted the productivity, sustainability, and climate resilience of agri-food and marine systems. In Argentina we focused on technological innovation by strengthening the institutional capacities and infrastructure for the sustainable management of oceanographic, marine, and fisheries resources. In Uruguay, we supported competitiveness in the agricultural sector.

Looking ahead, we will continue to monitor our gross and net GHG emissions to support countries' efforts to decarbonize.

Paris Agreement **Alignment**

By aligning operations to the objectives of the Paris Agreement, we seek to help countries meet their commitments under the Paris Agreement and strengthen their climate resilience and sustainability.

Since publishing the [Joint MDB Framework for Paris Alignment in Direct Operations](#) as a technical note, MDBs have continued to work on a consolidated version of the methodological principles for assessing Paris Agreement alignment for all instruments. We use the MDB methodology to determine ex ante whether projects are aligned with the mitigation and adaptation goals of the Paris Agreement. First, for mitigation goals, the methodology focuses on determining whether they are consistent with countries' low-carbon development pathways, taking into account transition risks and opportunities related to climate change. Second, for adaptation and resilience goals, the methodology looks at three elements: (1) establishing a climate risk and vulnerability context, (2) defining climate resilience measures, and (3) assessing inconsistency with the national or global context for climate resilience.

In 2022, we adapted the Joint MDB Framework taking into consideration the IDB Group's specific mandate, policies, and regional context, leveraging our ESPF. We discussed our approach with our Board of Executive Directors and hosted a dialogue with civil society. In addition, we developed working versions of [technical guidance](#) for assessing operations in the energy, water and sanitation, transportation, and agriculture sectors, as well as an approach to assessing alignment of financial intermediary

operations. These conversations will inform future iterations of the guidance as we learn from experience with implementing it. Additional guidelines for buildings, digitalization, and heavy industry are being prepared.

In 2022, we piloted this approach to assessing Paris Agreement alignment, reviewing new approvals to anticipate the types of support that will be needed to align projects. The application of the approach resulted in 98% of projects being considered aligned, some of which will need further support during execution. We are applying the Paris Agreement alignment approach in all new operations (those reaching eligibility from January 1, 2023, onward). We assign climate specialists to support challenging projects and identify opportunities for green and climate finance. We also launched a training program for operational teams about Paris Agreement alignment and green and climate finance methodologies.

Looking ahead, the process to align our operations with the Paris Agreement will be based on iterative learning and focused on client support.



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.

Applying Our Environmental and Social Policies to Projects

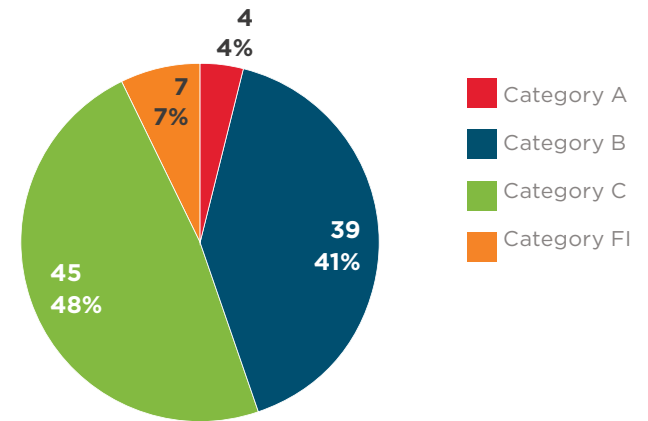
We assess and monitor environmental and social impacts and risks throughout the project cycle. We work closely with borrowers and stakeholders to manage environmental and social risks and ensure each project complies with our policy frameworks¹⁵ and with specific national and international standards. Two teams hold principal responsibility for these actions: (1) the Environmental and Social Solutions Unit (ESG) in the Vice Presidency for Sectors for the first line of environmental and social management and (2) the Environmental and Social Risk Management Unit (ESR) in the Office of Risk Management for the second-line review.

When entering the portfolio, ESG classifies all IDB projects 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 FI, financial intermediary. We assign ESG specialists to all Category A and B and high-risk FI projects to directly support teams during the preparation phase.

New sovereign-guaranteed loan projects in 2022 were classified as follows (Figure 11):

- Category A (significant impact): 3 loans and 1 grant (\$370 million), all of which received direct environmental and social support.
- Category B (moderate impact): 39 loans (\$3.624 billion), all of which received direct environmental and social support.
- Category C (minimal impact): 45 loans (\$1.826 billion), 4 of which received direct environmental and social support.
- Category FI (financial intermediaries): 7 loans (\$1.130 billion), 3 of which received direct support.

Figure 11. Impact Classification of 2022 Loan Approvals



¹⁵ Projects apply the policies in force at the time of their approval. Thus, new projects are under the ESPF, while some projects in execution continue to follow the IDB's previous safeguards policy. The two systems are expected to run in parallel until about 2028.

In addition, our specialists assign a dynamic Environmental and Social Risk Rating (ESRR) to projects when they classify projects' environmental and social impact. Projects are rated as low, moderate, substantial, or high based on four risk factors (Box 3). As projects move into implementation, the risk is periodically reviewed and adjusted, allowing us to use this rating to apply a risk-based approach to environmental and social management. ESR 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 2022, ending at 40%, compared with 39% in 2021.

During the execution phase, specialists from ESG, 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 and standards.

Box 3. Environmental and Social Risk Factors

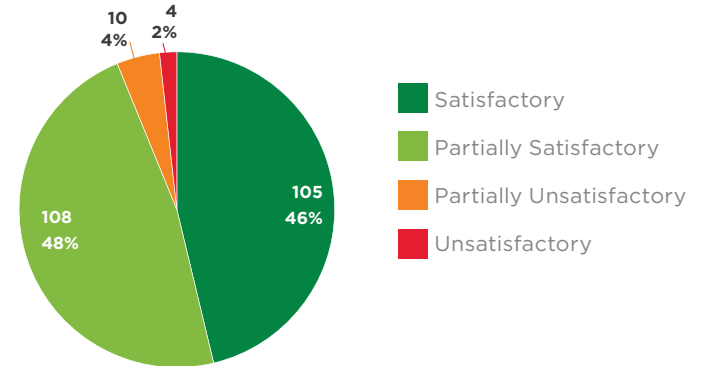
CAUSE:
Direct impacts and project footprint.
CONTRIBUTION:
Indirect and cumulative impacts; third-party actions.
CONTEXT:
Political, social, and cultural conflicts; economic vulnerabilities.
PERFORMANCE:
Institutional capacity; political will.



ESR, as the second line of risk management, is responsible for monitoring the environmental and social risk of the portfolio through the analysis of and reporting on environmental and social risk trends and dynamics and by carrying out periodic risk analyses of projects in execution. Figure 12 shows the compliance performance ratings for high- and substantial-risk projects in execution in 2022. In 2022, among those projects, 94% were rated satisfactory or partially satisfactory in terms of environmental and social performance (against a CRF target of 84%).

- **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.

