



IDB

Inter-American
Development Bank

SUSTAINABILITY REPORT 2018



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IDB SUSTAINABILITY REPORT 2018

ABOUT IDB

The Inter-American Development Bank (IDB) works to improve lives in Latin America and the Caribbean.

Through financial and technical support for countries working to reduce poverty and inequality, we help improve health and education, as well as advance infrastructure. Our aim is to achieve development in a sustainable, climate-friendly way. Today we are the leading source of development financing for Latin America and the Caribbean. 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.

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 2018 IDB approved a total of 96 sovereign-guaranteed loan projects, totaling more than \$13.5 billion.¹ Disbursements for sovereign-guaranteed loans totaled \$9.9 billion in 2018.

LOCATION

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 the identification and preparation of new projects and in the execution and evaluation of 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 Latin America and the Caribbean.

¹ Amount excludes \$250 million reformulation increase for Ecuador.

STAFF

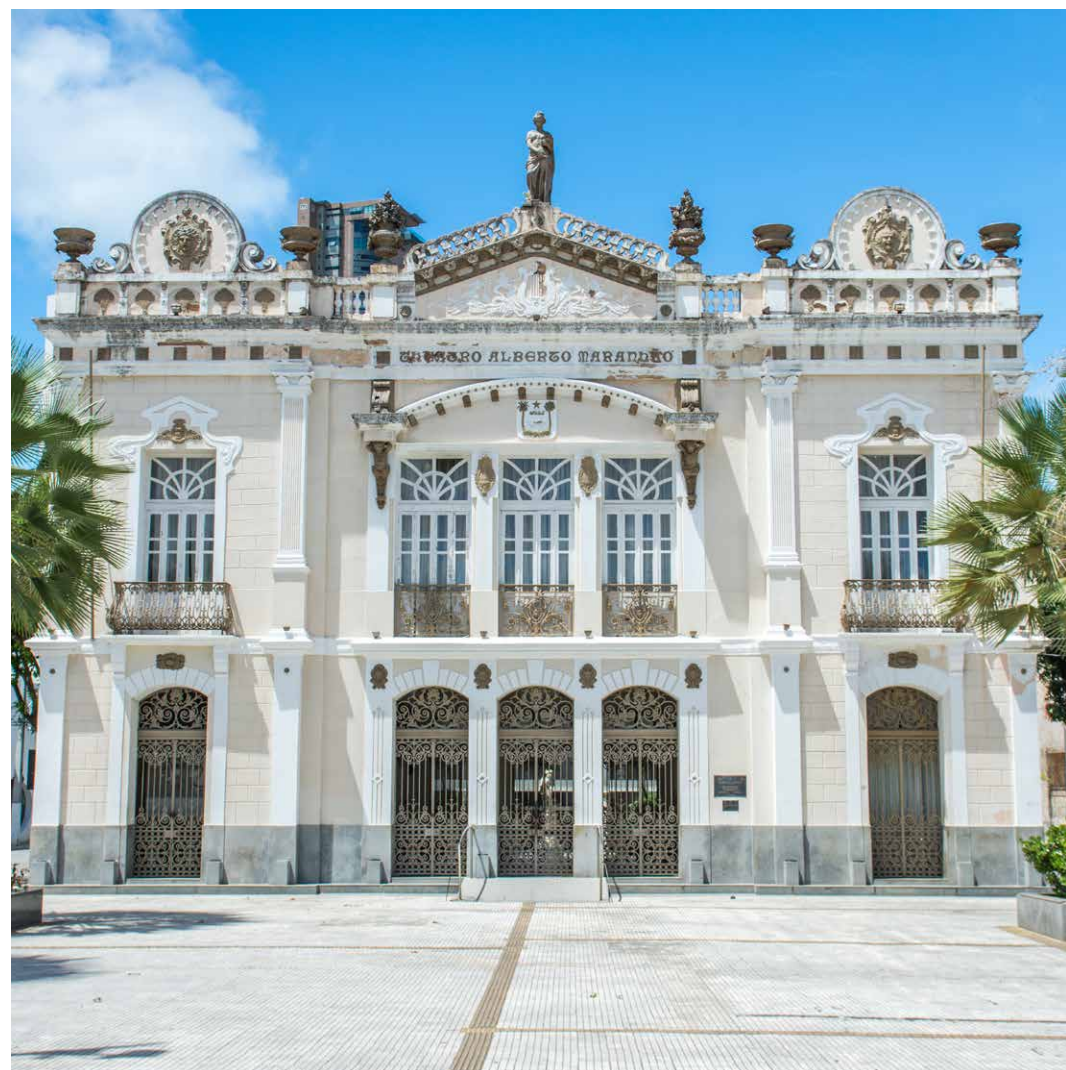
IDB Group currently has about 3,450 employees, including staff and consultants. Approximately one-third of our employees are posted in the region to foster closer cooperation with clients and partners. IDB is committed to gender equality, diversity, and inclusion in our operations, as well as our internal talent management practices. A more diverse and inclusive IDB is a better IDB—better able to attract the best talent, better able to deliver effective solutions for our borrowers, and better able to meet the expectations of all our shareholders. We are proud of what we have achieved to date and excited about the prospect of achieving even more going forward.

In 2017 IDB was awarded the EDGE Assess Level Certification, recognizing our solid commitment to gender equality. EDGE assesses five areas: (1) equal pay for equivalent work; (2) recruitment and promotion; (3) leadership development, training, and mentoring; (4) flexible working arrangements; and (5) company culture. The recertification process, including the design and implementation of an action plan, will take place in 2019. In 2018—among our efforts toward maintaining a diverse, inclusive, and respectful work environment—we launched a workshop on “Living Our Values at Work.”



GOVERNANCE

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 approve the Bank's financial statements and make major policy and corporate decisions. The Board of Executive Directors, composed of 14 individuals representing the 48 member countries, oversees the Bank's day-to-day operations. The Board of Executive Directors approves country and sector strategies, operational policies, loans, technical cooperation, guarantees, and investment grants, in accordance with its regulations and guidelines. It also sets the financial charges for Bank loans, authorizes borrowings in the capital markets, and approves the institution's administrative budget. The IDB president, elected by the Board of Governors for a five-year term, manages the Bank's operations and administration, together with an executive vice president and three vice presidents. Each country's voting power is determined by its contributions to the Ordinary Capital, IDB's main source of lending. At IDB, borrowing members have majority voting power (just over 50 percent of the vote).





ABOUT IDB	FROM THE PRESIDENT	INTRODUCTION	INTEGRATED APPROACH TO SUSTAINABILITY	CHALLENGES IN LATIN AMERICA & CARIBBEAN CITIES	CONTRIBUTIONS TO URBAN SUSTAINABILITY	CLIMATE FINANCE	GREENHOUSE GAS FOOTPRINT	SAFEGUARDS	CORPORATE SUSTAINABILITY
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MESSAGE FROM THE PRESIDENT

At IDB we work to improve lives in Latin America and the Caribbean by promoting sustainable development.

We believe that development is only truly sustainable if it contributes to economic growth with shared prosperity for people and the planet. We constantly strive to align our strategy with the best global standards of financial, environmental, social, and institutional sustainability, including the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. The IDB embraces sustainability as a business value applicable to both our operations and our corporate activities.

About 80 percent of the region’s population resides in cities, making it the most urbanized developing region. To showcase the importance of taking a comprehensive approach to cities, this year’s report centers on SDG 11—*Make Cities and Human Settlements Inclusive, Safe, Resilient, and Sustainable*. The inclusion of a stand-alone cities SDG reflects the global community’s recognition that cities play a critical role in sustainable development. They generate approximately 80 percent of global GDP, consume 64 percent of energy, and are responsible for 70 percent of greenhouse gas emissions. Many cities in Latin America and the Caribbean are located in low-lying coastal areas, putting many people in the region at high risk from rising sea levels and more powerful hurricanes. At the same time, cities offer innumerable opportunities for economic development and efficient delivery of public services.

As illustrated by the operations featured in this report, cities have emerged as the testing grounds for some of the most innovative solutions across all dimensions of sustainability. Consider the case of housing. Although the IDB has provided housing solutions to more than 250,000 households since 2016, our work is far from finished. Around 150 million more residents are expected to live in the region’s cities by

2050. To help our member governments to stay ahead of this challenge, the IDB Cities Network is facilitating the exchange of knowledge and solutions for housing and other urbanization challenges. More than 160 cities are currently participating in this network, representing a combined population of approximately 160 million people. In parallel, the IDB’s Cities LAB is mainstreaming innovation and design thinking into urban planning in cities of the region and operations at the IDB Group, with targeted, feasible and testable solutions. Both the Cities Network and the Cities LAB are helping to link state-of-the-art knowledge with the demand of our cities for innovative solutions for sustainable development.

In 2018 the IDB Group financed nearly \$5 billion in climate-change-related activities, accounting for 27 percent of total annual approvals and very close to our goal of 30 percent. We will continue to support countries to achieve commitments made within the context of the Paris Agreement, with a focus on improving resilience, adaptive capacity, and management of disaster and climate risks.



I invite you to read this report to learn more about how we integrate sustainability in our projects, how we generate knowledge to enhance policymaking, and how we work to reduce our corporate environmental footprint. I hope that you will join us in fostering a more inclusive, safe, resilient, and sustainable Latin America and the Caribbean.

Luis Alberto Moreno
President






























INTRODUCTION

Long-term economic growth and the reduction of poverty and inequality in Latin America and the Caribbean depend on development that is economically, financially, environmentally, socially, and institutionally sustainable. IDB is committed to maximizing the positive outcomes of our work. Sustainability has long been a core element of our work. Our institutional strategy reinforces the critical role sustainability plays in the region’s development, stating as its vision **“to work in partnership with the region to increase productivity and reduce inequality in a sustainable way, and to ultimately transform Latin America and the Caribbean into a more inclusive and prosperous society.”**

The 2030 Sustainable Development Agenda, which includes 17 Sustainable Development Goals (SDGs), informed the development of IDB’s current institutional strategy.² Each of the strategic priorities of the strategy is aligned to at least one of the 17 SDGs, and all 17 SDGs are covered by the strategy (Figure 1). The strategy also reaffirms IDB’s two broad objectives of fostering sustainable growth and reducing poverty and inequality—both of which are at the core of the 2030 Sustainable Development Agenda.

² IDB Group. 2015. [Update to the Institutional Strategy 2010-2020: Partnering with Latin America and the Caribbean to Improve Lives.](#)

Figure 1
Our Strategic Approach and the SDGs

IDB Group Strategic Priorities	Sustainable Development Goals
 Social Inclusion and Equality	     
 Productivity and Innovation	   
 Economic Integration	  
 Climate Change and Environmental Sustainability	    
 Gender Equality and Diversity	 
 Institutional Capacity and Rule of Law	

In our annual Sustainability Report, we share our approach to sustainability and showcase some of the projects, initiatives, and research IDB financed and worked on with partners to contribute to the region's sustainable development in 2018. A new theme is selected for the report each year. In the pages that follow, we take a closer look at our work on urban sustainability and at SDG 11 (*Make Cities and Human Settlements Inclusive, Safe, Resilient, and Sustainable*). The report is organized around the specific targets of SDG 11 to show our contributions to each (Figure 2).

A committee comprised of IDB employees with an interest in sustainability selected the operations to feature from among a Bank-wide call for proposals based on their relevance to this year's theme. We also describe our process to calculate climate finance and the greenhouse gas (GHG) footprint of our lending portfolio. Safeguards are an important part of ensuring sustainability; We included a short description of all category A projects (significant environmental and social risk). We close with information on our corporate sustainability, taking a look at our efforts to reduce our direct footprint in the places we live and work by making our buildings green, meeting our carbon neutrality goal, and engaging and educating employees. In addition, this report is accompanied by a Global Reporting Initiative

(GRI) Annex. The GRI sets global standards for sustainability reporting, relying on best practices for reporting on a range of economic, environmental, and social impacts (Box 1).

KEY MILESTONES IN 2018

Some of the key sustainability milestones achieved at the IDB in 2018 are:

1. IDB Group financed nearly \$5 billion in climate-change-related activities benefiting Latin America and the Caribbean—through loans, grants, technical cooperation, guarantees, and equity investments—accounting for 27 percent of total IDB Group annual approvals.
2. We updated our sector framework documents for Climate Change, Environment and Biodiversity, Food Security, and Energy in 2018.
3. The [Natural Capital Lab](#) was created as a one-stop shop for IDB Group to drive innovation in the conservation, landscape, regenerative agriculture, biodiversity, and marine ecosystem finance spaces.

Figure 2
SDG 11 is the Theme of the 2018 Sustainability Report

**SUSTAINABLE
DEVELOPMENT
GOALS**



11.1	Safe and affordable housing and basic services
11.2	Safe, sustainable transportation systems
11.3	Inclusive urbanization and participatory, integrated planning
11.4	Cultural and natural heritage
11.5	Resilience to disasters
11.6	Reduced environmental impact of cities
11.7	Green and public spaces
11.A	Rural-urban linkages
11.B	Integrated policies and plans
11.C	Financial and technical support for sustainable and resilient buildings

Box 1 Global Reporting Initiative

IDB's third [GRI annex](#) has been prepared as a supplement to this report. The annex reports on both corporate and operational topics using standardized indicators. The following material topics are included in the annex: active ownership; anticorruption and ethics; biodiversity; climate resilience; employment and labor relations; energy; engagement and coordination; feedback mechanisms; financial inclusion; gender equality and diversity; greenhouse gas (GHG) emissions; health and safety; human rights; indirect economic impacts; market presence; material use; monitoring and evaluation; responsible portfolio; supply chain management; training and education; waste; and water.



Taking An Integrated Approach To Sustainability

We take an ambitious, integrated approach to sustainability, working across departments to provide member countries and clients with financial resources and knowledge, considering all aspects of sustainability, and applying these concepts throughout the project cycle. An integrated approach is essential to maximize synergies and, if necessary, make adjustments to ensure a better balance. Our overall approach to sustainability is guided by our institutional strategy and [corporate results framework](#).



WE WORK ACROSS INSTITUTIONAL BOUNDARIES.



WE CONSIDER ALL ASPECTS OF SUSTAINABILITY.

Economic & Financial



Environmental



Social



Institutional



WE APPLY SUSTAINABILITY THROUGHOUT THE PROJECT CYCLE.

Programming



Preparation



Approval



Execution



Completion & Reporting



We continually adjust and improve our approach to reflect the LAC region's evolving needs, to consider what we have learned, and incorporate innovations.

1. We work across institutional boundaries

We work across IDB to provide financial resources and knowledge. Our approach requires shared commitment and responsibility, from the president (see page 5 for his 2018 message on sustainability) to technical specialists.

- **Our Climate Change and Sustainable Development** sector is responsible for setting the Bank's strategic direction on sustainability. The sector fosters a regional network to develop and share cutting-edge research and best practices that can be operationalized in a variety of thematic areas, including sustainable cities, agricultural development, climate change, tourism, forestry, and biodiversity.
- Tackling sustainability issues requires integrated solutions, and all IDB sectors are committed to the agenda. **Transversal working groups**—comprised of staff from a variety of IDB sectors—have been created to provide venues to address crosscutting issues, including sustainable infrastructure, sustainable islands, resilience, gender, diversity, and disability, among others.
- **Our Environmental and Social Safeguards** unit independently ensures all IDB operations comply with the Bank's social and environmental safeguards policy. Staff from the unit participate in teams for all category A and B operations³ (see page 55).
- The [Independent Consultation and Investigation Mechanism](#) (known as MICI, based on its Spanish acronym) and other oversight bodies play important roles in ensuring that sustainability is given due consideration. Individuals who believe they have been or may potentially be harmed by an IDB-financed operation due to the failure of IDB to comply with relevant operational policies may raise concerns directly to IDB through MICI. MICI prepares its own [annual report](#).
- We also promote sustainability through our **Corporate Sustainability Program** (see page 59).
- IDB also collaborates extensively on climate change and sustainability with [IDB Invest](#), the private sector arm of the IDB Group, and [IDB Lab](#), a purpose-driven platform that mobilizes capital, knowledge, and connections for innovation in Latin America and the Caribbean.
- This structure positions the IDB to integrate sustainability into everything we do. Further information on the IDB's structure, roles, and responsibilities can be found on our [website](#).