Figure 12. Environmental and Social Compliance Performance Ratings for High- and Substantial-Risk Projects in Execution, 2022



We continually provide training and resources to strengthen operational teams' capacity to identify and manage social and environmental risks. To date, 600 employees have been certified to monitor operations with low or medium environmental and social risk (39 of them in 2022). In addition, more than 4,000 users have completed the [online course](#) about our ESPF (485 of them in 2022).

Finally, in 2022, the International Association for Impact Assessment awarded the IDB the Corporate Initiative Award for its new Environmental and Social Policy Framework and climate change commitments. The association also noted that the IDB has continuously promoted good practices by offering low-cost online courses to environmental and social impact assessment professionals.

Going forward, we will continue to diligently apply our environmental and social policies.

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 Argentina, the Dominican Republic, and Ecuador.



Project Federal Power Transmission Program

Country Argentina

Year Approved 2022

Amount \$200 million (IDB)

The Federal Power Transmission Program is a multiple works operation¹⁶ aimed at contributing to decarbonization in Argentina by expanding and modernizing electricity transmission lines. The main objective is the expansion and modernization of the infrastructure of the electricity transmission network in the provincial trunk distribution systems. The operation also includes funding for a reforestation plan, in coordination with provincial authorities.

The program is the first Category A operation approved under the new ESPE. This classification is due to some of the transmission lines being in protected areas and critical habitats with endemic species. During due diligence, local biology experts visited the areas and made recommendations for managing construction activities in critical habitats that were incorporated into the final studies.

A social and environmental strategic assessment was developed, complemented by an environmental and social impact assessment for two transmission lines in the sample and an environmental and social management framework for the future subprojects to be financed with the loan.

¹⁶ Multiple works loans are designed to finance groups of similar subprojects that are physically independent of one another. Borrowers specify a representative sample (about 30% of the loan) of subprojects before the loan is approved. Individual subprojects are financed in accordance with eligibility criteria specified in the loan proposal. An example of an eligible activity is financing water and sanitation services in numerous rural areas.





Project Integral and Sustainable Solid Waste Management Program in Greater Santo Domingo

Country Dominican Republic

Year Approved 2022

Amount \$110.0 million (\$44.2 million IDB, \$0.8 million GRF, \$45.0 million JICA, and \$20.0 million AECID)

This project seeks to improve the management of urban solid waste in the Dominican Republic, focusing on greater Santo Domingo. The objectives are to (1) ensure adequate final disposal of solid waste and mitigate the negative environmental and social impacts of landfills and open dumps, (2) increase the recovery of solid waste by including informal recyclers and promoting gender equity, and (3) reduce GHG emissions in waste management. The project will finance infrastructure, equipment, and designs to partially or fully close landfills and open-air dumps and construct sanitary landfills (including biogas collection systems), treatment plants, and transfer stations. It will also support the implementation of social and productive inclusion plans with a gender and diversity approach aimed at informal recyclers.

The project was classified as Category A because of social and cultural risks and potentially significant negative socio-environmental impacts on the living conditions and income of many informal recyclers. Other identified impacts are those commonly associated with the construction of infrastructure, such as emissions, handling of hazardous materials, and noise pollution. In addition, the project was classified as moderate risk for disaster and climate change given the threat of hurricane winds, punctual floods, and earthquakes.

Impact assessments made important vulnerabilities related to gender-based violence, child labor, and human trafficking visible. As part of the environmental and social management program, 14 plans were designed to avoid or mitigate the impacts and risks associated with the project. Among them is a gender-focused social inclusion plan aimed at supporting recyclers who prosper from landfill activities and at improving living conditions of nearby residents in precarious and vulnerable situations. The social inclusion plan follows the Dominican Republic’s General Law for the Solid Waste Integral Management and Co-Processing.¹⁷



¹⁷ Ley 225 de 2020, Ley General de Gestión Integral y Procesamiento de Residuos Sólidos.



Project Ecuador-Peru Power Interconnection System

Country Regional

Year Approved 2022

Amount \$263.6 million (\$125.0 million IDB, \$13.6 million country counterpart financing)

This project is focused on strengthening regional energy integration while promoting sustainable electricity. It will finance the expansion of the Chorrillos substation and the construction of the new Pasaje substation and transmission lines from Chorrillos to Pasaje and from Pasaje to the border with Peru. The project was classified as Category A and as having a moderate risk for disaster and climate change. The principal impacts and risks are associated with the right-of-way along the length of the transmission line and the construction of towers. In addition, critical natural habitats that could be affected were identified.

During project preparation, an environmental and social impact assessment (ESIA), a resettlement and livelihood restoration plan, and a complementary study of critical habitats were prepared for the transmission line and the Pasaje substation. The ESIA included a qualitative disaster risk assessment (DRA) to verify design and mitigation measures and contingency plans. An ESIA was also developed for the Chorrillos substation expansion. The preparation included two consultation rounds. To minimize impacts on livelihood and critical habitats, variations on the layout were established. The contractual conditions call for updates to the ESIA and a resettlement and livelihood restoration plan, including a new consultation round based on the final layout.



Sustainable Public Procurement

Through sustainable procurement, public sector organizations not only integrate environmental, social, and economic considerations into their own purchasing decisions but also use the purchasing power of the public sector to drive the global transition toward a more sustainable and low-carbon economy. The process involves setting specific sustainability criteria in tender documents, scoring bids based on sustainability performance, and monitoring compliance.

Our approach is based on two pillars: (1) country systems, focused on developing sustainable public procurement processes in LAC, and (2) IDB operations, focused on incorporating sustainability into IDB procurement processes during project execution. We have achieved key results on both pillars.

On country systems, we:

- Conducted diagnostics to assess systems and markets in the region, including a [review](#) of progress achieved in 23 countries and [market feasibility studies](#) in Argentina, Panama, Paraguay, and Uruguay.
- Conducted a [regional study](#) on financial information related to sustainability in the public sector in 14 member countries of the Forum of Government Accountants of Latin America.
- Promoted the sustainability agenda in regional dialogue events such as the Regional Conference of Transparency and Accountability for Regional Economic Growth, and the Organization of Latin American and Caribbean Supreme Audit Institutions.

- Partnered with the Inter-American Network on Government Procurement to develop tools to advance the efforts of LAC countries, including a [model directive](#) that has already been used by six countries (Argentina, the Dominican Republic, Ecuador, Honduras, Paraguay, and Peru).
- Created [HAPS](#), a self-evaluation tool for suppliers that provides knowledge of market capabilities with respect to sustainability.

On IDB operations, we:

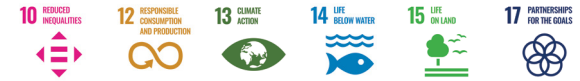
- Developed guidelines on the incorporation of sustainability criteria, including for the environment, gender inclusion, disabilities, and green data centers.
- Advised project teams and executing agencies about how to incorporate sustainability criteria in IDB-financed projects in Argentina, Bolivia, Costa Rica, Panama, Paraguay, and Uruguay. This includes considerations of gender inclusion in water and sanitation projects, protection of labor rights in urban waste programs, environmental criteria in animal health services programs, and sustainable infrastructure.
- Supported capacity building through developing three IDB special editions of the Sustainable Public Procurement course at the Organization of American States School of Government and then using it to train 462 staff and procurement practitioners from executing agencies.

We look forward to continuing to leverage sustainable procurement to support a more sustainable and low-carbon economy.

IDB Contributions to Sustainable Development

In this part of the report, we share examples of our projects and initiatives related to supporting debt-for-nature guarantees, developing skills for sustainable jobs, reducing food insecurity, enabling private spending for sustainable solutions, providing safe and sustainable housing, and supporting the Amazon. 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.





Debt-for-Nature Guarantee

Project Program to Support Environmental and Economic Development in Barbados

Country Barbados

Year Approved 2022

Amount \$150.0 million (\$100.0 million IDB, \$50.0 million The Nature Conservancy)

Barbados’ marine biodiversity has immense intrinsic worth. It is also instrumental for key economic activity in the country, including tourism, fisheries, and shoreline protection. Yet, marine ecosystems in Barbados are threatened by pollution, over-exploitation, invasive species, and climate change. Developing a strategy for marine conservation, blue economy, and coastal zone management is vital for the long-term well-being of the country.

Through this project, Barbados completed a debt-for-nature conversion¹⁸ backed by a \$100 million policy-based guarantee from the IDB and a \$50 million guarantee from The Nature Conservancy (TNC), allowing the country to reduce borrowing costs and use the savings to finance a long-term marine conservation program. The project freed up about \$50 million, which the government allocated entirely to the newly created Barbados Environmental Sustainability Fund. The fund will support environmental and sustainable development activities in Barbados over the next 15 years, focusing especially on the marine spatial planning process and the conservation and restoration of marine and coastal natural capital.

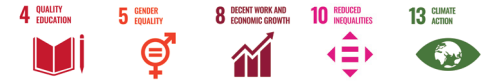
This project marks the first ever co-guaranteed financial instrument between a multilateral and a nongovernmental organization, paving the way to a more efficient way of collaborating.

In addition, a “hurricane clause” was introduced in the financing that will allow Barbados to [suspend principal payments](#) under the loan for up to two years in the event of a disaster.

This project responds to global calls for the international financial system to think outside the box in supporting countries as they deal with twin economic and environmental crises and develop solutions alongside ministries of finance and environment. We remain committed to being leaders in providing debt management solutions for sustainability in LAC and supporting countries in the region in implementing their international commitments.



¹⁸ Debt-for-nature conversions are a type of debt exchange in which the country issues a new bond and uses the proceeds to buy back outstanding higher-rate bonds, generating savings that can be used for conservation.



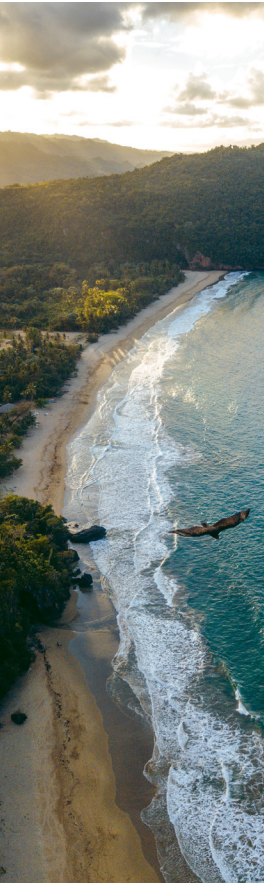
Building Skills for Sustainable Jobs

Project Support for the RD-Trabaja Flexible Employment System

Country Dominican Republic

Year Approved 2022

Amount \$38.0 million (IDB)



The structural deficits in the quality of employment in the Dominican Republic worsened with the pandemic, causing significant job losses and increases in inactivity and underemployment, especially among young people and women. In addition, disruptive trends in the labor market, such as digital transformation and the transition to a low-carbon economy, are transforming jobs, creating new ones, and generating new demand for skills. The IDB supports the government in its efforts to improve employability in the country in a context of sustainable and inclusive recovery through the RD-Trabaja flexible employment system, which will provide comprehensive support to job seekers.

The RD-Trabaja flexible employment system will include differentiated labor intermediation and training actions for young job seekers, from 18 to 35 years of age, and adults over 35 years of age. For both age groups and depending on their training needs, the loan will finance training in soft skills, green skills (for sustainable job recovery), and technical skills with a training offer that will include internships, training for job placement in companies, and temporary financial support for job placement. The program will also support specific actions to guarantee the inclusion of groups facing more barriers, like mothers and people with disabilities.

The program will promote sustainability by developing technical training courses for green jobs, prioritizing labor insertion into companies in sustainable sectors (e.g., renewable energy, electromobility), and supporting employment offices in becoming more digitalized and in reducing their consumption of energy, water, and materials. The program will also strengthen the capacity and expand the services of the SENAE (the Dominican Republic’s national employment service).

The program is expected to help increase the proportion of job seekers (youth and adults, mothers, and people with disabilities) who are certified in relevant training courses to increase their employability in dynamic and sustainable productive sectors. Through the single window of RD-Trabaja, the program will serve at least 31,000 people, 85% of whom will benefit directly from training. The program will ensure that 20% of the beneficiaries are mothers and 5% are persons with disabilities. The strengthening of SENAE will potentially benefit the entire working-age population of the country (about 5.3 million people in 2022), as well as employers, through improved job-seeker service offerings.

Reducing Food Insecurity to Build Resilience



Project Program to Strengthen Safety Nets for Vulnerable Populations

Country Haiti

Year Approved 2022

Amount \$60 million (IDB Grant Facility)

Natural disasters, social and political instability, and the multiple economic and social consequences of COVID-19 have increased Haiti’s vulnerabilities and fragility. The intertwined crises have affected household income and purchasing power negatively, curbing people’s consumption and access to basic services and resulting in increased food insecurity. The overall objectives of this program are to contribute to reducing food insecurity among vulnerable populations in Haiti and to increasing the medium- and long-term resilience of those populations.

The first component of the program involves providing temporary income in food-insecure areas through cash transfers. The strategy includes two main types of interventions: (1) unconditional or conditional cash transfers focused on resilience to climate shocks and (2) unconditional cash transfers and complementary services for residents in highly fragile areas, especially women. Both interventions will focus on the areas in the country that have the highest food insecurity. The second component involves accessing health and social support for residents in fragile areas. Beneficiaries will receive cash transfers to cover at least 50% of the monthly value of the basic food basket for a household of five people and in-kind transfers of a set of basic health and social services determined by a health risk and needs assessment. The third component aims to assist internally displaced people (IDPs), manage return migration, and assess migrants needs. The fourth component aims to strengthen the capacity to target and monitor safety net programs by improving information systems.

The main expected outcomes are to smooth food consumption and demand for other basic needs of residents of fragile areas exposed to food insecurity and climate shocks and with limited access to services—and strengthen the institutional capacity to manage return and internal migration.