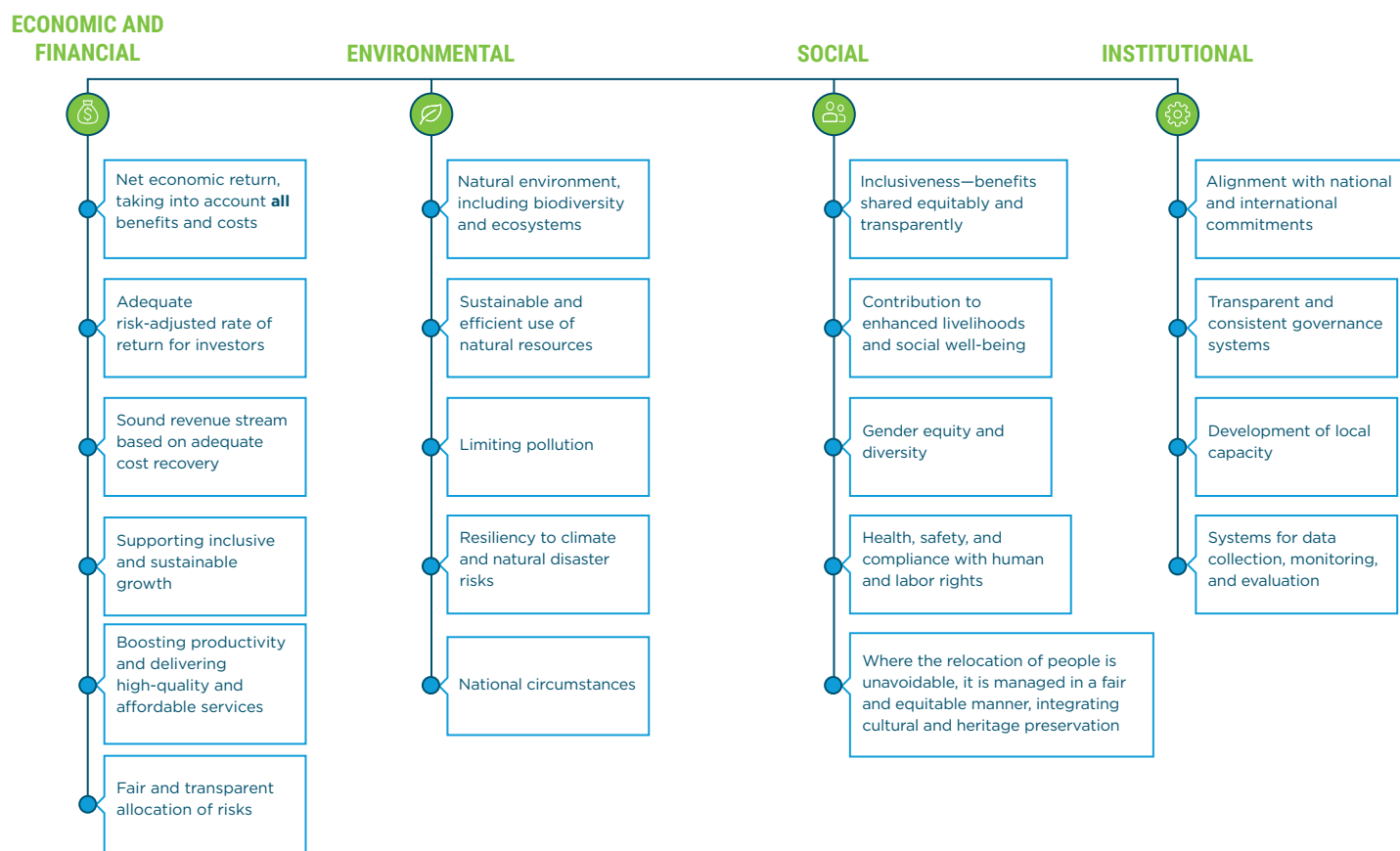
³ As defined in IDB's [Environmental and Social Safeguards Compliance Policy](#).



2. We consider all aspects of sustainability

In the past, many sustainability efforts relied on safeguards. While safeguards continue to be a crucial element of sustainability, it is increasingly recognized that much more is needed—particularly during upstream planning to select the most sustainable options. An integrated perspective on sustainability must consider elements from all aspects—economic and financial, environmental, social, and institutional (Figure 3).⁴

Figure 3
Aspects of Sustainability



4 IDB. 2018. *What is Sustainable Infrastructure? A Framework to Guide Sustainability Across the Project Cycle.*

3. We apply sustainability throughout the project cycle

PROGRAMMING

- We align our sustainability actions with those of our borrowing member countries through the country strategies prepared every time a new administration takes office.
- We prepare sector framework documents to provide guidance to project teams on what IDB seeks to accomplish in a given sector.
- We scan the pipeline of operations each year for climate change opportunities.
- We screen all operations for potential environmental and social risks (see page [52](#)) and disaster and climate change risks (see page [43](#)).

PREPARATION

- We prepare an environmental and social strategy for the project profile.
- Project teams present a results matrix and a monitoring and evaluation plan for tracking the project's achievements, including for sustainability.
- Climate change and gender and diversity specialists get involved early to provide technical advice.
- We prepare an environmental and social management report for the Proposal for Operation Development. We help clients prepare any additional environmental and social impact assessments and conduct stakeholder consultation activities.
- We support clients to prepare any additional disaster and climate change risk assessments.
- We measure the GHG footprint of our lending portfolio in gross and net terms (see page [49](#) for details).
- We verify that project documents are disclosed on the IDB website.

APPROVAL

- Teams consider how projects align to IDB's strategic priorities.
- The multilateral development bank (MDB) climate finance tracking methodology is applied to each IDB Group project to determine the portion of climate-related financing (see page [48](#) for details).
- Loan agreements include key environmental and social clauses.

EXECUTION

- We determine the level of safeguards supervision required using an environmental and social risk rating.
- Project teams work closely with executing agencies, building capacity along the way, and submit two progress monitoring reports per year.
- We analyze safeguards performance across the portfolio (see page [52](#) for details).

COMPLETION AND REPORTING

- Results at completion, including environmental and social lessons, are reported in the Project Completion Report (externally validated by the [Office of Evaluation and Oversight](#)).





CHALLENGES IN LATIN AMERICAN AND CARIBBEAN CITIES

CITIES ARE ESSENTIAL FOR ECONOMIC DEVELOPMENT

- Cities are engines of knowledge and innovation.
- 10 cities generate one-third of Latin America's gross domestic product (GDP).



The region's urban population continues to expand:

IN LATIN AMERICA

81% LIVE IN CITIES



- LAC's urban population is growing by more than half a million new residents each month.
- While the urban population of the region is expected to grow by 27 percent by 2050, its low-density development pattern is projected to consume land at two to four times faster than population growth.
- Since 1990, 117 million people in the region have been affected by natural disasters, most of whom live in cities.

THE POPULATION OF CITIES WILL INCREASE BY



105 million people

SUFFER FROM DEFICIENT HOUSING

The legacy of rapid urbanization: informality and housing deficits

- One out of five households in cities reside in homes that are beyond repair or lack title, water, sewerage, adequate flooring, or sufficient space.
- 70 percent of the shortage is from existing low-quality (substandard) housing, while 30 percent cannot afford to live independently or live in precarious conditions, including areas of environmental risk.

MORE MEGACITIES

- By 2025, 100 million Latin American residents will reside in only six megacities alone. This will include Ciudad de México (24.5 million in 2025), São Paulo (23.2), Buenos Aires (15.5), Rio de Janeiro (13.6), Lima (11.5), and Bogotá (11.4).





SDG 11

OUR CONTRIBUTIONS TO URBAN SUSTAINABILITY

Make Cities and Human Settlements Inclusive, Safe, Resilient, and Sustainable.

IDB supports the urban agenda in Latin America and the Caribbean through investments, technical cooperation, and research projects.

In this section, we highlight some of our recent work and how it relates to the standalone urban goal of SDG 11, which aims to make cities and human settlements inclusive, safe, resilient, and sustainable. By approving SDG 11, the global community acknowledged that well-planned urban development is a key driver for sustainable development and placed urbanization at the forefront of the international development discussion.

We seek to foster the sustainable development of cities in Latin America and the Caribbean through knowledge and investment that promote inclusion, productivity, and resilience. A comprehensive multisector approach guides this work, responding to the call of all UN member states during the Habitat III Conference.⁵ The Bank collaborates with national, regional, and local governments to translate

all SDGs—half of which have an urban component⁶—into meaningful targets, policies, and programs. The urban portfolio aligns well with the SDG 11 targets discussed in this report and with the priorities established in each of the country strategies with IDB borrowing member countries.



5 “We invite...regional development banks...to apply an integrated approach to sustainable urbanization, mainstreaming the implementation of the New Urban Agenda.”

6 UN-Habitat. 2018. *SDG 11 Synthesis Report: Tracking Progress Towards Inclusive, Safe, Resilient and Sustainable Cities and Human Settlements*.

Our urban work is guided by five principles:

1. **Aligning physical works with institutional incentives.** IDB aims to improve the regulatory context in which urban interventions are carried out, supporting interventions that promote effective arrangements among various levels of government and between contiguous territorial entities.
2. **Supporting geographically specific interventions.** IDB designs interventions based on the unique characteristics of a specific place and people.
3. **Sustainable and effective interventions.** IDB urban operations consider the short- and long-term impact of the interventions on the environment, public finances, and urban governance. In addition, operations take into account how these interventions can elevate resilience to climate change.
4. **Interventions that serve all residents.** IDB urban operations seek to focus on improving the quality of life of households, particularly those most vulnerable to climate-related and geophysical environmental risks, actively promoting inclusive participation by all residents in productive activities and in the design and use of public spaces.
5. **Economies of scale and comprehensive, multisector interventions.** IDB seeks to generate projects that are sufficiently large-scale to create the desired impacts. These projects are guided by master plans and leverage coordination among the various institutions and sectors involved.

FINANCING SUSTAINABLE URBAN DEVELOPMENT



Title: [The Challenge of Financing Urban Infrastructure for Sustainable Cities](#)

Year Published: 2017

This assessment of 40 medium-sized cities in Latin America and the Caribbean estimates that \$23.5 billion in urban investment will be required to meet the region's growing demands for infrastructure. That scale of investment often exceeds the financial capabilities of subnational governments, and thus requires leveraging public sector resources to mobilize private investment. *The Challenge of Financing Urban Infrastructure for Sustainable Cities* provides new insights on the demands for urban infrastructure and explores alternative financing mechanisms to support sustainable urban infrastructure at the subnational level. It also shares experiences and lessons learned from other international financial institutions in subsovereign urban infrastructure financing. Finally, it proposes ways the IDB might overcome the constraints facing medium-sized cities.



BOX 2 IDB CITIES LAB

The Cities Lab is a technical assistance program created in 2017 to foster innovation in urban development in Latin America and the Caribbean through a platform of codesign and experimentation. The lab integrates the latest knowledge of the urban agenda to achieve more inclusive, safe, resilient, and sustainable cities. It conducts prototypes of innovative urban interventions that arise from a codesign process with Bank staff and local stakeholders and evaluates experiences and case studies. The lab works toward the targets of SDG 11.

- For target 11.1 (slum upgrading) the lab supported projects in Barrio 31 in Buenos Aires.
- For target 11.2 (sustainable transportation) the lab carried out a pilot in the center of Panama City, experimenting with more space for pedestrians and less for cars.
- Most lab pilots have a participatory process (key for target 11.3)—the cultural activation of the industrial heritage buildings in Sao Luis, Brazil is a notable example.
- Efforts to protect and promote cultural heritage (target 11.4) were made for the Hermanitas de los Pobres complex in Santiago de Chile.
- To counter the effects of disasters (target 11.5), the lab is starting a drone-based monitoring pilot in risk-prone areas in Manaus, Brazil.
- An innovative approach to waste management (target 11.6) is being developed in Tegucigalpa, Honduras, with a project to change disposal and recycling habits of residents and merchants.
- The projects in Santo Domingo, Dominican Republic, and Ciudad Vieja, Uruguay, were both designed to promote inclusive access to public space (target 11.7).





By 2030, ensure access for all to adequate, safe, and affordable housing and basic services and upgrade slums.

Sustainable Urban Housing and Basic Services

UN-Habitat projects that more than one-third of the world's population will lack adequate housing by 2030. The housing shortage is estimated to be at least 55 million homes in the region. This represents both deficits in the quality of 39 million existing homes (71 percent) that lack title, water, sewerage, adequate flooring, or sufficient space and a shortage of 16 million new homes (29 percent) that need to be built to lessen overcrowding and house the homeless.⁷ Although the region has made strides in neighborhood upgrading, 21 percent of the urban population—over 100 million residents—live in informal settlements.⁸

Adequate housing is a basic human right and a key element to reducing poverty. Thoughtful and systemic housing policies can reduce marginalization, improve access to basic services and infrastructure, reduce urban violence, advance local economic development, and create jobs and opportunities for businesses—all factors that can increase well-being and promote development.

In this section we look at some of our recent publications with lessons for better housing interventions and housing financing in Paraguay, Uruguay, and Brazil.

⁷ Ronald Sánchez Castro and Julio Saldaña Narro. 2018. "Metodología aplicada para la medición del déficit habitacional en países de América Latina y el Caribe." UNIAPRAVI Cuaderno No. 257.

⁸ UN-Habitat. 2016. *World City Report 2016*.





HOUSING: WHAT'S NEXT



Title: Housing: What's Next

Year Published: 2019 (forthcoming)



Housing: What's Next Exhibition

In a soon to be published book, *Housing: What's Next*, we explore new and better ways to intervene in housing through a collection of lessons from 100 cases in emerging economies, showing how we can improve the existing stock and generate better future housing in an effective, participatory, and culturally meaningful way. The cases are included in an itinerant exhibition that was inaugurated at the IDB headquarters in October.

LOCATION MATTERS



Title: [La carga de la vivienda de interés social: Comparación entre hogares de la periferia y del centro en ciudades de Brasil, Colombia y México](#)

(available in English in the *International Journal of Housing Policy*)

Year Published: 2017

Several Latin American countries have recently launched ambitious housing programs to promote the private production of economically affordable housing. Although these programs have been very successful in terms of increasing the number of low-cost housing units, most of them are in peri-urban areas disconnected from employment and service centers. What impact does the location of social housing have on its residents? How does the burden associated with the ownership of a similar home compare when the home is located closer to the center? This recent IDB study presents empirical research on the subject, comparing household survey responses of social housing units in central areas with those in peripheral areas in the cities of Goiânia, Brazil, Barranquilla, Colombia, and Puebla, Mexico. The study shows that the burden of social housing located in the periphery is significant—negatively impacting the income, savings, and social capital of residents.

NEIGHBORHOOD UPGRADING



Name: [Third Neighborhood Improvement Loan](#)

Year Approved: 2018

IDB (Total) Financing: \$85 (\$100) million

Country: Uruguay

Sector: Housing and Urban Development

The Third Neighborhood Improvement operation follows the successful implementation of two previous IDB operations—the [First](#) and [Second](#) Neighborhood Improvement Loans, totaling \$200 million. The program has improved access to basic social services to over 11,000 households. It also has strengthened the management and programming capacity of municipal and national agencies, while contributing to the prevention of new irregular settlements through innovative actions. In addition, the program has contributed to gender equality through increased land and property titling for women. Nearly 75 percent of the 1,413 titles have been issued to women, either single or as part of a couple. The third program of the conditional credit line for investment projects (CCLIP) seeks to continue improving the living conditions in informal settlements.

Uruguay's climate change agenda reached a new level in 2017 with the approval of the National Climate Change Policy (NCCP) and the presentation of its first Nationally Determined Contribution (NDC). Uruguay's NDC sets an unconditional mitigation intensity reduction goal (CO₂ emissions per unit of GDP) of 24 percent compared to 1990 values for 2025. For this third program, Uruguay's willingness to operationalize its NDC led to mainstreaming NDC actions into the program, and the discovery of high-potential actions that in turn allowed the country to increase the goals of its NDC.

Focus on safeguards:

See page [58](#) for a discussion of how we're applying safeguards to this operation.

The program's regularization and relocation component already had a strong adaptation element. This time it seeks to further integrate climate change through densification efforts, the provision of resilient and low-carbon basic services, the construction of social housing with efficiency standards, and increasing green spaces (to reduce the heat island effect).

This is the first loan aligned to Uruguay's NDC—designed in close collaboration with the Climate Change Directorate of the Ministry of Housing, Territorial Planning and Environment—with specific project indicators that are directly linked to the NDC. The working group at the national level and the municipality technical teams will be trained to allow the NDC's vertical logic to trickle down to the city level. It is anticipated that this unique dynamic can be replicated to improve the alignment of IDB's portfolio with countries' NDC priorities.



HOUSING IN BAÑADO TACUMBU



Name: [Rehabilitation and Housing Program of the Bañado Tacumbu](#)

Year Approved: 2018

IDB (Total) Financing: \$100 (\$100) million

City: Asunción (Paraguay)

Sector: Urban Development and Housing

The objective of the project is to improve the housing conditions of the riverside population of the southern area of the city of Asunción (Bañado Sur) and avoid recurring impacts of floods. The project takes a three-pronged approach, focusing on urban housing and infrastructure, environmental recovery, and economic and institutional capacity.

First, the project aims to build quality urban housing and infrastructure, meeting the criteria for sustainable and resilient construction to reduce flood risk and adapt for climate change. IDB will finance the construction of houses for approximately 1,500 families that currently live in flood-risk zones and relevant public facilities like daycare centers and schools. Second, the project aims to promote the environmental sanitation and recovery of lagoons, streams, and wetlands, through the cleanup and treatment of the bodies of water and the elimination of pollution sources. It will also create natural buffer zones with native species. The project also includes construction of public green spaces and a sustainable waste collection system with recycling. Third, it finances job training and business development targeting low-income individuals, including a program to train and hire local workers for the infrastructure works. On the institutional side, IDB is investing in governance management mechanisms to help the government and the community sustain the interventions.



Focus on safeguards:

See page [57](#) for a discussion of how we're applying safeguards to this operation.