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Green Credits for Economic Recovery

Project Global Credit Program for Sustainable Economy Recovery

Country Panama

Year Approved 2022

Amount \$160.0 million (IDB)

The pandemic has been hard for the Panamanian productive sector, especially for micro, small, and medium enterprises (MSMEs). Around 30% of MSMEs in the country closed in 2020. MSMEs in Panama face various restrictions to investing sustainably, including limited access to long-term financing to improve productive processes, a lack of green financial products dedicated to sustainable projects, and a gender gap that makes financing particularly difficult for women-owned and women-led MSMEs.

The post-COVID economic recovery presents an opportunity to promote growth that is more environmentally sustainable, lower GHG emissions, and build climate resilience. This project aims to promote sustainable economic recovery. It will provide sustainable medium- and long-term financing for MSMEs to restore productive capacity and support converting and adapting production processes in the agricultural, trade, and services sectors to make them more sustainable. For example, project resources can finance the acquisition of more-efficient production equipment, implementation of energy-efficiency projects, and generation of renewable energy, as well as the adoption of climate-smart practices in agriculture. The plan is to allocate at least 35% of the portfolio supported by the project to companies led or owned by women and at least 40% to investments that contribute to mitigating or adapting to climate change.

The project is expected to benefit more than 2,300 MSMEs. The National Bank of Panama will benefit from the technical support needed to create new green financial products and to strengthen its procedures for increasing financing for environmentally sustainable projects.



Sustainable Solutions through Private Investment



Project [Regional Productive Development Program of Chile](#) and [Program to Support a Fair, Clean, and Sustainable Energy Transition II](#)

Country Chile

Year Approved 2022

Amount \$400 million (IDB) and \$300 million (IDB)

Chile is one of just a few countries in the world that has embedded its goal to reach net-zero emissions before 2050 in national law. A carbon-neutral economy can bring net benefits worth 5.2% of GDP and create thousands of net new jobs for the country. But reaching that goal requires enlisting firms and households. Barriers related to regulations, planning, infrastructure, and finance can prevent private spending on solutions that can help the world reach net-zero emissions.

The energy sector is paramount to reaching net-zero emissions. In 2018, the energy sector was the source of 77% of Chilean GHG emissions, 29% of which came from electricity generation. Solutions for reducing these emissions include replacing fossil-fuel-based power generation with renewable energy, improving energy efficiency of buildings, and using electricity instead of gasoline or diesel to power vehicles. In 2022, two IDB loans focused on identifying, analyzing, and removing barriers in the energy sector.

Many firms that have vehicle fleets, build and manage buildings, and deploy small-scale distributed renewable power (such as rooftop solar) are small and medium ones that face difficulties accessing credit. To tackle this issue, the IDB approved a results-based loan, [Regional Productive Development Program of Chile](#),



that will channel more than \$80 million through CORFO, the national development bank, to SMEs that invest in the energy transition in Chile.

A policy-based loan, [Program to Support a Fair, Clean, and Sustainable Energy Transition II](#), the second in a program started in 2021, complements these efforts by focusing on removing regulatory and policy barriers to encourage the phase-out of coal-fired power plants and replacing them with solar and wind generation, the shaping of electricity markets to incorporate increasing production of intermittent renewable energy, the acceleration of energy efficiency measures together with electrification, and the development of new technologies such as electromobility and green hydrogen.

Safe and Sustainable Housing



Project Barrio Improvement Program

Country Argentina

Year Approved 2022

Amount \$165.0 million (\$150.0 million IDB, \$15.0 million country counterpart financing)

In Argentina, an estimated 45% of low-income neighborhoods (shantytowns or informal settlements) are located in areas exposed to environmental risks and the effects of climate change. In general, these housing developments have sprung up in urban fringe areas on polluted residual soils and are exposed to environmental risks and extreme weather events such as floods, which have intensified in recent years due to climate change (see Box 4). In addition, households in low-income neighborhoods face more significant gaps in accessing the formal economy, which puts greater limitations on their ability to earn income.

This comprehensive program intends to sustainably improve the habitability of dwellings located in the country’s shantytowns, settlements, and degraded areas. More specifically, it aims to increase the security of land tenure for beneficiary households and to improve the quality of life of the inhabitants through various urban improvement works including efficient public lighting, infrastructure for non-motorized mobility, and plant cover with native species. It also plans to strengthen grassroots community organizations and ensure the participation of neighborhood residents in all phases of the project. Finally, it will enhance the performance of teams in the executing agency, the provincial execution units, and the municipal execution units.

With IDB support through another project, [Neighborhood Improvement Program](#), the government developed a successful model for a comprehensive, cross-cutting intervention that has helped Argentine cities improve the habitability of low-income neighborhoods and contain growing gaps in access to decent housing and quality urban services. This model has already improved the quality of life of more than 180,000 households and created capacity for improving housing in most of the country’s subnational governments. Previous operations under this program have proven effective in containing and reducing the qualitative housing deficit and have improved with each iteration.





Box 4. Urban Development and Climate Resilience

With 81% of the LAC population living in urban areas, the cities of the region are on the front line of the global response to climate change. Cities are a major source of GHG emissions, concentrate economic activity, and are home to large segments of the population that are vulnerable to climate impacts. LAC is very exposed to natural disasters and the effects of climate change, and increasing the amount of new low-carbon, climate-resilient housing and modify existing homes.

We engage cities throughout the region to build technical capacity and exchange knowledge. In September 2022, we hosted a Housing and Urban Development Regional Policy Dialogue, where housing ministers exchanged knowledge and experiences to improve housing and make cities more resilient. Dialogue between the ministers continued in December during the Forum of Ministers and Highest Authorities of Housing and Urban Planning of Latin America and the Caribbean (MINURVI) in Santiago de Chile, where the focus was on the challenges of and solutions for developing more sustainable human settlements, recognizing that climate change disproportionately affects lower-income populations. City-level representatives are also essential participants in conversations around sustainability and climate. The IDB Mayors Meeting 2022 in Buenos Aires brought together more than 30 mayors and delegates from LAC cities.

Through these important dialogues, the IDB contributes to climate action in the urban context and supports the key role cities have in fulfilling the climate commitments established in the framework of the Paris Agreement.

Amazonia Forever

We established the IDB [Amazon Regional Program: Amazonia Forever](#) in response to a request from the eight Amazon countries¹⁹ for a coordinated effort to promote sustainable and inclusive development of the territory. Amazonia Forever is an umbrella and holistic program for the inclusive and sustainable development of the region, which aims to work together on forest and climate conservation, and to improve people’s quality of life, offering economic alternatives. The program comprises several initiatives, funds, and projects.

In collaboration with partners in the region, we approach development of the Amazon region from a unique territorial perspective, integrating sectoral solutions with precise knowledge of the territory. We work with governments, local financial institutions, the private sector, and nongovernmental, civil society, and international organizations.

The Amazon Forever builds on the progress made by the Amazon Initiative and given the growing scientific consensus that the Amazon is reaching an ecological tipping point, concluding that we must further increase the impact of our actions in the Amazon. The Amazon Initiative currently manages over \$340 million through three funds—Strategic Seed Program for the Amazon, Green Climate Fund Amazon Bioeconomy Fund, and the Multi-Donor Fund for the Bioeconomy and Forests of the Amazon—channeling financing through existing IDB Group financial instruments. See [Box 5](#) for examples of projects under the initiative.

¹⁹ Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, and Venezuela.



Box 5. Selected Projects under the Amazon Initiative

[Science, Technology, and Innovation to Protect the Biodiversity of the Amazon Basin](#)

[Planning and Market Research for the Development of Innovative Tourism in the Amazon](#)

[Support for the Implementation of Rural Electrification Programs in Bolivia](#)

[Bio-Cities of the Amazon in Brazil: Solutions for a Sustainable Future](#)

[Strengthening Sustainable Value Chains of Native Communities in the Peruvian Amazon](#)

[Support for Rural Electrification with Renewable Energy, Potable Water, and Telecommunications in Suriname](#)

GDLab

The IDB Group's [Gender and Diversity Knowledge Initiative \(GDLab\)](#) promotes, leads, and finances high-impact research aimed at achieving a more inclusive and equitable society in LAC. GDLab focuses on gaps between men and women and the inequalities faced by Indigenous peoples, Afro descendants, persons with disabilities, and LGBTQ+ persons in the region.

Producing rigorous knowledge is essential to reducing inequalities, promoting inclusive growth, prosperity, and productivity in our societies—and, ultimately, reducing poverty. By producing and disseminating new evidence, GDLab informs the design of high-impact policies and reforms as well as the IDB Group's operations in the region.



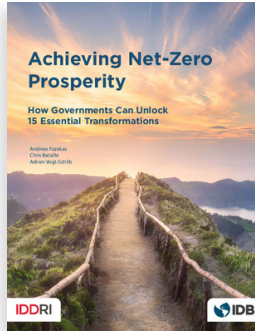
Key Publications on Sustainability in 2022

In this section, we feature IDB publications that have a notable sustainability angle.



Achieving Net-Zero Prosperity: How Governments Can Unlock 15 Essential Transformations

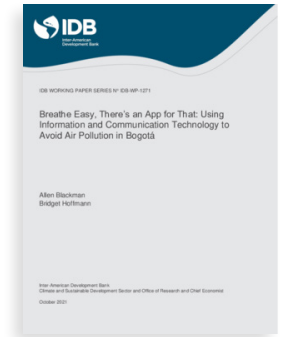
Eleven countries in LAC have set carbon-neutrality goals. Achieving these goals depends on households, firms, and government agencies spending on net-zero solutions across sectors, but these actors often face more pressing priorities and do not necessarily know how they can reduce emissions. This publication compiles evidence on 15 technology and behavior changes that would allow the region to reach net-zero emissions and shows the benefits, aside from mitigating climate change, that nonenvironmental actors can gain from adopting them. It then shows what policies can accelerate the transition, such as building infrastructure, reforming regulations and subsidies, providing information and building capacity, and managing distributional impacts. Governments can use this information to design climate strategies that translate the lofty goal of net-zero emissions into action plans for line ministries and subnational governments.



allocating public resources, and monitoring and evaluating the efficiency and effectiveness of them. This policy note identifies and describes some of the main tools for green public financial management, based on a review of recent literature, and analyzes select methods for diagnosing and evaluating climate-related fiscal aspects. We also present examples and applications of these tools and methods in various LAC countries to provide a set of policy recommendations to promote greening public spending.

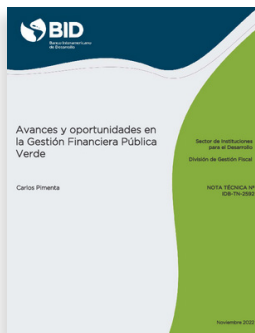
Breathe Easy, There's an App for That: Using Information and Communication Technology to Avoid Air Pollution in Bogota

Ambient air pollution is a leading cause of death in developing countries. In theory, using smartphone apps, text messages, and other personal information and communication technologies to disseminate real-time information about such pollution can boost avoidance behavior like wearing face masks and closing windows. Yet, evidence on their effectiveness is limited. We conducted a randomized controlled trial to evaluate the impact of training university students in Bogota, Colombia, to use a newly available municipal government smartphone app that displays real-time information on air quality. The training increased participants' acquisition of information about air quality, their knowledge about avoidance behavior, and their actual avoidance behavior. It also enhanced their concern about other environmental issues. These effects varied by participants' characteristics. For example, the training was generally less effective among job holders.



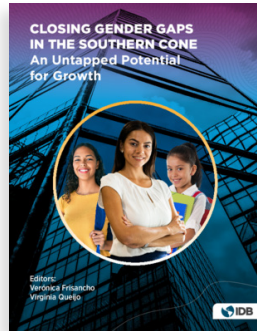
Advances and Opportunities in Green Public Financial Management (Available in Spanish Only)

Public financial management plays an important role in public policy, so throughout the public spending cycle, processes and systems must be aligned with climate change and biodiversity challenges. This includes planning and designing fiscal and budgetary policies, managing fiscal risks,



Closing Gender Gaps in the Southern Cone: An Untapped Potential for Growth

In this report, we assess the importance of gender inequalities and present evidence on their economic consequences, their drivers, and the policy tools that can contribute to mitigating them. Gender gaps in access to public services, human capital accumulation, and the labor market limit overall productivity and economic growth, and policies that mitigate these inequalities have the potential to foster economic development and well-being. In our current context, a global pandemic has highlighted and even widened gender gaps, so policymakers are in urgent need of a new set of policies that can foster gender parity in the recovery phase. This volume is a timely compendium of solid evidence of effective policies for tackling gender disparities in Southern Cone countries.



Competing in Agribusiness: Corporate Strategies and Public Policies for the Challenges of the 21st Century

Amid complex geopolitical challenges, innovative agribusinesses in LAC have an opportunity to better integrate into global value chains. Successful actors have not followed a single recipe. To establish themselves in the international market, they have used strategies that range from off-season production and quality labels to cutting-edge technology and personalized products. But while the role of business efforts



cannot be overstated, the key to global integration also lies in the hands of the public sector because governments must create the infrastructure and institutions that set the course for success. This report presents a wide range of case studies and offers valuable lessons not only for innovators in the agricultural sector, but also for public policy makers in the region who are looking for new and better sources of economic growth.