SUSTAINABLE VITÓRIA



Name: [Vitória Urban Improvement and Citizen Security Program](#)

Year Approved: 2018

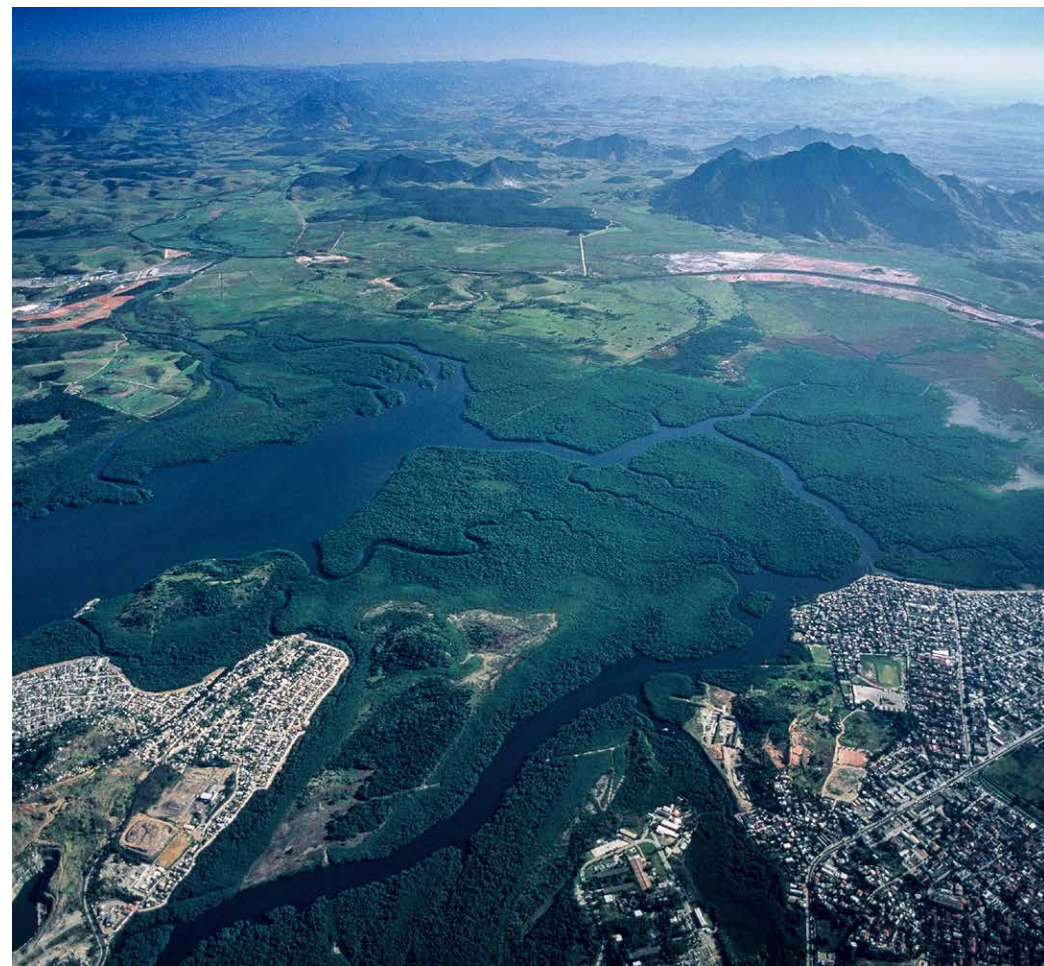
IDB (Total) Financing: \$100 (\$125) million

City: Vitória (Brazil)

Sector: Urban Development and Housing

This operation in Vitória seeks to reduce inequalities of urban development and support the efforts of city agencies to improve environmental sustainability. Nearly 40 percent of Vitória's 360,000 inhabitants live in areas susceptible to landslides and geological hazards, which are exacerbated by the effects of deforestation, hillside occupation, and heavy rainfall. Over the course of five years, the operation will finance neighborhood upgrading, retrofitting of the City Hall to become an EDGE certified green building, landslide mitigation, the city's first climate change action plan, the construction of 10 kilometers of bicycle paths, air quality monitoring to track progress in reducing air pollution, and a reforestation program for the city's mangroves, which are the largest of any Brazilian city after Recife. The operation seeks to make Vitória the first city in Brazil whose reforestation program is certified by the Society for Ecological Restoration (SER).

Sustainable construction techniques, such as permeable road surfaces, energy-efficient street lighting, and sustainable landscaping will be prioritized. Given these commitments, approximately 40 percent of the operation's resources will be invested in climate change adaptation and mitigation activities. This comprehensive urban development program also includes a citizen security component to reduce violent crime through community prevention of youth violence and the institutional strengthening of the Municipal Guard to prevent and control crime with an emphasis on the prevention of violence against women. The operation embraces a smart city approach, financing the construction of a new City Operations Center that will offer an integrated solution for urban mobility, citizen security, disaster risk management, and environmental data.





SDG Target 11.2

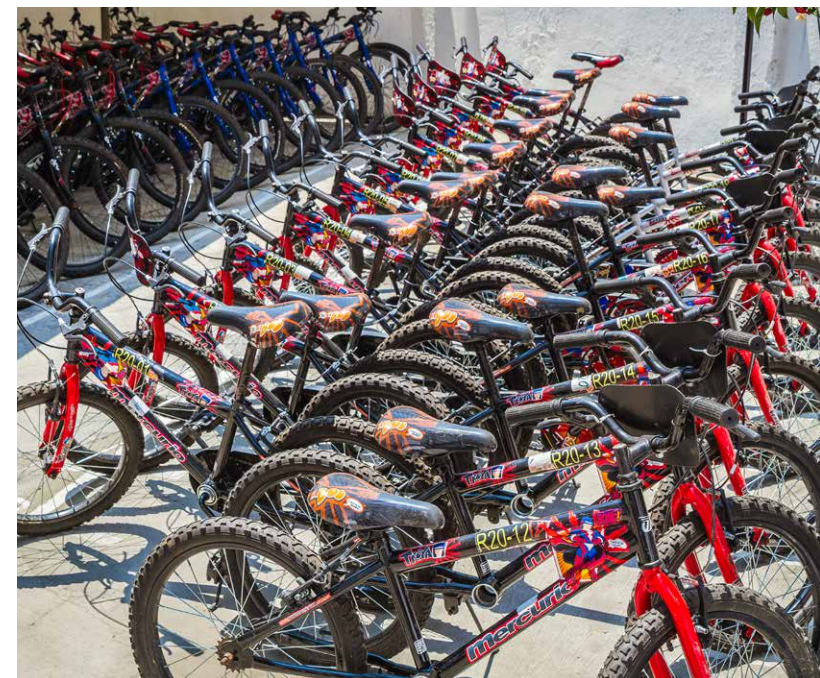
By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities, and older persons.

Sustainable Urban Transportation

Well-planned transportation infrastructure is essential for a city's economic growth, sustainable development patterns, and quality of life for its residents. Air and noise pollution, long hours spent in traffic, and accidents (the Latin America and Caribbean region still has a death rate from road traffic injuries that is higher than the world average⁹) all impact the physical and emotional health of urban residents. Transportation infrastructure also exhibits significant vulnerabilities to extreme weather—including coastal storms and landslides—and climate change is expected to exacerbate future risks. Damaged transportation assets represent a sizable portion of economic losses from natural disasters, and connectivity is a crucial factor in the capability of a population and an economy to cope with and recover from the damages caused by hazards. Resilient transportation interventions and policies can significantly reduce future losses in assets and well-being.

Transportation infrastructure is expensive and long-lasting, making good planning particularly important. One of the most effective measures for optimizing urban transportation and improving the sustainability of cities involves the integration of urban planning and transportation planning. We have called for governments to invest in smart city management systems to better inform transportation decisions.

In this section, we will look at IDB financial contributions to the Bogota metro, consider some options to reduce congestion, such as cycling and fees, and look at tools for building the resilience of road networks.



⁹ United Nations. 2018. *SDG Report 2018*, Statistical Annex.



BOGOTA METRO



Name: [Metro of Bogota First Line Program](#)

Year Approved: 2018

IDB (Total) Financing: \$70 (\$196) million

City: Bogota (Colombia)

Sector: Transportation

Bogota, with a population that has increased by 40 percent in the last 20 years, accounts for 25 percent of Colombia's GDP. By 2020 the capital district will have 10 million inhabitants. Demographic growth and related economic activities will make Bogota the fourth fastest-growing city in Latin America in the next decade. Yet its transportation system faces significant challenges due to population growth, a high motorization rate, and rapid urbanization.

To tackle this challenge, the *Metro of Bogota First Line Program* will support the construction of an elevated metro system scheduled to be operable in 2025. The metro system will be 100 percent elevated, with a commercial length of over 25 kilometers. The system will have fifteen stations, ten of which will connect with the current bus-based main public transport system, TransMilenio. The system will incorporate innovative urban and environmental design features. A transit-oriented approach will be used with new, wider sidewalks and 22 kilometers of bike lanes and green spaces. To reduce noise, the shape of the viaduct will direct noise upward and anti-noise panels and elastic rail pads will be used. The stations are also being designed with bioclimatic architecture, eliminating the need for air conditioning and reducing illumination requirements. The project will be the largest infrastructure project in Colombia. It aims to improve the

living conditions of the nearby population and reduce GHG emissions. The metro system will increase the number of passengers mobilized, while reducing operating costs and journey time for public transport users. IDB worked with the World Bank and the European Investment Bank to structure the financing for the project, which entailed joint missions and workshops.

Like many large infrastructure projects, there are risks and impacts related to project construction. Nearly 2,900 individuals—either residing or commercially active along the line and close to the new stations—will be affected, leading to physical and economic displacement.

Bogotá has strong institutions and experience in managing land acquisition, following national legislation on resettlement that is consistent with IDB's safeguards policies. The Bank directly supported the executing agency in preparing a robust resettlement plan, which includes:

- Financing and carrying out the census for compensation purposes
- Defining compensation entitlements
- Including mitigation plans for the impact on affected street vendors
- Assisting in the planning of consultations for both the environmental and social impact assessment and the resettlement plan.

The resettlement plan aims to facilitate a participatory, transparent, and equitable resettlement process, thus ensuring that all affected households are engaged and fully compensated. Moreover, this plan—coupled with the institutional strength of the executing agency—increases the possibility of sustainable project implementation, such as reducing risks of opposition against the project and finalizing construction on time.

WOMEN AND URBAN CYCLING



Title: [Mujeres y ciclismo urbano: Promoviendo políticas inclusivas de movilidad en América Latina](#)
(available only in Spanish)

Year Published: 2017

Cycling is a low-cost, flexible, and fast travel option that has boomed in all major cities of Latin America. Cycling is accessible to all, yet most urban cyclists in the region are men. Globally, this phenomenon tends to disappear once the bicycle reaches participation levels of over 10 percent—a tipping point that is achievable for cities in Latin America. In this study we identify key public policy elements to promote women's urban cycling, including (a) compact urban development; (b) networks of segregated bicycle lanes, complemented with shared-use streets and measures to lower motorized vehicle speeds; (c) intermodality, providing a greater variety of transportation options; and (d) including those who travel with women, particularly children, in bicycle promotion policies.



Bicycle Lane in Buenos Aires, Argentina. *Credit: Rodrigo Díaz*

CONGESTION FEES



Title: [Políticas de tarificación por congestión: Efectos potenciales y consideraciones para su implementación en Bogotá, Ciudad de México y Santiago](#)
(available only in Spanish)

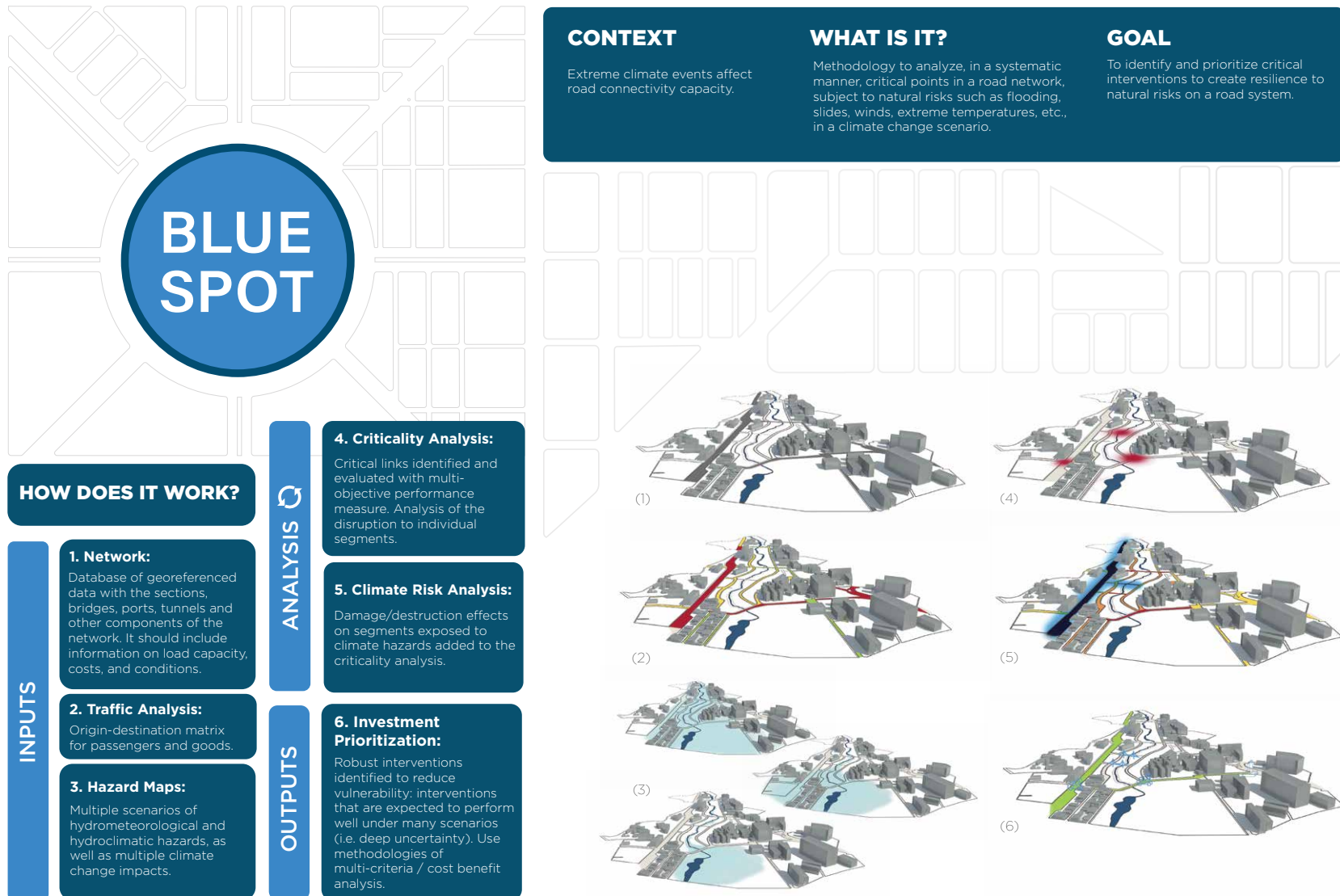
Year Published: 2018

Fees can be an effective tool to manage congestion in cities—and in turn reduce negative effects on the environment and improve citizens' quality of life and cities' productivity. This study explores the applicability of congestion fees in Latin America and the Caribbean by considering successful experiences and calculating the potential effects of such fees in Bogotá, Mexico City, and Santiago. The results show that fees could increase travel speed and reduce the number of trips in these cities. The study also considers efficiency and equity implications and preferred uses of fee revenues—aspects that have been fundamental for the instrument's success in other countries.



BLUE SPOT ANALYSIS: A TOOL TO COMPARE OPTIONS TO IMPROVE THE ROAD NETWORK

Blue spot analysis helps governments and decision makers prioritize and compare alternative interventions in the road network to build its resilience to natural hazards, while at the same time promoting other development objectives. This type of analysis is a good example of using upstream planning to improve sustainability.





SDG Target 11.3

By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries.

Participatory and Comprehensive Urban Planning

Cities around the world are increasing in physical size and decreasing in population density—an unsustainable trend that leads to costlier infrastructure and basic services and higher GHG emissions.

Effective management of urban evolution can present opportunities for sustainable infrastructure solutions to support growth.¹⁰ Better and more granular data are needed to understand city dynamics and enable predictions of what will be required, where, and when.

Responding to the variety of needs and expectations of different stakeholder groups that use the urban environment also requires careful listening to the voices of the affected or potentially affected people by any significant action from the city. A core part of implementing a socially responsible policy is ensuring that all the stakeholders are equally considered. Bank projects align with municipal plans, include an extensive consultation period for residents, and finance a range of types of plans (master, mobility, public space, and accessibility, among others).

In this section, we consider how cities can learn from each other and look at case studies in Bogota and São Paulo.

BOX 3 CITIES NETWORK AND THE SDGs

In the context of the Annual Meeting of Mayors and the seminar Inclusive Cities: Learning from Medellín, the IDB Cities Network organized a working session to promote dialogue between mayors and institutions in the region to identify the challenges and opportunities in the implementation of the SDGs in cities and municipalities and the role of national and local governments and other institutions working for development. The conversation focused on supporting implementation of the SDGs by linking local government programs with national development plans and designating an entity that supports this dialogue. The conversation also focused on the importance of promoting alliances among the cities of the region to advance the SDGs.

The Cities Network has started to evaluate progress toward the SDGs in the policies and programs of national and subnational governments and to document good practices from other countries. The goal is to prepare a guide on implementing the SDGs in cities and to provide support to local governments in that area.

¹⁰ IDB. 2018. [Upstream Planning for Sustainable Infrastructure Projects](#). Urban 20 White Paper.



MUNICIPAL INTERDEPENDENCE: SABANA DE BOGOTÁ METRO REGION



11 SUSTAINABLE CITIES AND COMMUNITIES

Title: [Interdependencia municipal en regiones metropolitanas: El caso de la Sabana de Bogotá](#)
(available in Spanish only)

Year Published: 2018

Decentralization in Latin America has led to greater political, administrative, and fiscal autonomy for local governments. At the same time, the interdependencies among local governments have deepened, since socioeconomic and environmental dynamics transcend political-administrative limits, and one local government's actions affect its neighbors—positively and negatively. This document proposes an innovative methodology that helps to identify and measure these dynamics and applies it in a case study in the Sabana de Bogotá metropolitan region in Colombia. It considers institutional agreements between municipalities tailored to manage those interdependencies—regulate the negative ones and accelerate the positive ones—and the implementation of joint strategic interventions that transcend municipal boundaries.

LEARNING FROM SÃO PAULO



11 SUSTAINABLE CITIES AND COMMUNITIES

Title: [Operações urbanas: O que podemos aprender com a experiência de São Paulo?](#)
(available in Portuguese only)

Year Published: 2017

Joint Urban Operations (Operações Urbanas Consorciadas in Portuguese) have been used in Brazil since the 1990s and, thanks to the experience of São Paulo, have gained popularity among urban planners and managers as well as private sector developers and contractors. In 2015 IDB commissioned an evaluation of urban operations implemented in the city of São Paulo to capture lessons and recommendations from Centro, Água Branca, Faria Lima, and Água Espreiada.

The analysis shows that this innovative planning and urban management tool has the potential to contribute to urban development, depending on the relationship between the subject area and the rest of the city, the proposed type of transformation, and the real estate regulations. Just two urban operations in São Paulo have raised more than \$1 billion in a decade.