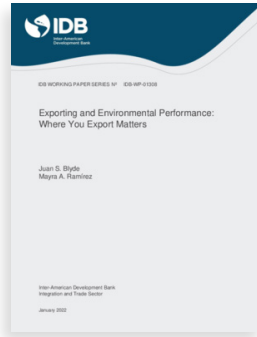
Decarbonizing Transport in Latin American Cities: A Review of Policies and Key Challenges and Decarbonizing Transport in Latin American Cities: Assessing Scenarios to 2050

These reports are products of the Decarbonizing Transport in Latin American Cities project (DTLA), developed jointly by the IDB and the International Transport Forum (ITF) at the Organisation for Economic Co-operation and Development (OECD). DTLA supports transportation decarbonization in Bogota (Colombia), Buenos Aires (Argentina), and Mexico City (Mexico). These cities were selected based on data availability for urban transportation activity. The reports facilitate policy dialogue and support peer learning and best practice exchange. The reports highlight the need to consider how decarbonization policies can serve to achieve benefits related to improving transportation service quality, closing gender equality gaps, and improving financial sustainability of business models. The first report reviews policies and key mobility challenges for delivering sustainable transportation systems. The second report presents a quantitative tool that assesses the impact of CO₂ reduction actions in the sector and possible scenarios up to 2050.



Exporting and Environmental Performance: Where You Export Matters

Using firm-level data from Chile, we find support for the hypothesis that exporters targeting high-income countries (where consumers seem to value clean environments more) are more likely to improve their firm’s environmental outcomes than exporters targeting destinations where valuations for the environment are not as high. A 10% increase in the share of exports to high-income countries is associated with a reduction in CO₂ pollution intensity of about 16%. The results have important implications for firms in developing countries aiming to target high-income markets.



Exposure or Income? The Unequal Effects of Pollution on Daily Labor Supply

We use high-frequency data on fine particulate matter air pollution at the local level to study the effects of high pollution on labor supply decisions and hospitalizations for respiratory disease in the metropolitan area of Mexico City. We document a negative, nonlinear relationship between a particulate matter level of 2.5 and same-day labor supply, with strong effects on days with extremely high pollution levels. On these days, the average worker experiences a reduction of around 7.5% of working hours. Workers partially compensate for lost hours by increasing



their labor supply on days that follow high-pollution days. Informal workers reduce their labor supply less than formal workers on high-pollution days and compensate less on the following days. This suggests that informal workers may experience greater exposure to high pollution and greater reductions in labor supply and income than formal workers. We provide evidence that reductions in labor supply due to high pollution are consistent with avoidance behavior and that income constraints may play an important role in workers’ labor supply decisions.

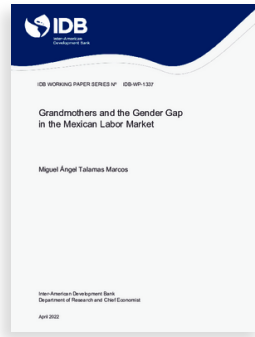
Gender and Inclusion in the Green Agenda: Where Are We and How to Move Forward?

Current carbon emissions trends threaten inevitable and irreversible changes to the environment that could cost the region \$100 billion annually by 2050 and the loss of up to 2.5 million jobs by 2030. Climate change affects us all, but women, Indigenous peoples, Afro descendants, and persons with disabilities are particularly vulnerable to its environmental, economic, and social disruptions. At the same time, these groups are decisive agents of change for the mitigation of climate change and the transition to a green economy. This document presents evidence of the challenges these populations face and key opportunities and lessons learned about their role in the transition.



Grandmothers and the Gender Gap in the Mexican Labor Market

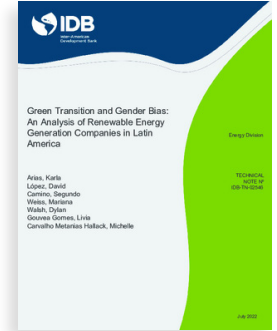
This paper estimates the effect of childcare availability on parents’ employment probability using the timing of the death of grandmothers—primary childcare providers in Mexico. We use a triple-difference to disentangle the effect of coinhabiting grandmothers’ deaths due to their impact on childcare. Through their impact on childcare availability, grandmothers’ deaths reduce mothers’ employment rate by 12% but do not affect fathers’ employment rate. The negative effect on mothers’ employment is smaller where public daycare is more readily available or private daycare is more affordable.



the achievement of these goals. Although hydrogen is currently expensive for most applications at a global level, expected cost reduction of hydrogen technologies in the coming years is projected to increase its attractiveness worldwide.

Green Transition and Gender Bias: An Analysis of Renewable Energy Generation Companies in Latin America

This report analyzes how the energy transition might change gender bias in power-generating industries employing a sample of 102 renewable energy generation companies from six countries in LAC: Bolivia, Chile, Costa Rica, Mexico, Panama, and Uruguay. The analysis shows that companies with the highest relative efficiency in the labor-capital ratio have the highest participation of women. It also shows that while renewables companies are increasing recruitment of women, women’s participation is still lower than the energy-sector average. Larger renewable companies (those with higher installed generation capacity) tend to hire more women, but those women occupy mostly nontechnical positions. The study suggests that efforts are still needed to complement technological change with inclusion policies by encouraging women to study science and technology in school and by closing the knowledge gap through systematic workforce data collection.



Green Hydrogen Opportunities for the Caribbean

Decarbonizing energy, transportation, and industry is essential for achieving net-zero emissions and limiting global warming. Green hydrogen has a unique potential to decarbonize hard-to-abate sectors, including heavy and long-distance transportation, some industries, and low-GHG fertilizers. Caribbean countries are prioritizing reliable, affordable energy using resilient and low-carbon technologies. This guide provides an overview for decision-makers of the role green hydrogen could play to support



Greenhouse Gas Emissions Associated with Argentina's Exports: A Decomposition Exercise

This study constructed two databases of GHG emissions associated with Argentina's international trade between 2000 and 2017: one based on the production of exported goods and a second based on the international transportation of exports and imports. The study found that the main exports driving GHG emissions were (1) food, beverages, and tobacco; (2) agriculture, hunting, and related activities; and (3) metal and chemical product manufacturing. For international transportation, the main drivers of emissions were the scale, sector, and partner effects.



How Much Will It Cost to Achieve the Climate Goals in Latin America and the Caribbean?

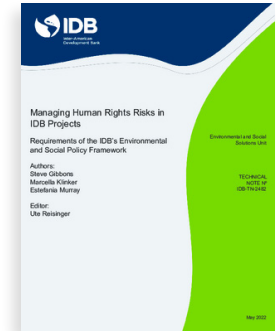
This publication reviews the evidence on the costs of meeting the goals of the Paris Agreement and the sources of finance available to do so. Climate goals cannot be achieved independently from other sustainable development goals. They must be integrated with goals related to energy, transportation, housing, and agriculture, which are key sources of GHG emissions. Achieving climate goals also depends on ecosystem conservation, which is crucial for capturing carbon. Water, poverty, inequality, and health are all key drivers



of climate vulnerability. Finally, the just transition depends on competitiveness, education, labor markets, and social institutions. This publication shows that climate action is not mainly about spending more. Instead, it requires a massive redirection of existing financial flows, representing between 7% and 19% of GDP (or up to \$1.3 trillion per year by 2030).

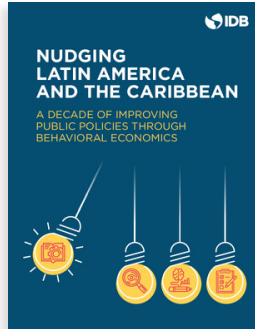
Managing Human Rights Risks in IDB Projects: Requirements of the IDB's Environmental and Social Policy Framework

At the IDB, we recognize that human rights are central to our mission of improving lives and bringing sustainable development to the LAC region. Our new Environmental and Social Policy Framework, which makes an explicit commitment to respecting internationally recognized human rights standards, including the International Bill of Rights, the International Labor Organizations Declaration on Fundamental Principles, and Rights at Work, became effective in 2021. Under the new framework, all IDB-financed projects are expected to respect the rights enshrined in these standards. Where risks are identified, the IDB is committed to supporting borrowers in carrying out their due diligence to protect project beneficiaries, communities, and workers from abuse; enable the fulfilment of their rights; and remedy harm caused. This technical note provides support to IDB borrowers in identifying and addressing human rights risks and impacts on IDB-financed projects under the new framework.



Nudging Latin America and the Caribbean: A Decade of Improving Public Policies through Behavioral Economics

For a decade, we have worked with local and national governments in LAC to further knowledge on individual and collective decision-making. This document describes interventions spanning more than 14 countries in areas including tax compliance, gender equality, public administration, health, and the promotion of small and medium-sized enterprises. Moreover, the document presents lessons from interventions implemented during the COVID-19 pandemic to support governments in the region in curbing the spread of the virus. The intervention summaries take the reader through the problem, context, design, supporting behavioral analysis, evaluation process, challenges, and lessons learned.



The Role of Behavioral Sciences in Bridging the Gender Gap (Available in Spanish Only)

Despite recent advances in reducing the gender gap, current social norms and gender stereotypes still lead to differentiated roles, capacities, and responsibilities for women and men. Disparities in wages, job stability, and distribution of unpaid domestic and childcare tasks—the so-called “double burden”—are especially notorious in LAC and have been further



exacerbated by the COVID-19 pandemic. This policy note seeks to inform the discussion of how to close the gender gap from a behavioral science perspective. Tools such as role models, micro-incentives, and social-emotional skills training can be used to combat restrictive beliefs, social norms, and cultural patterns that still prevail in LAC. Evidence shows that reducing gender disparities can improve economic outcomes, drive greater investment in social protection, lead to more sustained peace, and promote climate action.

Transport for Inclusive Development: Defining a Path for Latin America and the Caribbean

This book discusses the role transportation can play in deepening social disadvantage and poverty and its potential to break the cycle of poverty and inequality through investments and policies that take the needs of poor and socially excluded groups into account. It outlines a conceptual framework for understanding the existing barriers lower-income and disadvantaged groups face in transportation accessibility and social exclusion; explores the multifaceted dimensions of transportation-related social exclusion; offers solutions to these challenges; and presents several case studies where the challenges have been successfully overcome. The book closes by synthesizing crosscutting policy guidelines and recommendations that can serve as a roadmap for policymakers, transportation system operators, and planners to move the region toward a more equitable, inclusive, and prosperous future.



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 citizens 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 diversity, equity, and inclusion (DEI).

In 2022, we conducted a DEI survey, which had an 80% response rate across the IDB Group. The results showed that while seven out of 10 respondents feel positive about inclusion, perceptions about diversity and equity are mixed. Moreover, people from traditionally underrepresented groups, including women, persons with disabilities, LGBTQ+ people, Afro descendants, and Indigenous peoples in general responded less favorably than men, people with no disability, white people, Latinos, heterosexual people, and cisgender colleagues. These results were considered when we drafted our 2023–2028 Diversity, Equity, Inclusion, and Belonging Framework, which will be submitted for approval in 2023.

To build our organizational capacity, we delivered more than 30 workshops on a variety of DEI topics in 2022. Our DEI learning curriculum features eight courses including Bystander Intervention, Managing Unconscious Bias, Mastering Difficult Conversations, Racial and Ethnic Bias, How to Be an Ally, as well as a tailor-made training for the HR Service Center. In 2022, these trainings were relaunched as a three-level journey (Elevate, Activate, Lead) so employees can earn badges as they complete each level. In addition, an immersive simulation enabled employees to practice DEI concepts in a virtual reality environment.

We also organized career fairs to attract persons with disabilities and from the LGBTQ+ community. Moreover, we continued

to partner with specialized organizations such as MyGwork, Incluyeme, and Mogul to improve recruitment among our targeted diversity groups.

In partnership with Employee Resource Groups at the IDB, we organized campaigns to commemorate (1) Black History Month, (2) International Women’s Day, (3) Diversity Day, (4) International Day Against Homophobia and Transphobia, (5) International Day of Afro-Latina and Afro-Caribbean Women, (6) Pride Month, (7) Hispanic Heritage Month, and (8) International Day of Persons with Disabilities.

We also held the sixth DEI Awards ceremony in December 2022 with our executive vice president and three members of the Board of Directors. The ceremony recognized the commitment of employees to build solutions that foster a more inclusive organization and region. The nomination committee reviewed 60 nominations, and we livestreamed the event.

As of December 2022, 43% of staff in mid- and senior-level positions at the IDB were women, so we achieved our target of 43%.



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 \$25,000 each. The Community Relations Program also 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 engagement activities, and develops and implements practices that contribute to making us more environmentally responsible. In this section, we describe some of our advances in 2022.

Climate Change and Carbon Neutrality

Recognizing that climate action is not just for our clients, we set a corporate GHG emissions reduction target and committed to offsetting unavoidable emissions.

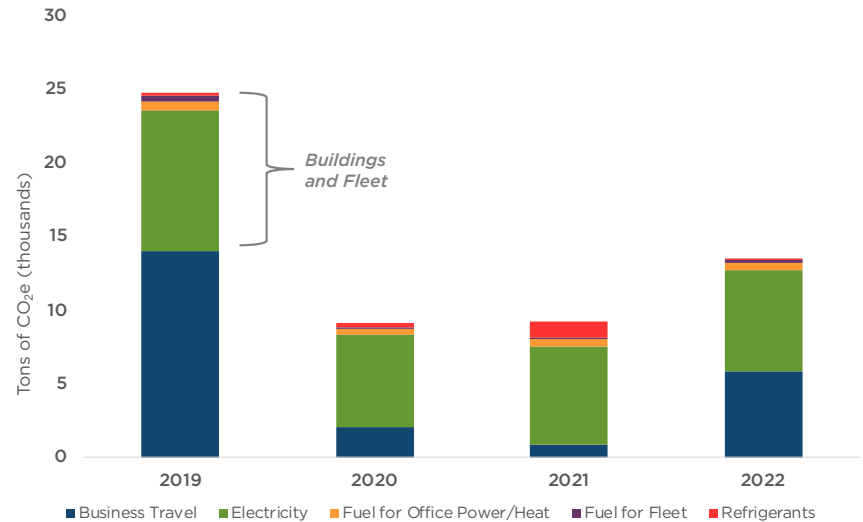
The IDB Group’s corporate emissions²⁰ are concentrated in business travel and electricity for our buildings (Figure 13). The COVID-19 pandemic drastically changed our carbon footprint. Our physical offices were closed, and business travel plummeted for most of 2020 and half of 2021. As COVID-19 restrictions eased in 2022, most employees returned to the office and travel resumed.