COALITION OF CITIES



Name: [Coalition of Cities Against Racism, Discrimination, and Xenophobia](#)

Approval Year: 2018

IDB Financing: \$400,000

Cities: Montevideo (Uruguay), Medellín (Colombia), Quito (Ecuador), and Mexico City (Mexico)

Sector: Social Investment - Citizen Safety

In 2016 four cities—Montevideo, Medellín, Quito, and Ciudad de México—proposed an integrated inclusion action plan to address discrimination against Afro-descendants, indigenous peoples, persons with disabilities, women, members of the LGBTI+ community, and migrants. Technical support for the development of this action plan has been provided since 2016 through a Technical Cooperation funded by the Regional Public Goods Initiative and led by the Gender and Diversity Division.

These cities are members of The Coalition of Cities Against Racism, Discrimination, and Xenophobia, a broader initiative launched by UNESCO in 2006 to create regional networks to improve local policies for the eradication of all forms of discrimination. The Latin America and Caribbean chapter of the coalition currently includes 69 cities across 17 countries.

In 2018 the four cities presented local reports with the demographic and socioeconomic profile of the target groups and an analysis of the existing regulatory and policy frameworks. In September, the cities presented local action plans that include specific measures to address discrimination through improved data in social programs and redistricting plans to improve access to primary and secondary schools for indigenous peoples and Afro-descendants in low-income areas.

The mayors of the four cities have agreed to work together to share best practices and lessons learned on social inclusion. The collaboration agreement to formalize this initiative at the regional level will be signed in 2019.

STRENGTHENING LAND USE PLANNING



Name: [Program to Strengthen Urban Development and Land-use Management Reform](#)

Approval Year: 2018

IDB (Total) Financing: \$600 (\$600) million

Country: Mexico

Sector: Urban Development and Housing

In 2016 the Mexican Congress approved a new and very comprehensive law in land-use management and urban development ([Ley General de Asentamientos Humanos, Ordenamiento Territorial y Desarrollo Urbano](#)). Under the new legislation, Mexico will update its institutional and regulatory framework to better suit the needs of a changing policy environment in land-use management. The Bank set up this programmatic series with the objective of supporting the country in the implementation of the reform, including: (a) regulatory development; (b) strengthening of intergovernmental and interagency coordination; (c) the creation of new legal instruments for urban development and land use management; and (d) the design and development of information systems for territorial planning. The implementation of the reform will represent a major step for the country toward the alignment of its territorial strategies to the sustainability agenda under the criteria of mitigation and adaptation to climate change, an increased focus on resilience, and a more active and binding role of citizen participation in the definition of the policies. It is expected that a second policy-based loan, contractually independent but technically linked, will be designed and submitted for consideration in the near future.



Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

Safeguarding Historic Cities and Neighborhoods

The Latin America and the Caribbean region has a wide range of cultures and unique places that constitute its heritage as a valuable development asset. The region has more than 140 UNESCO World Heritage sites, including 50 historic cities and towns recognized for their cultural features (Figure 4). In addition, more than 600 historical centers have been cited as having cultural and patrimonial interest under national legislation.

Yet there has been a marked deterioration of many historic cities—in part due to local populations disengaging from their heritage, stagnating traditional and cultural industries, and the depopulation of historical areas in favor of new urban models. The preservation and enhancement of the region's urban cultural heritage can be an effective tool to protect the roots of Latin American cultures and an opportunity to seize the potential for sustainable, resilient, and equitable development.

In this section we look at a program in Panama and a publication based on a Mexican experience, both exemplifying how preservation and sustainable use of natural, historical, and cultural sites is important for local development. We will also learn about the Spanish government's support for preserving living heritage.

Figure 4

50 Historic Cities and Towns Recognized by UNESCO



PROTECTING CULTURAL AND NATURAL HERITAGE IN PANAMA



Name: [Support for the Conservation and Management of Cultural and Natural Heritage](#)

Year Approved: 2017

IDB (Total) Financing: \$107 (\$113) million

Country: Panama

Sector: Urban Development and Housing

The objective of the operation is to contribute to the preservation and enhancement of the cultural and natural heritage assets of Panama. One specific goal is to increase the population's access to cultural assets by rehabilitating three cultural heritage properties and improving their management. A second goal is to preserve four protected natural areas, improving their management and increasing their financial sustainability. A third goal is to increase entrepreneurship linked to the country's cultural and natural heritage. The project aims to increase public access, preserve protected natural areas, and increase related business at strategic protected areas, including Coiba National Park, Volcán Barú National Park, San Lorenzo Protection Forest and Reserve, and Portobelo National Park. It will help provide services and infrastructure for visitors, construct and rehabilitate access routes, provide new and rehabilitated facilities for administration and sustainable management of protected areas, and develop the tourism potential of protected areas using environmentally friendly designs, materials, and technologies.

HISTORIC PRESERVATION IN VERACRUZ



Title: [Proyecto de renovación urbana integral en barrio La Huaca en Veracruz, México](#)

(Comprehensive Urban Renewal Project in the La Huaca Neighborhood of Veracruz, Mexico, available in Spanish only)

Year Published: 2018

The year 2019 marks the 500th anniversary of the foundation of the city of Veracruz, Mexico. One of its most historic neighborhoods is Barrio La Huaca, which has endured a significant physical deterioration of built heritage. This study presents a comprehensive renovation project for the neighborhood, proposing interventions (based on the guidelines of the Mexican federal government and identifying several revisions for land use and zoning). The Master Plan proposes actions to revitalize abandoned properties, improve the cadastral system, expand housing schemes including rental housing, improve citizen security, enhance public spaces and digital connectivity, expand mobility, improve accessibility by the pedestrianization of historic streets, and the targeted recovery of buildings with historic, artistic, or architectural value.

BOX 4 LIVING HERITAGE

Living Heritage (Patrimonio Vivo in Spanish) is a multisectoral program of the IDB with the support of the Spanish government. The program aims to strengthen capacity to promote the conservation and enhancement of urban heritage in Latin America and Caribbean cities, which can serve as an engine for economic, environmental, and social progress.

Among its objectives, the program expects to contribute to preserving and enhancing urban heritage through the delivery of planning, management, and financial tools, leading to sustainable, resilient, and equitable urban development. It also seeks to consolidate a community of practice on urban heritage through a knowledge exchange among cities and by encouraging innovation and experimentation in the search for solutions to the challenges of the sector.



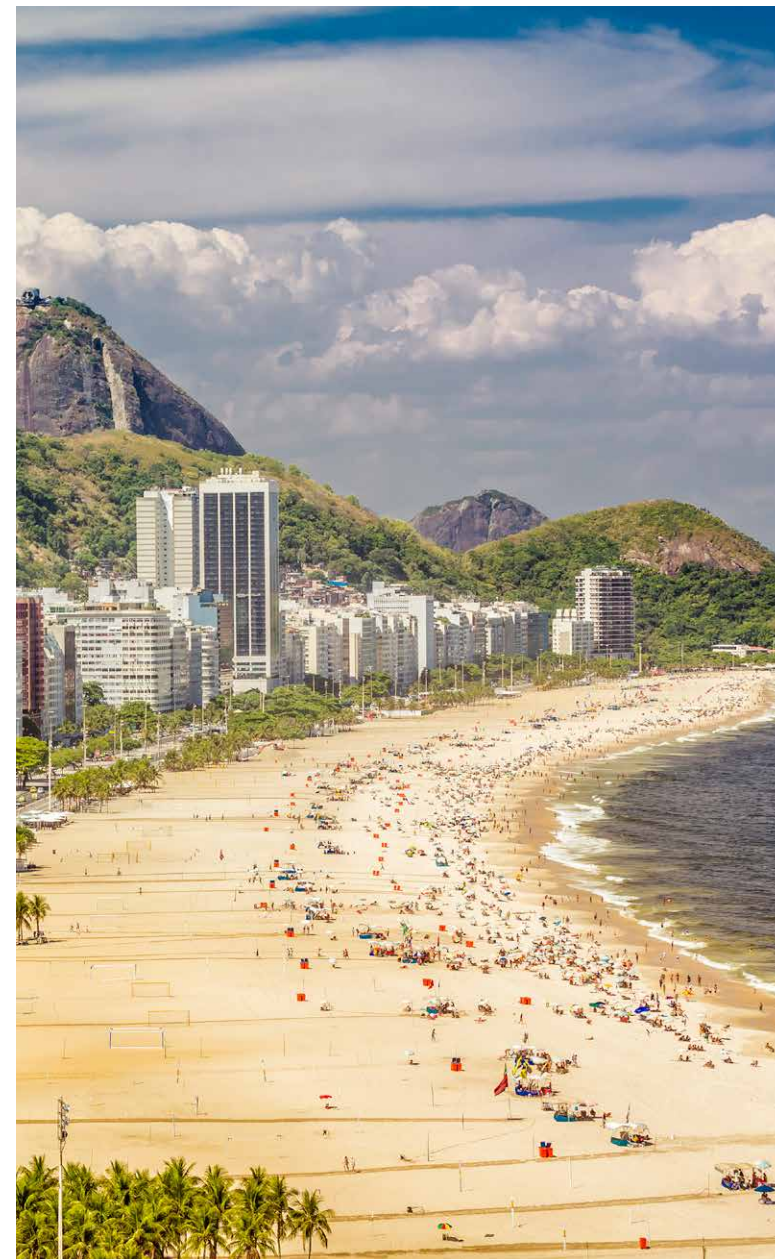
By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.

Increasing Disaster Resilience in Cities

Natural hazards, often exacerbated by climate change, pose a major risk to cities in the region. By incorporating disaster risk management into urban planning, governments can promote equitable urbanization processes that reduce vulnerability and contribute to sustainable development goals. Resilient communication systems, transportation networks, and structures help cities to recover faster and at a lower cost.

More importantly, the population does not go through long periods of suspended services and many lives can be saved. This target is especially critical for the region given its vulnerability to disasters. Since 1990, 117 million people in the region have been affected by natural disasters, which were responsible for over 300,000 deaths and \$270 billion in losses.¹¹

In this section, we reflect on our development strategy for territories that are highly vulnerable to climate change and share a tool for projecting climate change effects.



¹¹ IDB. 2019. *Vivienda...¿qué viene?* based on data from the Emergency Events Database (www.emdat.be).

A BLUE URBAN AGENDA



Title: [Blue Urban Agenda: Adapting to Climate Change in the Coastal Cities of Caribbean and Pacific Small Island Developing States](#)

Year Published: 2017

Over the past two decades, national and local governments in the Caribbean and Pacific Small Island Development States (SIDS) have partnered with the donor community to implement over \$55 billion in development programs, many of which focused on climate change adaptation. The coastal cities of the Caribbean and Pacific SIDS are among the world's most vulnerable cities to rising sea levels and coastal erosion. Currently 20 percent of the population of these countries, or 4.2 million people, live in low-elevation coastal zones prone to flooding. Countries like The Bahamas are even more affected, as over 80 percent of their population lives in these vulnerable coastal zones.

Despite the financial burden of adapting to rising sea levels and natural hazards, SIDS are leveraging opportunities to minimize these effects through an emerging Blue Urban Agenda. This research evaluates the lessons learned from urban coastal adaptation programs in SIDS and provides several policy recommendations to comprehensively address city resiliency to climate change (Figure 5). An institutional mapping of donors active in coastal adaptation in SIDS and a review of more than 50 donor-funded projects highlights the most effective coastal adaptation programs. The book compares the Caribbean and Pacific SIDS on climate change, urban development, housing, and access to climate funds. It also provides a way forward on a Blue Urban Agenda that is sensitive to the unique characteristics of SIDS and their commitments in the Small Island Developing States Accelerated Modalities of Action (Samoa Pathway) resolution, COP21, the Paris Agreement, the Sustainable Development Goals, and Habitat III.

For more, see a [video](#) on the context of the unique vulnerability of coastal cities to climate change and a Blue Urban Agenda call to action [video](#).



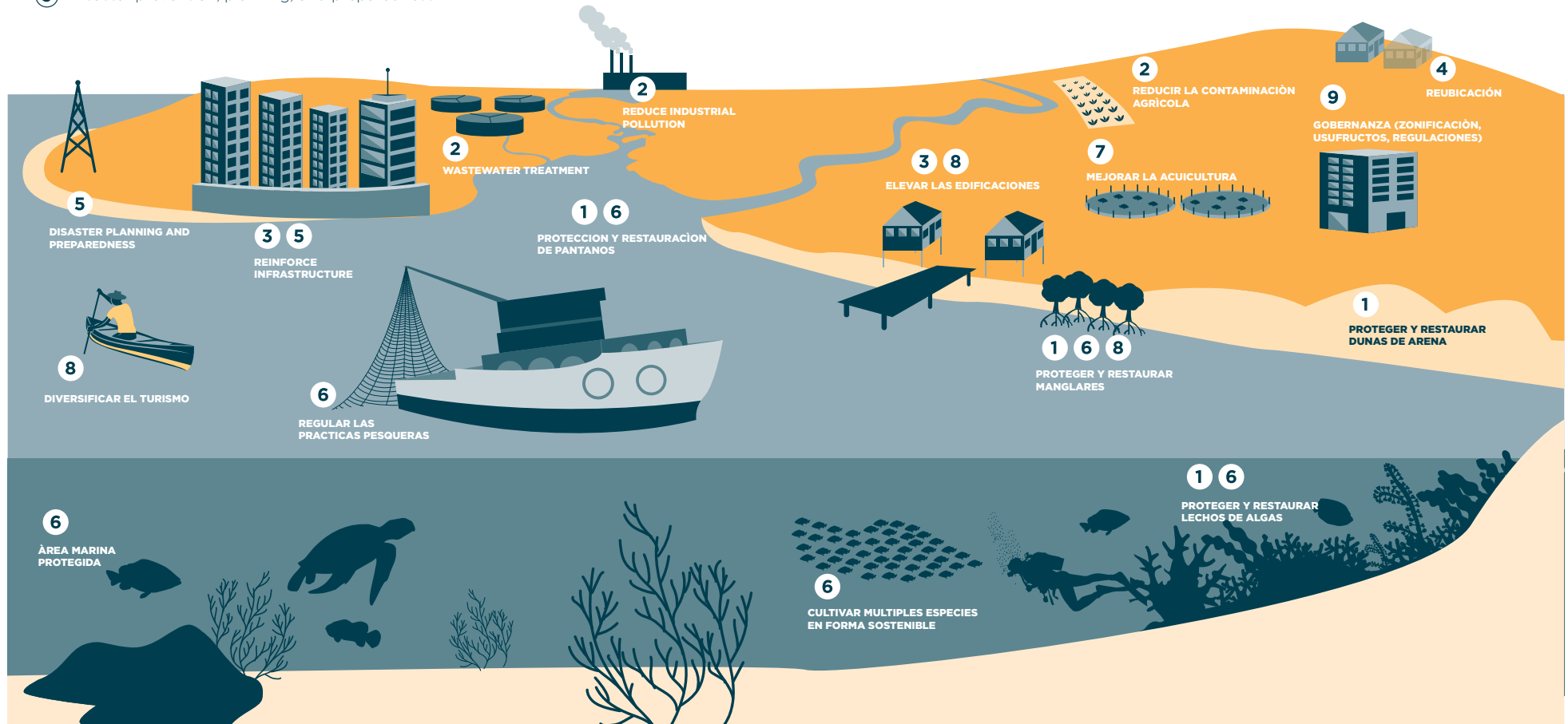
Figure 5
Coastal Zone Adaptation Options

Adaptation Actions

- ① Restore and protect coastal ecosystems
- ② Reduce non-climate stressors that degrade coastal ecosystems
- ③ Protect infrastructure and assets
- ④ Relocate infrastructure and assets
- ⑤ Disaster prevention, planning, and preparedness
- ⑥ Protect and manage fisheries
- ⑦ Protect and manage aquaculture
- ⑧ Adapt tourism planning and operations
- ⑨ Strengthen coastal governance

Source: USAID. 2015. *Climate Change and Coastal Zones. An Annex to the USAID Climate-resilient Development Framework.*

Excerpted from Mycoo, M. and M.G. Donovan. 2017. *A Blue Urban Agenda: Adapting to Climate Change in the Coastal Cities of Caribbean and Pacific Small Island Developing States.*



TOOLS FOR COASTAL RESILIENCE IN THE CARIBBEAN

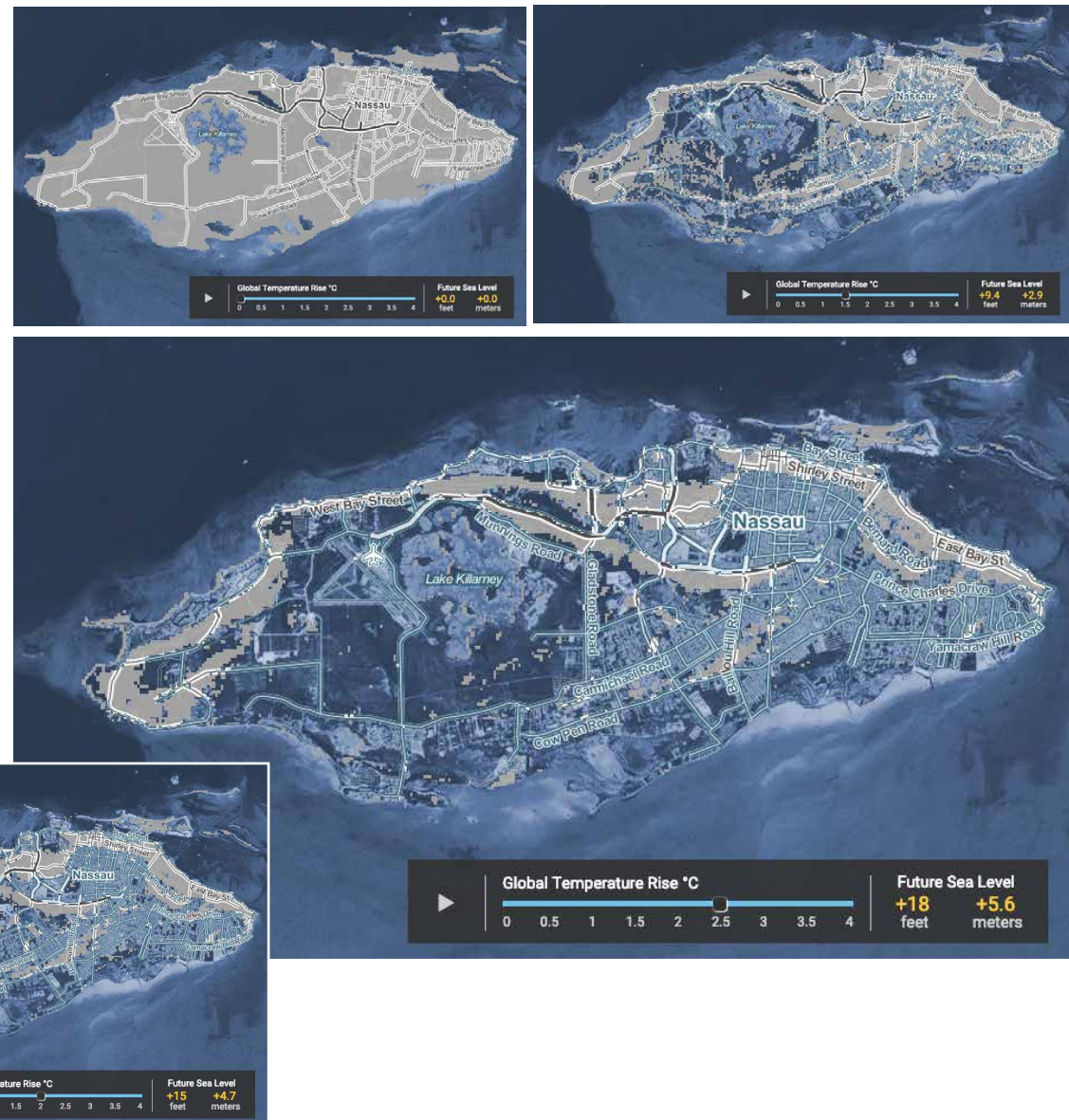
IDB partnered with Climate Central to develop an interactive web-based tool suite to support coastal and climate resilience on Caribbean islands. The tools provide screening-level analysis of coastal flood risk and sea level rise exposure using Climate Central's new and improved elevation data for the Caribbean, CoastalDEM™. The updated geospatial maps and data significantly improve the vertical accuracy of NASA's SRTM elevation data, providing critical tools to support countries in identifying their most vulnerable populations and assets (Figure 6).

The [tools](#) include:

- Surging Seas Risk Zone Map: shows areas vulnerable to submergence or flooding at different water levels
- Surging Seas Risk Finder: quantifies land, population, and internet access points exposed at different water levels
- Mapping Choices: maps the long-term sea level consequences of different climate pathways, including carbon emissions leading to 1.5°C, 2°C, 3°C, or 4°C warming.

Figure 6
Sea Level Rise Projections at Global Temperature Increases of 0, 1.5, 2, and 2.5 Degrees in Nassau, The Bahamas.

Source: Climate Central





SDG Target 11.6

By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Reducing the Environmental Impact of Cities

Improper waste disposal contaminates the water and air and poses health risks. The concentration of people in urban areas makes cities particularly important when it comes to environmental impact. In 2017, 80 percent of urban solid waste was regularly collected and with adequate final discharge in Latin America and the Caribbean—slightly better than the world average,¹² but also indicating work remains to be done. Decisions on waste management, energy efficiency, the density of cities, and the availability of green areas are all intimately linked. The many sectors and levels of government involved in waste and air pollution policies underscore the need for local and global action.

In this section, we look at a regional effort to reduce waste production and food loss, as well as an example of payments for environmental services.



¹² United Nations. 2018. *UN SDG Report 2018, Statistical Annex*.



SIN DESPERDICIO



Name: [Food Loss and Waste Reduction Program for Latin America and the Caribbean](#)

Year Approved: 2018

IDB Financing: \$600,000

Cities: Montevideo (Uruguay), Medellín (Colombia), Quito (Ecuador), and Mexico City (Mexico)

Sector: Water and Sanitation

#SinDesperdicio is a platform of partners committed to working for a Latin America and the Caribbean region without food losses or waste. The program began in 2018 and will continue through 2021. The platform will work on four key aspects: innovation, public policies, knowledge, and behavior. IDB will provide nonreimbursable resources and the other partners that form the platform (Nestlé, Dow Chemical, the Coca-Cola Company, FEMSA Foundation, Grupo Bimbo, IBM, Oxxo, FAO, the Global Food Banking Network, the Consumer Goods Forum, and the World Resources Institute) will contribute with another \$400,000. IDB aims to foster knowledge for public policy and to contribute to the creation and strengthening of waste and food loss reduction programs throughout the region.

INTEGRATED WATERSHED MANAGEMENT



Name: [Integrated Management of the Apanas and Asturias Watershed](#)

Year Approved: 2011

IDB (Total) Financing: \$4.0 (\$8.9) million

Cities: Jinotega and San Rafael del Sur (Nicaragua)

Sector: Energy

Context



The Apanas reservoir is the first artificial lake in Nicaragua. It was created in 1964 by flooding the Apanas Valley with the Tuma River. Since then, land-use changes have affected the lake basin, resulting in a high level of deforestation.

Objectives

- 1 Implement sustainable land and forest management practices to increase the forest carbon sequestration levels, reduce GHG emissions, and protect the basin's fragile ecosystem.
- 2 Design and pilot a payment for environmental services mechanism for farmers and private owners of forest reserves, financed by charging the hydroelectric plants for the use of watershed resources.

Achievements

A critical factor for success was proposing solutions that are attractive from producers' perspectives.

Silvopastoral system
1,132 ha



Industrial forest plantations
111 ha



Agroforestry system
777 ha



Natural regeneration system
473 ha



Forest plantations
62 ha



Live barriers
41 ha



Eco-forestry coffee
228 ha



Private nature reserves
1,563 ha



TOTAL:
4,386 ha

Reduction of 23,573,137 tons of sediment transported from the 11 micro-basins that drain to Lake Apanas

Increase of 772 ha of forests protected under the Mechanism of Compensation for Environmental Services

Sequestration of 659,688 tons of carbon dioxide equivalents

Addition of 2,823 ha under sustainable land and forest management practices

1,563 ha of forested areas within the network of private nature reserves

Source: Project Report and Project Results Matrix proposed by proposed by the Project Executing Unit and the Nicaraguan Electricity Company.



By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons, and persons with disabilities.

Inclusive Public Spaces

Public spaces affect residents' quality of life, real estate prices, and commercial activity. They offer a place for recreation and other activities and provide opportunities to foster social cohesion. Sustainable public spaces should offer ample and equal access to all people, from all backgrounds, economic levels, and ages. Everyone should feel safe to pass through, visit, and enjoy a public space, at any time of the day. With careful planning, cities can design spaces that offer benefits to all residents and avoid disparities. This is critical in Latin America and the Caribbean given that upper and upper-middle class neighborhoods have over ten times more square meters of public space per resident than lower-middle-class and lower-class neighborhoods.¹³

In this section we reflect on how inclusion contributes to development and look at a holistic urban planning approach in a city in Brazil.



INCLUSIVE CITIES



Title: [Inclusive Cities: Urban Productivity Through Gender Equality](#)

Year Published: 2018

Women who live in cities have achieved higher rates of economic independence and human development than those who live in rural areas, mainly due to educational opportunities and access to higher income jobs. However, compared to male residents in cities, women earn less income and have less representation in decision making that influences their communities. In *Inclusive Cities*, we present four case studies on innovative experiences in El Salvador, Spain, Japan, and Mexico.

The case of San Salvador, El Salvador shows the importance of women's proactivity in promoting this transformation. Faced with the issue of high crime on urban public transport, a female entrepreneur launched a successful private transport company called Línea Rosa for women.

In Nagareyama, Japan, to head off an imminent fiscal crisis generated by population decline, the municipality launched a comprehensive urban planning initiative to promote women's development and to attract young families. One of the key elements of this plan was to create a transportation system for young children to alleviate the daily burden for working mothers who commute to get their children to daycare facilities.

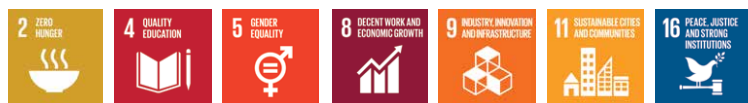
The issue of labor inclusion and women's productivity is the focus of the case study of a national NGO in Mexico known as *Women Leaders for Housing (Mujeres Líderes por la Vivienda, MULIV)*. Founded in 2015, MULIV advocates

¹³ IDB. 2016. [De ciudades emergentes a ciudades sostenibles](#).

for gender inclusion in housing policies and the construction industry. This initiative has had a direct impact on policies to improve the safety of women in public areas and promotes social housing complexes with access to daycare centers and playgrounds for children.

The case of Madrid, Spain, shows the importance of taking into account culture and history in efforts to promote social transformation. An art project led by the Complutense University, with the support of the City Council and the European Union, led to the *Madrid, City of Women* initiative. This initiative defined a new way to “map” how the city is experienced through a new tourist circuit that highlights the role of women in Madrid’s history.

INTEGRATED MUNICIPAL DEVELOPMENT



Name: [Novo Hamburgo Integrated Municipal Development Program \(PDMI\) - PROCIDADES](#)

Year Approved: 2012

IDB (Total) Financing: \$23.9 (\$47.8) million

City: Novo Hamburgo (Brazil)

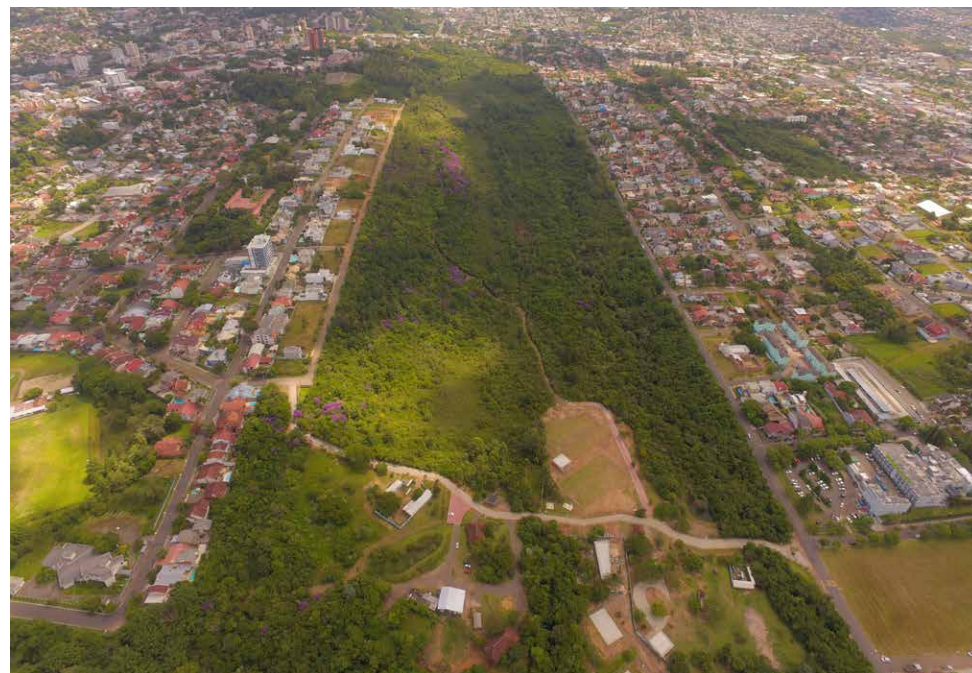
Sector: Urban Development and Housing

The Novo Hamburgo Integrated Municipal Development Program (PDMI) applies a comprehensive approach, complementing the development of public spaces with economic and public safety interventions. The program has two major interventions—revitalization of the city center and upgrading the main park.

The revitalization of the city center covers one major square and eleven neighboring streets with improvements in pavement, drainage, lighting, furniture, and landscaping. This revitalization brought partnership opportunities for local businesses, which are benefiting from physical upgrades to shops and business support through consulting and training from the local branch of the Brazilian Association of Small and Medium Enterprises (SEBRAE). Following a complete upgrade (including the

protection and recovery of native forest), the city’s main park—Henrique Luis Roessler Park, or “Parcão”—became fully functional in 2018 and now receives more than 212,000 visitors per year. In addition to recreational activities, the park is starting to offer environmental education activities and is becoming one of the largest and most preserved green areas in the city.

In addition to physical and economic improvements, a key objective of the program has been to increase safety to ensure public spaces are inclusive. A program on public safety—working with young people through a network of public schools to offer options for personal and professional development as alternatives to marginality or delinquency—has contributed to a drastic decrease in violence rates over the last few years. To learn more, please watch the [video](#).



Henrique Luis Roessler Park in Novo Hamburgo *Credit: Décio Marques*



Support positive economic, social, and environmental links between urban, peri-urban, and rural areas by strengthening national and regional development planning.

Strengthening National and Regional Development Planning

Urbanization plans that consider the national flows of people, goods, resources, and the interdependency of ecosystems can promote development more equitably, generating growth opportunities and poverty reduction across the urban-rural continuum.¹⁴ A shift toward a more integrated method of planning public policy and away from compartmentalized approaches is needed, but such integration should not take away local decision-making power and efforts to build local capacity. Intermunicipal coordination is essential in Latin America and the Caribbean, where more than a thousand local governments provide services in the 64 metropolitan areas with more than 1 million residents each.¹⁵

In this section, we look at an IDB publication that describes the complexities of managing metropolitan areas and how long-term plans can help guide short-term actions toward decarbonization.

STEERING THE METROPOLIS



Title: [Steering the Metropolis](#)

Year Published: 2017

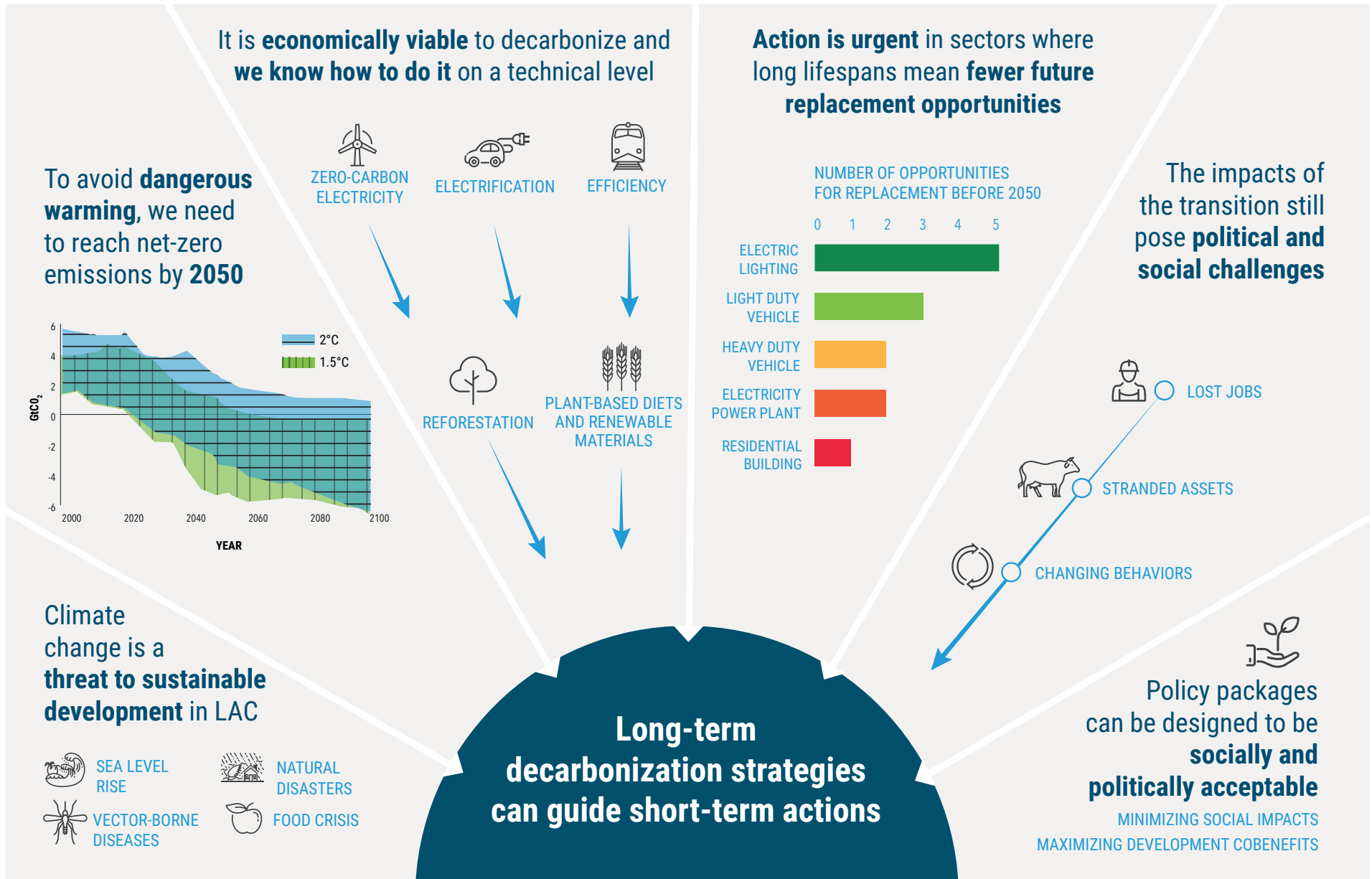
Urbanization in the last 50 years has been characterized by the rise of metropolitan areas, with development extending well beyond the previous conceptions of the city limit. This is challenging the relevance of traditional municipal boundaries, governing structures, and institutions. *Steering the Metropolis: Metropolitan Governance for Sustainable Urban Development* reflects on the conceptual underpinnings of metropolitan governance, analyzing why political, technical, and administrative arrangements at this level of government are needed. The report also addresses specific sectoral themes of mobility, land use planning, environmental management, and economic production, as well as crosscutting topics of metropolitan governance finance, and monitoring and evaluation. Finally, it tests concepts through cases in Africa, America, Asia, and Europe.