In 2019, our Board of Executive Directors approved a CRF target to reduce emissions from our corporate operations (facilities and fleet) by 14% by 2023. In 2022, facilities and fleet emissions were responsible for 7,712 tons of CO₂e, below the target of 9,600 tons.

The IDB Group’s unavoidable carbon footprint is offset through carefully selected Verified Emissions Reductions projects in LAC. In 2022, we supported forest-protection projects in the Brazilian states of Acre and Amazonas. The project areas cover 330,554 hectares of a rich, biodiverse biome. We also supported the delivery to rural households in Honduras of efficient cookstoves, which reduce carbon emissions and fuelwood consumption and save time and money for families. Women and children, who are typically the most exposed to indoor air pollution from cooking, also benefit from improved health.

²⁰ Calculated using the methodologies of the Greenhouse Gas Protocol.

Figure 13. IDB Group Corporate Emissions Profile, 2019–2022



Green Buildings

Our corporate real estate approach is guided by sustainability, and we continue to find ways to improve both our headquarters and country offices. We incorporate environmental and health measures into the maintenance, design, construction, and renovation of our corporate facilities. We create efficient and flexible office layouts that maximize access to natural light (reducing the need for artificial lighting) and minimize waste and other environmental impacts associated with construction and renovations. We recycle or donate most of the furniture and equipment that leaves our facilities. Our sustainability requirements for contractors and construction practices include stringent provisions to prioritize material selection, equipment specifications, and procedures.

As part of our capital projects program, we are implementing several energy conservation initiatives in our offices, including upgrading air conditioning units to more efficient equipment; installing occupancy sensors in restrooms, hallways, and low-traffic areas; using up-to-date LED lighting; and installing solar window films.

Several IDB Group country offices have on-site solar panels to generate zero-carbon electricity. In 2022, solar panel systems in the Bahamas, Brazil, the Dominican Republic, Jamaica, and Nicaragua produced 517 megawatt-hours of renewable energy, meeting 32% of those offices' energy needs. Solar power generation is currently being upgraded for more capacity in the Bahamas, Brazil, and Jamaica offices. In Haiti, we have finished upgrading the system, installing 360 photovoltaic panels producing close to 100% of the facility's needs. A project is



underway to install solar panel systems in seven country offices, including Barbados and Trinidad and Tobago. By investing in renewable energy for our offices, we not only do our part to mitigate climate change, but we also support local markets for renewable energy and green buildings.

In 2022, two of our headquarters buildings qualified for the Leadership in Energy and Environmental Design (LEED) recertification at the Platinum level (the highest level). Our new office in Ecuador received the EDGE (Excellence in Design for Greater Efficiencies) advanced, the WELL (wellness, health, and safety), and the LEED Platinum certifications. In addition, our offices in Brazil, Costa Rica, Dominican Republic, Panama, and Peru are also LEED-certified. LEED certification is currently being pursued for our office in Jamaica.

Complementing our existing risk and facility conditions assessments, CSP developed an approach with a location-specific climate risk analysis that was piloted for selecting a new facility.



Green Information Technology

In 2022, the IDB approved a new Information Technology Strategy that calls for the efficient use of technology. The strategy seeks to improve energy efficiency through digital signatures and paperless processes, hybrid and remote work, elastic infrastructure (in which the number of physical computer resources is reduced, and they are only on when needed), wireless networking (eliminating the need for copper wiring), and hardware recycling, among other approaches.

We have reduced our e-waste through our IDB Community Relations Program by repairing and reconditioning laptops, monitors, phones, and tablets scheduled for decommissioning and donating them to schools and others in need. These efforts extended the useful life of nearly 1,000 devices in 2022. Devices that cannot be donated are recycled by a specialized firm that follows responsible practices.

We are planning to establish a framework to measure and report the reduction of technology-related energy consumption and other green practices.



Green Transportation

Historically, air travel has been one of the most significant contributors to the IDB’s carbon footprint, but since 2020, we have embraced new ways of working and collaborating virtually. Although still lower than pre-pandemic levels, business travel began returning in 2022, making up 43% of our total corporate emissions. This has prompted us to explore opportunities for sustaining the reductions in travel-related emissions that were realized in previous years. For instance, we encourage flights with fewer transfers and require economy class seats for flights up to nine hours in duration.

Emissions from the IDB’s vehicle fleet (light petrol and diesel vehicles in our country offices used for local transportation needs) are a small component of our overall carbon footprint. In 2022, the corporate fleet was responsible for 247 tons (2%) of our carbon emissions. To reduce emissions, 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 2022, our offices in Colombia, Trinidad and Tobago, and Uruguay acquired hybrid vehicles and our office in Jamaica acquired an electric vehicle.

Waste Reduction

Waste is costly, contributes to climate change, pollutes ecosystems, and harms human health. CSP aims to help the IDB Group reduce the waste we generate and divert unavoidable waste from landfills by reducing single-use products and promoting reuse and recycling.

In 2022, a detailed waste audit at our Washington, D.C., headquarters revealed that our waste-diversion rate improved from around 50% in 2019 to 77% in 2022. Additionally, many of our offices compost organic waste. Regarding e-waste, any electronic devices that are not donatable are discarded through a specialized third party that uses environmentally friendly methods to dispose of the materials safely and responsibly.

The IDB has employed technology and education in a multiyear effort to reduce paper use and printing. Where possible, default duplex settings (two-sided printing) and a print-management system that prints documents only after a user ID has been scanned have saved the IDB millions of printed pages per year. In the past, these efforts resulted in significant reduction, but paper use in headquarters doubled from 2021 to 2022 (again, due to the return to the office). Nonetheless, lasting progress has been achieved (83% reduction since 2019) and paper-use management is constantly considered in our offices. Moreover, we encourage the choice of recycled paper (we use 100% recycled paper in headquarters). These efforts also reduce the number of printer cartridges we use.



Employee Engagement and Education

Every semester, our country offices are engaged to aid CSP with the mid-year and end-of-year environmental footprint calculations. Most offices are autonomous and report their footprint data via a web-based program, under the supervision of CSP. This ability is developed through the support and guidance CSP provides to the offices. In 2022, we provided instruction to several offices' identified personnel, and in 2023, we aim to ensure that each country office can independently collect and report on the data of their office's environmental footprint.

Also in 2022, the CSP developed tailored communications and engagement materials including interactive guidelines, content for onboarding, infographics, and videos. CSP launched its public website, which provides detailed information on our greening efforts and the sustainability features of our offices. Thanks to our Green Ambassadors Network, each of our four main events had the participation of more than 200 employees (Figure 14). The Earth Day Live online event had more than 4,400 unique viewers.

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

Figure 14. We celebrated America Recycles Day by organizing a fun-filled fair that educated staff on recycling best practices at work and at home.





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