¹⁴ UN-Habitat.

¹⁵ Lanfranchi and Bidart. 2016. [Gobernanza metropolitana en América Latina y el Caribe](#). CIPPEC Documento de Trabajo No. 151.

Long-Term Decarbonization Strategies





SDG Target 11.B

By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans toward inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015–30, holistic disaster risk management at all levels.

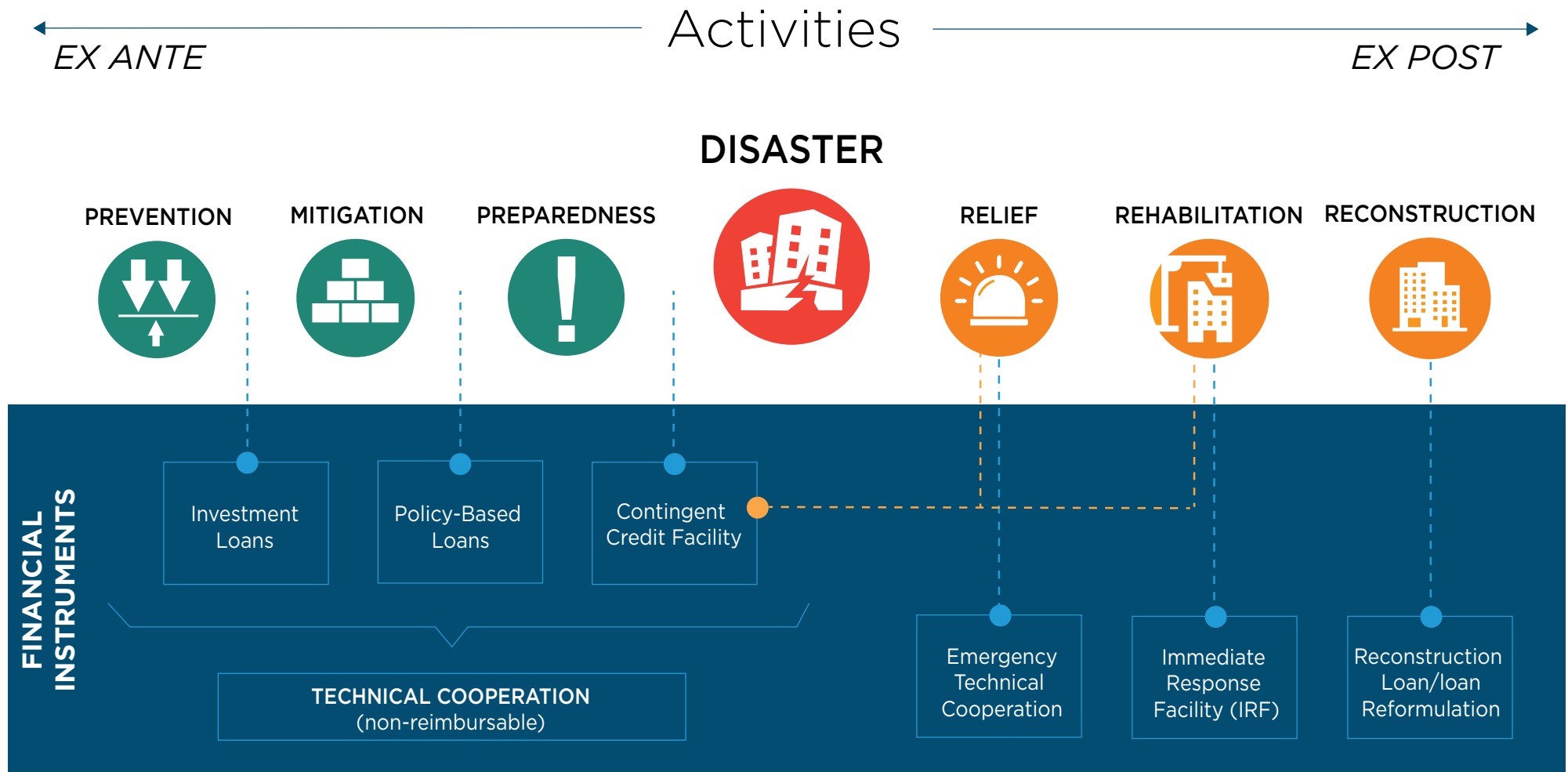
Holistic Disaster Risk Management

The effects of disasters triggered by natural hazards (in many cases worsened by the impact of climate change) pose a significant threat to sustainable development in Latin America and the Caribbean. The region is one of the most vulnerable to the impacts of a changing climate and related disasters; losses to the area may add up to \$100 billion per year by 2050. The most severe impact of a disaster is the number of fatalities. Physical losses also are significant because they affect communication, transportation, and the provision of other essential services—such as hospitals, schools, police, power transmission, water treatment, waste collection. In worst-case scenarios, these service interruptions can eventually lead to indirect fatalities.

Assessing risks ex ante improves the long-term sustainability of projects. In this section, we look at the IDB's financial instruments for disaster risk management, at our recently published disaster and climate change risk assessment methodology, and at an example of bottom-up community asset adaptation planning.



Figure 7
Financial Instruments for Disaster Risk Management



We use a range of financial instruments for disaster risk management.

DISASTER AND CLIMATE CHANGE RISK ASSESSMENT METHODOLOGY



Title: [Disaster and Climate Change Risk Assessment Methodology for IDB Projects](#)

Year Published: 2018

Besides fatalities and economic losses, calamitous events can shorten a project's lifespan and bring incremental economic costs for a country due to regular investments to repair structures or replace them, depending on the frequency and severity of the damage. Inoperative infrastructure as a result of disasters also can impair national and regional medium- and long-term economic development. From the perspective of all primary stakeholders in a project, it is rational to consider disaster and climate change risks in the design and construction of projects to increase their resilience (Figure 8).

As part of our commitment to systematically integrate disaster risk assessment and management across our portfolio, we have had a [Disaster Risk Management \(DRM\) Policy](#) since 2007. Based on the lessons learned while applying the policy requirements in the last decade, along with dialogues with internal and external experts, at the end of 2018 the Bank published its Disaster and Climate Change Risk Assessment (DRA) Methodology.

The DRA methodology is a framework to facilitate the identification and assessment of disaster and climate change risks, and consequently of resilience opportunities, in each project. The methodology proposes a gradual and sequential process that aligns efforts and resources commensurate with the risk levels (Figure 9). It favors a management plan to mitigate relevant risks in the most appropriate manner. The methodology is in line with the disaster and climate change risk assessment approaches adopted by other MDBs.¹⁶

Figure 8
Disaster Risk

A risk is the product of a hazard concurring with an asset or population and a disaster is the materialization of a risk.



¹⁶ World Resources Institute. 2018. [Toward Paris Alignment](#).

Figure 9
IDB DRA Methodology



Project Cycle

IMPLEMENTATION

Given that there are no life-cycle constraints these steps may be completed after approval.

ASSET PLANNING FOR ADAPTATION IN TEGUCIGALPA



Title: [Asset Planning for Climate Change Adaptation in Poor Neighborhoods of Tegucigalpa, Honduras](#)

Year Published: 2018

Detailed climate projections are needed to prepare climate change vulnerability studies. The uncertainty of climate change effects and a lack of downscaled information makes it difficult to compare how individual communities, households, and small businesses adapt to severe and extreme weather events. This creates challenges for local governments and others to implement appropriate measures to increase resilience, particularly in poor urban areas. This report draws on the experience of implementing the *Asset Planning for Climate Change Adaptation (APCA) Project*, which shows how community asset adaptation planning at the local level can help to address this gap and can be mainstreamed into strategic and operational planning at the city level. The report outlines the conceptual and operational framework of the APCA approach and the different phases through which residents from two poor Tegucigalpa neighborhoods—together with representatives of the Municipality of Tegucigalpa and other local partners—identified, negotiated, and agreed on climate change adaptation solutions.





SDG Target 11.C

Support least-developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.

Sustainable Construction

The construction industry has enormous impacts on resource consumption, emissions, and waste generation. It also has socioeconomic implications, some of which are positive (e.g. business and job opportunities) and some of which are negative if not adequately addressed (e.g. health and safety of workers). Environmental impacts, especially those related to energy consumption in the supply chain, can be significantly reduced if local materials are prioritized and used. This is cost-efficient and fosters local development through business opportunities. Overall, buildings and construction together account for 36 percent of global final energy use and 39 percent of energy-related CO₂.¹⁷

In this section, we look at two key ways we have made construction more sustainable—by obtaining EDGE certification and by leveraging concessional financing to improve sustainability in our projects.

GREEN CERTIFICATION

[EDGE](#) (Excellence in Design for Greater Efficiencies) is a global green building standard and certification system that applies cost-effective options within a local climate context. It can be used for new construction and major retrofits. In 2018—in close collaboration with the organization responsible for the system, International Finance Corporation—we worked to ensure that our sector specialists know and apply EDGE within their projects. Over 150 people have received information about the system, and 13 buildings financed with IDB loans approved during 2018 will seek certification. For example, EDGE certification will be achieved for both the [Vitória Urban Improvement and Citizen Security Program](#) (see page 20) and the [Urban Integration and Social and Educational Inclusion Program in Buenos Aires](#) (featured in IDB's [2017 Sustainability Report](#)).



¹⁷ United Nations Environment Program and International Energy Agency. 2017. *Global Status Report 2017*.

CLEAN ENERGY FOR LOW-INCOME HOUSING



Name: [Energy Efficiency and Renewable Energy in Low-Income Housing](#)

Year Approved: 2015

IDB (with resources from the Global Environment Facility) (Total) Financing: \$14.7 (\$85.4) million

Country: Argentina

Sector: Urban Development and Housing

Due to the rapid expansion of its cities, Argentina is facing major urban housing deficits in terms of both quantity and quality. The lack of adequate supply has resulted in poor quality informal housing without access to basic services. The Urban Development and Housing Secretariat's Federal Social Housing Program (FSHP), which prioritizes communities and social sectors with the highest poverty indices, has been key for addressing this issue.

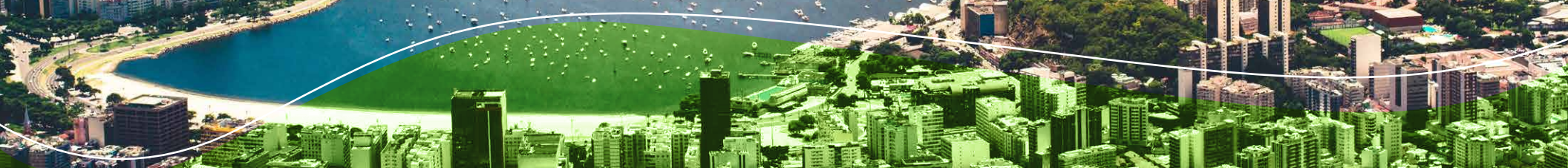
At nearly 26 percent, the portion of Argentina's national energy consumption that is residential is greater than its neighbors.¹⁸ Inadequate regulations and underdeveloped technology are perpetuating construction practices for social housing in Argentina that do not incorporate energy efficiency and renewable energy technologies.

This project will pilot monitoring methods in six major climate zones of Argentina. The resulting data will be used to help establish regulatory and technical guidelines for the design, construction, and operation of low-carbon social housing throughout the country.



Green Social Housing Prototypes, Argentina

¹⁸ OLADE. 2010.



CLIMATE FINANCE

Significant levels of finance are needed to fulfill commitments made in the 2015 Paris Climate Change Agreement.

Recognizing this, IDB Governors endorsed the goal to double our climate finance to 30 percent of approvals by 2020, subject to demand from our borrowing countries and clients, and access to external sources of concessional finance.

Eight of the largest MDBs have agreed on and apply a common methodology to track climate finance in operations financed with their own resources and the external resources that they manage. Joint annual reporting on MDB's climate finance refers to "the financial resources committed by MDBs to development operations and components thereof which enable activities that mitigate climate change and adaptation to climate change in developing and emerging economies." In mid-2018 the MDB Working Group released its seventh [joint annual report](#) with detailed statistics and a full description of the applied methodology.

In 2018 IDB Group financed nearly \$5 billion in climate-change-related activities benefiting Latin America and the Caribbean—through loans, grants, technical cooperation, guarantees, and equity investments—accounting for 27 percent of total IDB Group annual approvals (Figure 10).

Climate Mitigation Finance (\$3.4 billion) refers to efforts to reduce or capture GHG emissions to lessen the risk of climate change. During 2018, IDBG operations with climate mitigation activities enabled GHG emissions reductions via new mass transit investments such as metros, improved efficiency of electric grids and greater deployment of renewable energy, sustainable agroforestry, and energy efficiency in social infrastructure.

Climate Adaptation Finance (\$991 million) refers to the resources that finance 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. During 2018, IDB Group reported a significant increase in climate adaptation finance, particularly from a series of contingent loans to assist countries with comprehensive disaster risk management planning, and in climate-resilience-building operations from hard investments in the region's critical infrastructure assets such as in water, wastewater treatment, road networks, and energy production.

During 2018 IDB Group provided additional climate finance through a few loan projects with simultaneous mitigation and adaptation

benefits, to reduce cities' carbon footprints and their exposure to climate-induced risks such as flooding, landslides or water scarcity, depending on the specific context. Dual-benefit climate finance in 2018 accounted for \$567 million, or 11 percent of total reported climate finance.

Figure 10
IDB Group Climate Finance





OUR GREENHOUSE GAS FOOTPRINT

Our [Environmental and Social Safeguards Compliance Policy](#) commits us to calculate gross (or absolute) emissions from IDB-financed projects that may generate significant amounts of GHG emissions. We work with our member countries and clients to incorporate GHG emission reduction technologies into project designs. For selected projects, we also calculate net (or relative to a business-as-usual scenario) GHG emissions to better understand the expected mitigation contribution of selected projects.

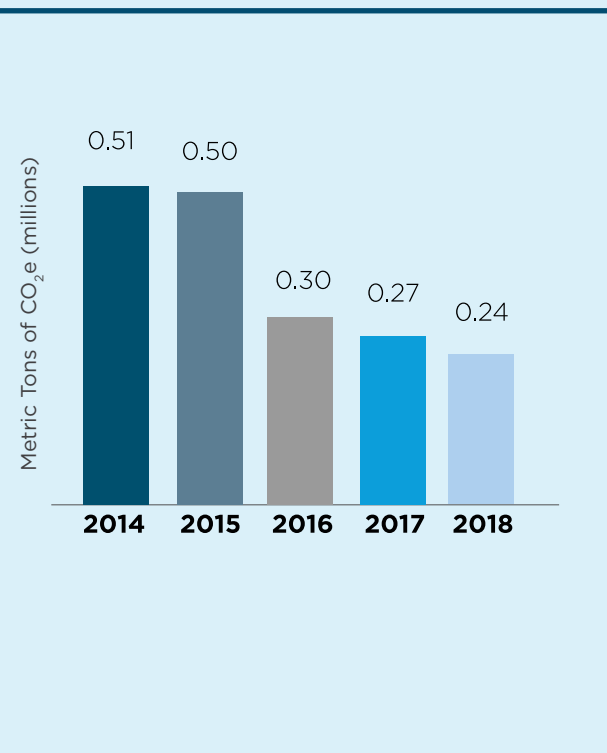
Reporting GHG emissions at the portfolio level in a manner harmonized with other international financial institutions allows us to compare and report consistently. For both gross GHG emissions and net emissions reductions, we follow the guidelines set in the [International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting](#).

GROSS GHG EMISSIONS

Our environmental and social safeguards team estimates gross GHG emissions at project level as part of the project assessment process. This analysis focuses on investment loans with potentially medium or high environmental or social impact (i.e., projects that have an environmental and social impact classification as category A or B as defined in IDB's [Environmental and Social Safeguards Compliance Policy](#)). All category A or B projects that include greenfield expansion or infrastructure operations are selected for a detailed gross GHG emissions assessment. These projects typically involve large infrastructure works in the energy, transportation, urban, and water and sanitation sectors. The assessment includes emissions from both construction and operations, focusing on a project's scope 1 and scope 2 emissions.¹⁹

In 2018 gross GHG emissions were reported for 34 greenfield and expansion projects generating an estimated 241,000 metric tons of CO₂e (Figure 11).

Figure 11
IDB Gross GHG Emissions



¹⁹ Emissions from projects are estimated as the annual emissions expected to be produced during a representative year measured over an assumed 20-year project lifetime.

NET EMISSIONS REDUCTIONS

Net emissions reductions compare the gross GHG emissions from a project with the gross GHG emissions that would have occurred in a reference scenario, defined as either a “without project” scenario or an “alternative scenario” that reflects the most likely alternative means of achieving the same project outcomes or level of service.

Our climate change and sustainability division estimates GHG emissions reductions at a project level. This analysis focuses on investment loans with significant potential for GHG emissions reductions and on activities that, under the joint MDB methodology on climate finance, can only be counted as having climate change mitigation finance if net GHG emission reductions are demonstrated.²⁰ For many projects this covers scope 1 or scope 2 emissions and for some projects scope 3 emissions also are included—as is the case with public transportation projects intended to replace private transportation or with centralized wastewater systems intended to replace household systems.

In 2018 we assessed and reported emissions reductions for 19 projects, reducing an estimated 2 million tons of CO₂e per year.

We financed 11 **renewable energy and energy efficiency** projects this year, both directly (seven projects) and through financial intermediaries (four projects). Investments included renewable energy projects in Argentina, Brazil, Paraguay, and the Caribbean; the expansion and improvement of grid infrastructure to accommodate more renewable energy generation in Honduras, the Dominican Republic, and Bolivia; and energy efficiency investments in the public sector and small and medium enterprises in Mexico, El Salvador, Paraguay, and Argentina (with the Green Climate Fund). In the **transportation** sector we are financing the first metro line in Bogota (see page 22) and are continuing to support the development of a metro system in Quito. In addition, we are financing efficient street lighting in Brazilian cities as part of a broader initiative to improve public infrastructure efficiency.

In the **water and sanitation** sector we approved financing for household sewage system connections in Brazil and Uruguay and the refurbishment and expansion of existing wastewater treatment systems in Brazil.

We also are supporting climate-smart **agriculture** in Uruguay, where about 3,000 producers are expected to adopt improved livestock breeding techniques; the development of **sustainable agroforestry** on about 18,000 hectares in the Dominican Republic; and forest investment projects in Peru that are projected to save about 37,000 hectares from deforestation by 2032.



²⁰ Geothermal power, hydropower plants, biomass or biogas power, production of biofuels, wastewater treatment, and waste collection.



SAFEGUARDS

One of the ways we show our commitment to sustainability is through our environmental and social safeguard policies, which are modeled after international best practices.

Specialists in our safeguards unit work closely with project stakeholders and Bank colleagues to identify and solve challenges that may arise in Bank-financed projects and programs. Thoughtful application of safeguard policies is essential to our mission of improving lives in Latin America and the Caribbean. In this section, we look at how safeguards add development value, how we apply safeguards to projects, the work we are doing to strengthen our safeguards framework, and how we manage safeguards in complex projects.

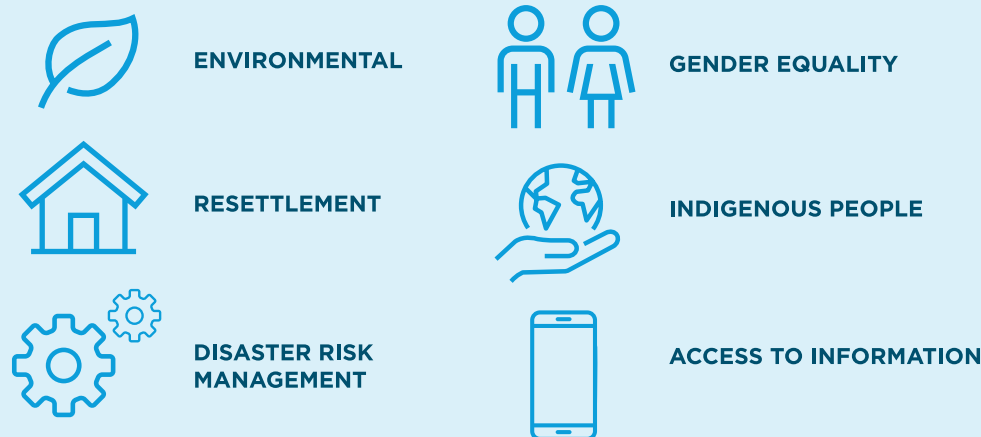
To learn more about IDB's environmental and social safeguard policies, please visit our sustainability and safeguards [website](#).

ADDING VALUE WITH ENVIRONMENTAL AND SOCIAL SAFEGUARDS

We apply a suite of safeguard policies and guidance to identify and effectively mitigate potential negative environmental and social impacts and the risks associated with our investments. We implement safeguards to protect against environmental and social harm, improve the value of projects for all stakeholders, and enable clients to meet international practices and standards (Figure 12).



Figure 12
IDB Safeguards



Applying Safeguards to Projects

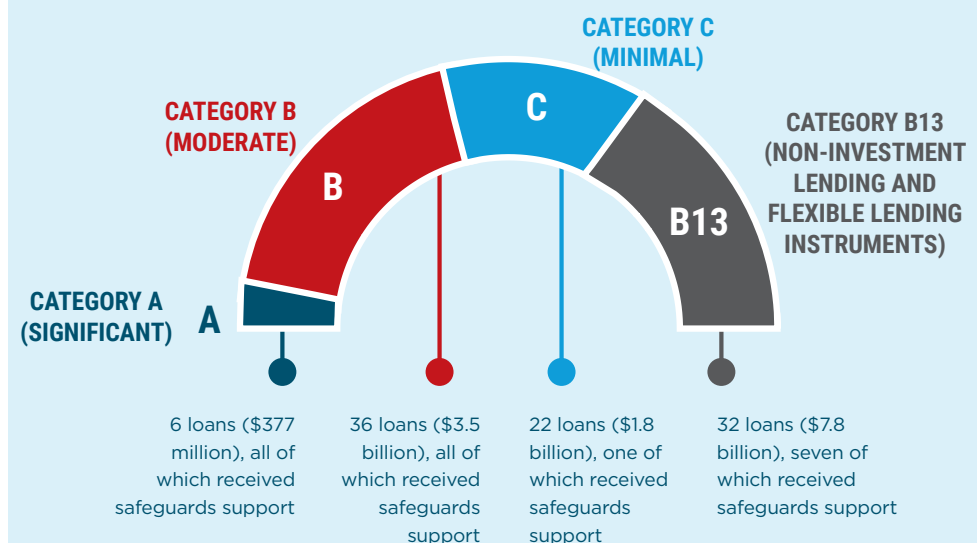
- All IDB projects are classified according to their environmental and social impact (except for loans of the Immediate Response Facility for Emergencies Caused by Natural and Unexpected Disasters, which are exempt from the requirements of the [Environment and Safeguards Compliance Policy](#)).
- We undertake due diligence to ensure that potential direct and indirect environmental and social impacts are properly identified and managed while monitoring the project's operating environment and social performance, adjusting as needed.
- We assign safeguard specialists to all moderate- to significant-impact projects (categories A and B in preparation).
- We evaluate the adequacy of environmental and social impact assessments, management plans and procedures, and institutional arrangements for mitigating and managing impacts and risks.
- We determine additional measures to be included in the project design and operation to ensure that environmental and social impacts and risks are effectively mitigated and managed.
- We monitor implementation of all high- and substantial-risk projects and work closely with borrowers and stakeholders to manage environmental and social risks and ensure that each project complies with our safeguards and with specific national and international standards.
- We track and report safeguards performance to identify potential compliance concerns, as well as areas for improvement.

In 2018 IDB approved 96 sovereign-guaranteed loan projects. Figure 13 shows the 2018 classification (please refer to section B.3 *Screening and Classification* of our [Environment and Safeguards Compliance Policy](#) for more information on the categories).

- Category A (significant): six loans (\$377 million), all of which received safeguards support
- Category B (moderate): 36 loans (\$3.5 billion), all of which received safeguards support
- Category C (minimal): 22 loans (\$1.8 billion), one of which received safeguards support
- Category B13 (non-investment lending and flexible lending instruments): 32 loans (\$7.8 billion), seven of which received safeguards support

Figure 13

Loan Classification of 2018 Approvals



Risk-Based Safeguards Management and Performance

As part of efforts to strengthen risk management throughout the project lifecycle, we have updated our methodologies for supervision according to a project's risk.

All IDB-financed projects are being rated for their performance in execution on environmental and social risks and the Bank is now able to report on trends. This system strengthens existing environmental and social safeguards by prioritizing supervision efforts²¹ beyond the Bank's environmental impact classification. The report is based on a project-level dynamic risk rating indicator, the Environmental and Social Risk Rating (ESRR). The ESRR is assessed through a qualitative method using a model that considers four factors (cause, contribution, context, and performance) to rate projects as being at high, substantial, moderate, or low risk (Figure 14). The ESRR also assists in providing more effective and targeted safeguard supervision proportional to risk. The target for 2020 is to expand safeguards supervision support to all high and substantial risk operations.

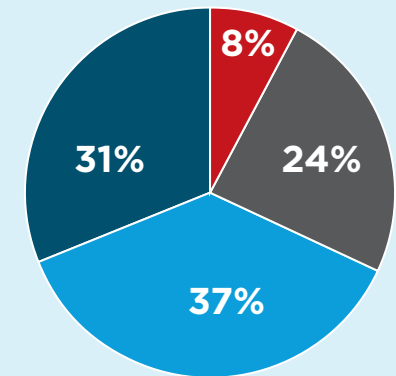
In 2018 we also improved our methodology on safeguards performance ratings, which is now based on a more disciplined monitoring process and application of safeguard policies. Performance is rated using a four-factor scale:

1. **Satisfactory:** all actions implemented
2. **Partially Satisfactory:** not fully consistent with commitments; without material negative adverse impacts
3. **Partially Unsatisfactory:** prompt corrective action required
4. **Unsatisfactory:** reasonable expectation of material adverse impacts; noncompliance with IDB Safeguard Policies.

These changes in methodologies are part of a broader effort to strengthen risk management throughout the project lifecycle and support the allocation of resources for supervision according to the level of risk.

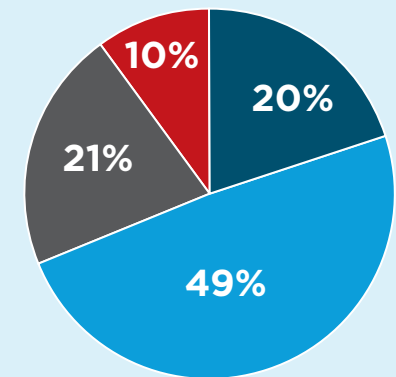
Figure 15 shows the safeguards performance of projects with ESG support. Actions have been identified to address all identified risks.

Figure 14
Risk Ratings for 2018 Loan Portfolio in Execution



■ HIGH ■ SUBSTANTIAL ■ MODERATE ■ LOW

Figure 15
Safeguards Performance of Projects with ESG Support



■ SATISFACTORY ■ PARTIALLY SATISFACTORY ■ PARTIALLY UNSATISFACTORY ■ UNSATISFACTORY

²¹ According to the project's impact classification, project lifecycle (construction, operation), client performance, and associated risks.



Social Impact Assessment for Sustainability

Latin America and the Caribbean is a region with social, cultural, political, and economic diversity that has made major strides in poverty reduction. Relevant quantitative data shows that at least [70 million people rose out of extreme poverty](#) and moved up the social ladder, swelling the ranks of the middle class to more than one-third of the region's population. This progress provides an excellent framework to help identify long-term social sustainability opportunities.

However, a measure of doubt may always linger about what, from a social inclusion perspective, is the best way to achieve long-term sustainability of the financing provided to national governments; and particularly, about the technical instruments used to ensure that projects are well designed. In this context, IDB recently issued a technical note laying out the fundamental premises to embed social issues in development projects financed by the IDB to promote long-term sustainable results.

[*Social Impact Assessment: Integrating Social Issues in Development Projects*](#) looks at how governments and other key players can better utilize social assessments in their projects to improve development outcomes, ensure greater social acceptance of the project, and manage potential risks, among others. The recommendations are aligned with international best practices.

In practical terms, experience indicates that the Social Impact Assessment process, particularly in projects with a high social risk, generates quantifiable positive impacts. In addition, it can become a long-term social sustainability driver for operations that promote sustainable development in the Latin American countries where IDB works and operates.

Managing Safeguards in Our Most Complex Projects

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

In this section we look at some examples of this kind of operation in Haiti, Panama, Paraguay, Peru, and Uruguay.

SOLID WASTE MANAGEMENT IN NORTHERN HAITI



Name: [Solid Waste Management in Northern Haiti](#)

Year Approved: 2018

IDB Financing: \$33 million

Country: Haiti

Sector: Water and Sanitation

The northern region of Haiti has experienced significant changes and is urbanizing rapidly, attracting citizens from other regions. The region faces challenges with basic infrastructure, including solid waste collection and water and sanitation systems, putting considerable pressure on resources and risking pollution of soil and water. IDB's Solid Waste Management Program in Northern Haiti aims to improve environmental conditions and the livelihoods of inhabitants of Haiti's northern region through the improvement of solid waste management practices and the final disposal of solid waste. The program also focuses on strengthening institutional capacity in municipal management.

This program has potential environmental and social impacts and risks, including:

- Environmental degradation due to the location and proximity of the Mouchinette landfill area to the protected Three Bays National Park
- Economic displacement of 19 families that worked near the landfill.

The environmental and social risks intrinsic to this operation include:

- Potential cumulative impacts on informal workers of the solid waste supply chain
- Potential impacts on neighbors living in the surrounding areas of the collection points
- Social opposition to collection points and to the solid waste collection management.

IDB prepared a compensation plan to establish mitigation measures for potential environmental degradation. The Bank also prepared a restoration plan for the livelihoods of 19 families affected by the program. In addition, an extensive consultation process was carried out during preparation of this program, including over four rounds of consultations with several stakeholders, to address their concerns and establish proper grievance redress mechanisms.



CONNECTIVITY IN PANAMA



Name: [Support to the Development of Territorial Connectivity of Panama's Central and Western Regions](#)

Year Approved: 2018

IDB (Total) Financing: \$87 (\$87) million

Country: Panama

Sector: Transportation

An adequate infrastructure represents one of the challenges for the regional connectivity of Panama and has an impact on the country's productivity and access to basic services. The Bank's territorial connectivity program in Panama will improve productivity in western and central regions of the country through the construction of infrastructure on the Pan American corridor, the rehabilitation of secondary roads in the province of Veraguas, and the adaptation of rural roads to better serve the needs of the indigenous peoples in the country.

The classification for this operation is based on the identification of potential negative impacts and risks on the indigenous population Comarca Ngäbe-Buglé. Construction and operation of the infrastructure works, with no adequate environmental and social mitigation plans, can cause deterioration in the quality of life of this vulnerable population through impacts on agricultural activities for their own subsistence, as well as impacts on land tenure. The Bank conducted a sociocultural analysis during program preparation to help prevent and mitigate negative impacts on this fragile population. As a result of the analysis, the program is adapting the infrastructure to the indigenous populations to help preserve their cultural aspects and identity. In addition, project managers will consult with the community regarding the project design. Community participation during execution will be a key factor to implement the ethno-engineering aspects recommended for this operation.

FOREST INVESTMENT IN PERU



Name: [Forest Investment Projects Peru](#)

Year Approved: 2018

IDB (with resources from the Strategic Climate Fund)

(Total) Financing: \$19.5 (\$19.5) million

Country: Peru

Sector: Environment and Natural Disasters

Peru is one of the most biodiverse countries in the world, especially in the Amazon region of the country. However, this natural wealth is being threatened by factors such as deforestation. In the Peruvian Amazon, there are 3.5 million hectares at risk of deforestation, in most cases because of their proximity to access roads and/or already deforested areas. The government set a target of a 30 percent reduction in GHG emissions by 2030. IDB's Forest Investment Projects Peru loan will contribute to this target by reducing deforestation in the Amazon. It aims to secure land rights for indigenous communities, as well as to build their capacity to manage and protect their territories effectively. It also will finance projects for sustainable agriculture and extraction of renewable forest resources by indigenous communities and small landholders. Lastly, the project will build capacity for better environmental management at local, regional, and national levels.

The main potential impacts of the project are related to challenges to titling the full customary territories of indigenous communities and preexisting social conflicts in the Amazon regarding lands and resources. Part of the project's activities will take place in buffer zones of protected areas. The project will apply specific safeguards to ensure the adequate titling of indigenous lands; implement a social governance framework to foster the participation of beneficiaries and reduce the risk of social conflict; and apply an environmental management framework to avoid the environmental impact of productive activities. An extensive consultation process—including national and regional indigenous organizations—effectively turned these stakeholders into codesigners of the project, thereby ensuring the social acceptance and sustainability of the project.

HOUSING IN BAÑADO TACUMBU



Name: [Rehabilitation and Housing Program of Barrio Tacumbú](#)

Year Approved: 2018

IDB (Total) Financing: \$100 (\$100) million

Cities: Asunción (Paraguay)

Sector: Urban Development and Housing

The city of Asunción is the most important and populated urban agglomeration in Paraguay. Most of its informal human settlements are established along the Paraguay River floodplain, an area with the most complex environmental, social, and urban conditions in the country. Tacumbú is one of these neighborhoods, with around 10,000 inhabitants settled below flood level.

The Paraguay government is spearheading a multistage riverfront development program in order to reduce the vulnerability of its population and improve urban planning in the region. The program focuses on providing housing and urban resilience to climate change while maintaining the social cohesion of the neighborhood. IDB's participation will focus on the construction of 1,500 residences, with infrastructure for services, public spaces, and facilities, as well as the cleanup and recovery of wetlands, streams, and lagoons. The program will have a positive impact on families that are repeatedly affected by flooding, while contributing to the city's urban planning. The program will require resettling over 2,500 families and will have impacts on the natural habitat. Risks related to associated facilities and local capacity also were addressed.

In addition to the preliminary environmental and social impact assessment approved for the program, the Bank supported the government in developing complementary studies for the associated works in the Yrupé lagoon and wetlands. These studies led to adjustments in the design of the urban master plan to make it compatible with the lagoon recovery and management plan. Such integrated planning enables the government to control urban sprawl into the ecosystem.

A resettlement plan for the entire area was developed using a participatory approach that included consultations with grassroots organizations and with residents in every section of the neighborhood. The Bank engaged all stakeholders to ensure their voices were heard. As a result, every family will be resettled under a single unified plan.

Finally, due to the project area's high exposure and vulnerability to flooding from the Paraguay River, a detailed quantitative Disaster and Climate Change Risk Assessment (DRA) was needed (see page [43](#) for a description of the methodology). This DRA also includes the Bañado Norte in Asunción to support an urban resilience project under the Green Climate Fund for both areas. The DRA will assess flooding risk to these two areas under four scenarios: baseline conditions (without the project interventions), post-intervention conditions, and both of these with and without the effect of climate change. This will show the differences in risk (expected losses) under each scenario to inform decisions on what interventions to implement. It will help evaluate the different interventions and select the alternatives with the greatest risk-reduction potential. See page [19](#) for more information about this project.



NEIGHBORHOOD UPGRADING



Name: [Third Neighborhood Improvement Loan](#)

Year Approved: 2018

IDB (Total) Financing: \$85 (\$100) million

Country: Uruguay

Sector: Urban Development and Housing

Compared with the previous two programs, this third operation of the CCLIP will potentially face larger social and environmental impacts that will require close supervision and mitigation activities. These impacts are related to the resettlement of over 800 vulnerable families. This can be addressed with measures identified and developed in the environmental and social instruments. The program developed a resettlement plan that involves a methodology and roadmap to ensure an adequate resettlement process of those families. Careful follow-up of the environmental and social plans during implementation is critical to ensuring the sustainability of the program throughout its lifecycle.

See page [18](#) for information about how this project is contributing to Uruguay's climate change efforts.

BOGOTA METRO



Name: [Metro of Bogota First Line Program](#)

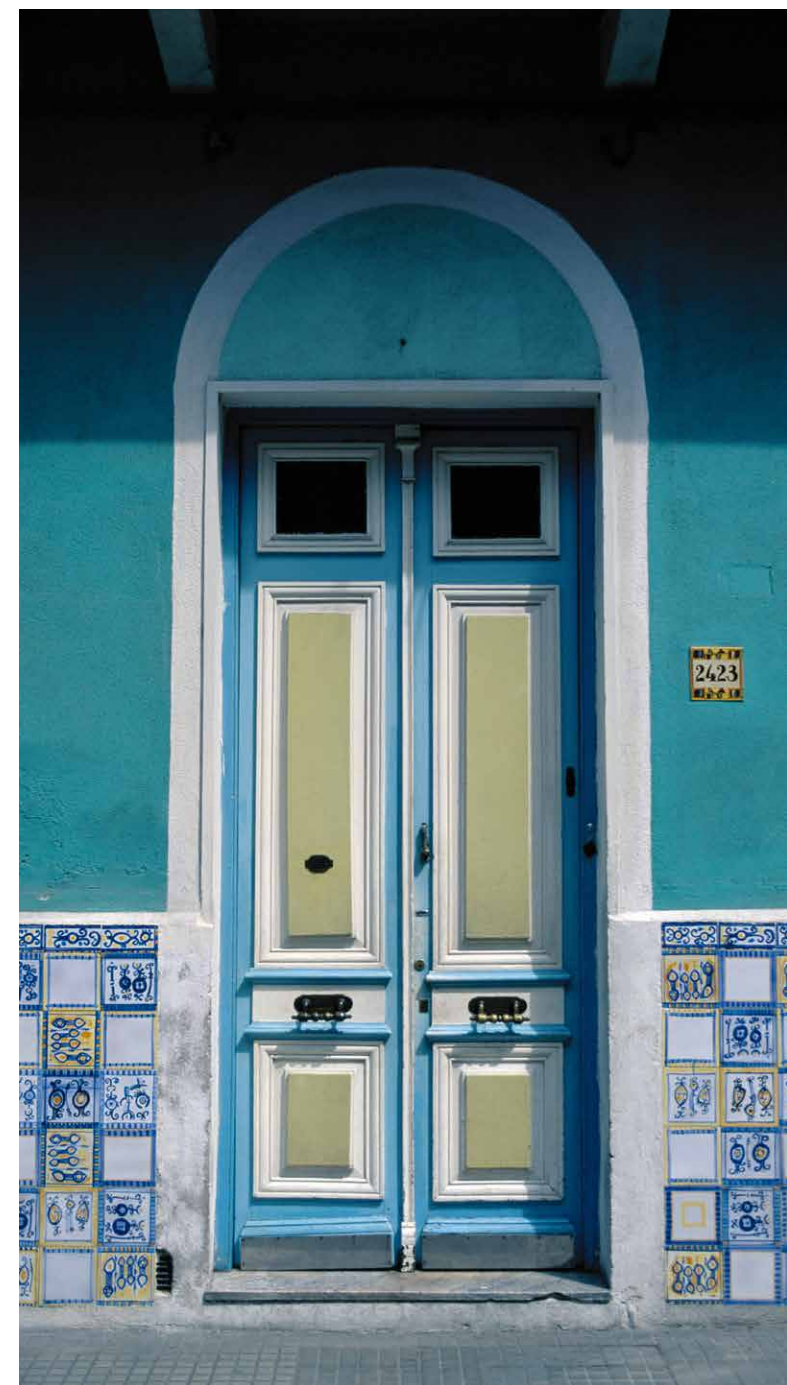
Year Approved: 2018

IDB (Total) Financing: \$70 (\$196) million

City: Bogota (Colombia)

Sector: Transportation

Please see page [22](#) for information about our financing for this project and how we are applying safeguards.





CORPORATE SUSTAINABILITY

At IDB we are committed to preserving the environment in which we live and work—both in our projects and in our workplace.

Our commitment includes empowering neighborhood communities, maximizing the potential of employees, and minimizing the environmental impact of our facilities. The actions we take in our own work routines help the Bank make a greater contribution toward addressing global environmental and social responsibility issues, and they set an example of stewardship for stakeholders in Latin America and the Caribbean.

IDB has a long-standing commitment to ensuring that our internal operations are environmentally sound. The Corporate Sustainability Program (CSP) leads the effort to reduce the corporate environmental footprint of the IDB Group.

CSP measures the IDB Group’s overall footprint—on carbon, energy, waste, water, and paper—to identify trends, to design employee awareness and engagement programs, and to develop and implement practices that contribute toward being more environmentally responsible. Below are a few of the key ways we advanced these goals in 2018.

Green Buildings

All workplaces consume energy and other natural resources and generate waste. Energy used for lighting, heating, and cooling IDB offices represented 45 percent of IDB’s corporate carbon footprint in 2018. We are committed to incorporating environmental measures into the design and construction of all new and renovated corporate facilities. To date, IDB has six offices that have achieved LEED certification (two in Washington, D.C., plus country offices in Brazil, Costa Rica, Panama, and

Peru). In 2018 we completed construction of a new office in Jamaica, which is pursuing LEED certification, and began construction of a new office in the Dominican Republic, which has been designed to the highest LEED standards available. Beyond green certification, we reduce the energy impact of IDB offices through:

- **Efficient lighting:** In 2018 we replaced lightbulbs in country offices in Belize, Costa Rica, Haiti, Guyana, and Peru with LEDs, completing a project begun in 2012 to retrofit all country offices with LEDs. In IDB’s headquarters, between 2014 and 2018 we replaced more than 3,300 high-use fixtures (e.g., in lobbies) with LEDs, generating a cumulative savings of 1.2 million kilowatt-hours.
- **Producing our own solar energy:** Latin America and the Caribbean holds tremendous potential to replace fossil fuel energy sources with renewable ones. IDB offices in Brazil and Bahamas have on-site solar plants that generate 72 and 20 kilowatts of electricity, meeting approximately 20 percent of each office’s energy needs. In 2018 we added to this capacity by installing a small solar system in our Haiti office and commissioning an additional 120-kilowatt system in Nicaragua that will be capable of generating 41 percent of the office’s energy. Likewise, as part of its LEED design, the new IDB office in Jamaica has a 47-kilowatt solar array.
- **Open work spaces:** Since 2004 more than 100,000 square feet of space in the IDB headquarters have been converted to open layouts. These spaces maximize access to natural light, reducing the need for artificial lighting. The most recent projects also incorporate new, highly efficient lighting and sensors to control energy use.

Waste Reduction

Reducing waste is another important aspect of greening the Bank. Through CSP, the IDB Group endeavors to reduce the waste generated in our facilities, and to divert unavoidable waste from landfills by reducing single-use products and promoting the reuse and recycling of materials wherever possible. Numerous initiatives aim at reducing our waste.

Single-use plastics: All new employees at IDB headquarters are provided with reusable water bottles and coffee mugs, and water-bottle refilling stations are available throughout our buildings in Washington, DC. Partnering with our on-site catering company, we have also implemented a host of measures to reduce disposables from our cafeteria and events. We sell no bottled water in plastic, offer a coffee discount program for reusable mugs, and make extensive use of china, silverware, and reusable drinkware in our café and catering. We replaced our disposable cafeteria takeout containers with long-lived, dishwasher-safe boxes that can be returned and reused. Nearly all remaining disposable service items (utensils, soup mugs, etc.) are made of plant-based, compostable materials.

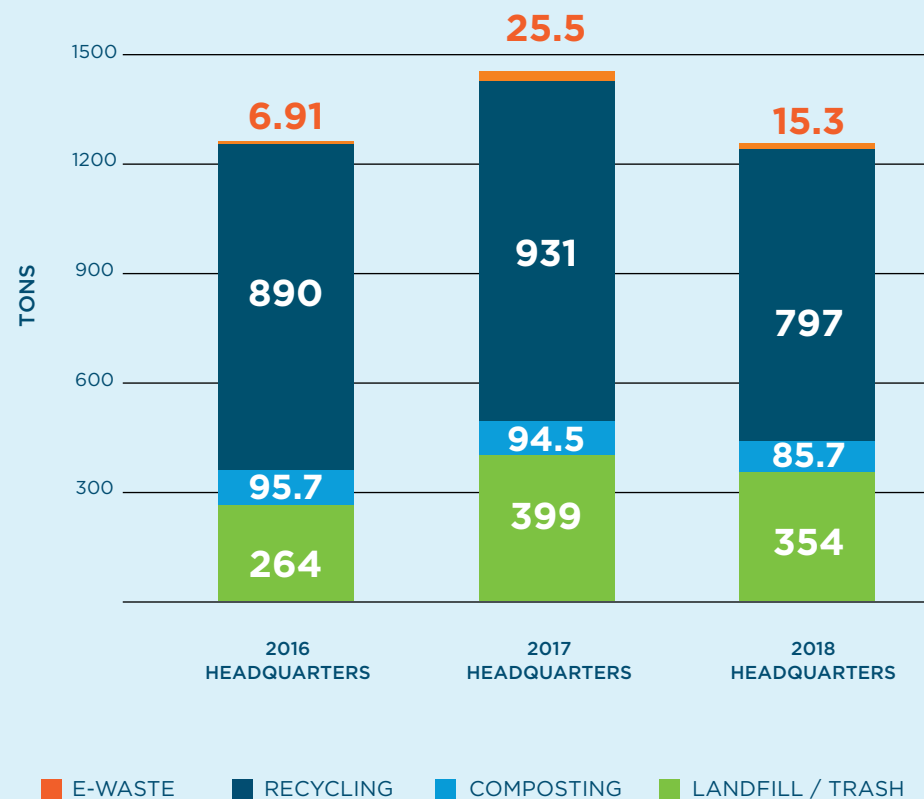
Paper: IDB uses a secure print-management system in our headquarters, which only prints documents upon retrieval with a user ID. In 2018 this secure printing approach avoided printing 3.2 million pages (or 32 percent of the total sent to be printed). We also began a campaign aimed at encouraging departments to go paperless. This included a Paperless Recognition Award and used data visualization analytics to create customized approaches to encourage print reduction by heavy users and departments. We also eliminated default provision of pads and pencils at event set-ups.

Through 2018, these and other efforts led to 72 percent of our headquarters-based waste being diverted from landfills (Figure 16).

Given the rapidly evolving international recycling industry, in 2018 we conducted a comprehensive vendor review to inform our future waste management efforts in the US, and advised several country offices on establishment of recycling programs where the markets are more nascent.

Figure 16

Headquarters Total Waste by Destination



Carbon Neutrality

IDB was the first multilateral development bank to commit to carbon neutrality, beginning with measuring and offsetting of greenhouse emissions from our 2006 annual meeting. Our commitment was subsequently expanded to cover all the emissions from our corporate activities, and we continue to meet it. In December 2018, at the United Nations Climate Change Conference (COP-24) in Katowice, Poland, IDB reiterated this commitment by joining 14 international organizations (representing over 50,000 staff with a total footprint of 2 million tons of CO₂) in their collective [pledge to carbon neutrality](#).

Although we have worked toward reducing our emissions, in 2018 we emitted approximately 25,100 tons of CO₂ equivalent, which we offset through:

- **Renewable Energy Credits:** IDB invests in about 20 million kilowatt-hours of renewable energy credits (RECs) to compensate for the entire electrical usage at IDB headquarters (three buildings in Washington, D.C., and one in Ashburn, Virginia). These credits come from a variety of renewable energy sources, including wind, solar, biomass, geothermal, and low-impact hydroelectric in the US and Canada.
- **Verified Emissions Reductions:** IDB Group's unavoidable carbon footprint is offset through a series of investments in carefully selected Verified Emissions Reductions (VERs) from projects in Latin America and the Caribbean. These have recently included investments in: the largest wind farm in Argentina (with 43 turbines and 80 megawatt installed capacity, generating 300 gigawatts of clean, renewable energy annually); a project in Honduras to distribute efficient cookstoves in rural areas that reduce wood use and cooking time; and a community reforestation initiative in Nicaragua that directly supports local farmers that grow trees on their farms, creating long-term income while mitigating climate change, improving livelihoods, and restoring ecosystems.

Employee Engagement and Education

Our employees' practices at work and beyond affect the sustainability of the IDB Group and the communities where we operate. By providing ongoing education and events, cultivating a community of environmental champions, and managing programs to support employee-led initiatives, CSP raises the visibility of sustainability issues and fosters action by IDB Group personnel. In 2018 we continued this work through a variety of events and incentives.

EVENTS

- **Earth Day**
 - *Panel, Local Actions to Global Impact:* Using IDB's 2017 Sustainability Report as a guide, speakers presented Bank-financed projects and individual efforts to advance sustainability as examples of IDB's overall strategic direction and personal opportunities for action.
 - *BIDKids Play on Plastic Pollution:* To educate the next generation—and, through them, their parents, grandparents, and other adults—children of IDB employees (BIDKids) performed in a play on plastic pollution and its dangers.
- **Bike to Work Day:** IDB Group employees in Washington, D.C. were encouraged to ride their bikes to work during this US-wide celebration in May. To help prepare and motivate them, CSP offered an educational seminar on bike-riding, a basic bicycle maintenance class, and a welcome pit-stop. IDB Group's cycling club (BIDCiclistas) served as buddies for new riders.
- **Car Free Days:** CSP hosted a weeklong series of events in preparation for this international event in September. Educational workshops, panel discussions, informational booths, a bike clinic, walking and no-parking challenges, and outdoor walks/rides all encouraged and rewarded employees to "Drop the Key" for a day or more and enjoy the physical, financial, and environmental benefits of walking, cycling, carpooling, or taking transit.

- **Energy Expo:** To celebrate World Energy Day in October, CSP led the planning of a two-day interactive event at IDB headquarters to raise employee awareness about what the Bank is doing internally and externally to address energy use, and present numerous options for taking personal action to advance a clean-energy future at work, home, and in the community.
- **World Food Day:** To coincide with the launch of the IDB's new #SinDesperdicio platform (see page 35), an educational event was held for employees at IDB's headquarters. Chefs from the IDB's catering vendor explained efforts to minimize and compost food waste in the Bank's on-site food preparation and offered tips for reducing waste at home. Tickets were sold for a special lunch prepared with 250 pounds of "imperfect" produce from a local farmers market. Proceeds (\$1,000) were donated to the Capital Area Food Bank.

GREEN AMBASSADORS NETWORK

To provide an improved means for collaboration, CSP launched a Green Ambassadors program. Volunteer ambassadors—representing all country offices and headquarters-based departments—convened several times to learn about sustainability, provide feedback on plans, initiatives, and strategies, and share best practices. This volunteer network will help expand sustainability awareness among IDB employees.

EMPLOYEE FINANCIAL INCENTIVES FOR SUSTAINABILITY

- **MetroCommuter Program Pilot:** To encourage the use of public transportation for staff commuting at its headquarters, IDB launched a financial incentive program for transit users. In the first year of the program, we had 786 participants, representing roughly 82 percent of eligible employees.
- **EnergySage Solar Program:** To encourage employees to consider installing solar power on their own homes, the Bank made the EnergySage online solar marketplace available. The marketplace facilitates research and comparing quotes from installers. Employees that go through with installation receive a financial benefit from using the platform.

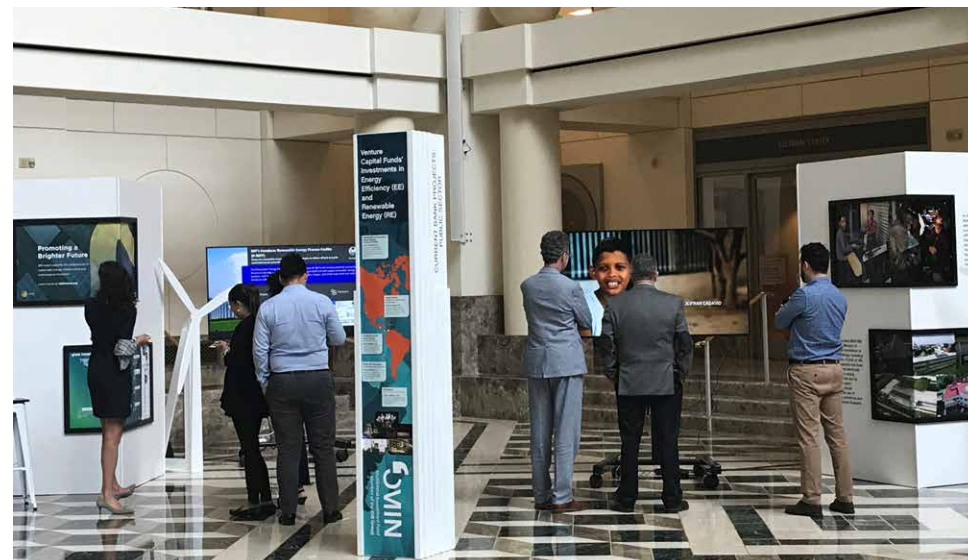
COUNTRY OFFICE ENVIRONMENTAL SUSTAINABILITY COMPETITION

Annually, IDB holds an environmental competition among its country offices and grants funds to the winning office(s) to complete the proposed project(s). The goal is to engage employees and other local stakeholders in reducing their environmental footprint using innovative approaches.

In 2018 three country offices were selected as winners:

- **Belize** will implement a comprehensive solid waste management project that promotes reducing, recycling, and composting of waste and the use of biodegradable and reusable products.
- **Suriname** will increase energy and water efficiency through lighting control, solar protection on windows, reuse of rainwater, filtered drinking water dispensers, hydroponics connected to a rainwater tank, and an energy efficiency game.
- **Trinidad and Tobago** will reduce and measure the disposal of plastic water bottles and other dry recyclables into the environment.

Starting with changes at home, IDB employees in our country offices are showing their dedication to reducing our footprint.



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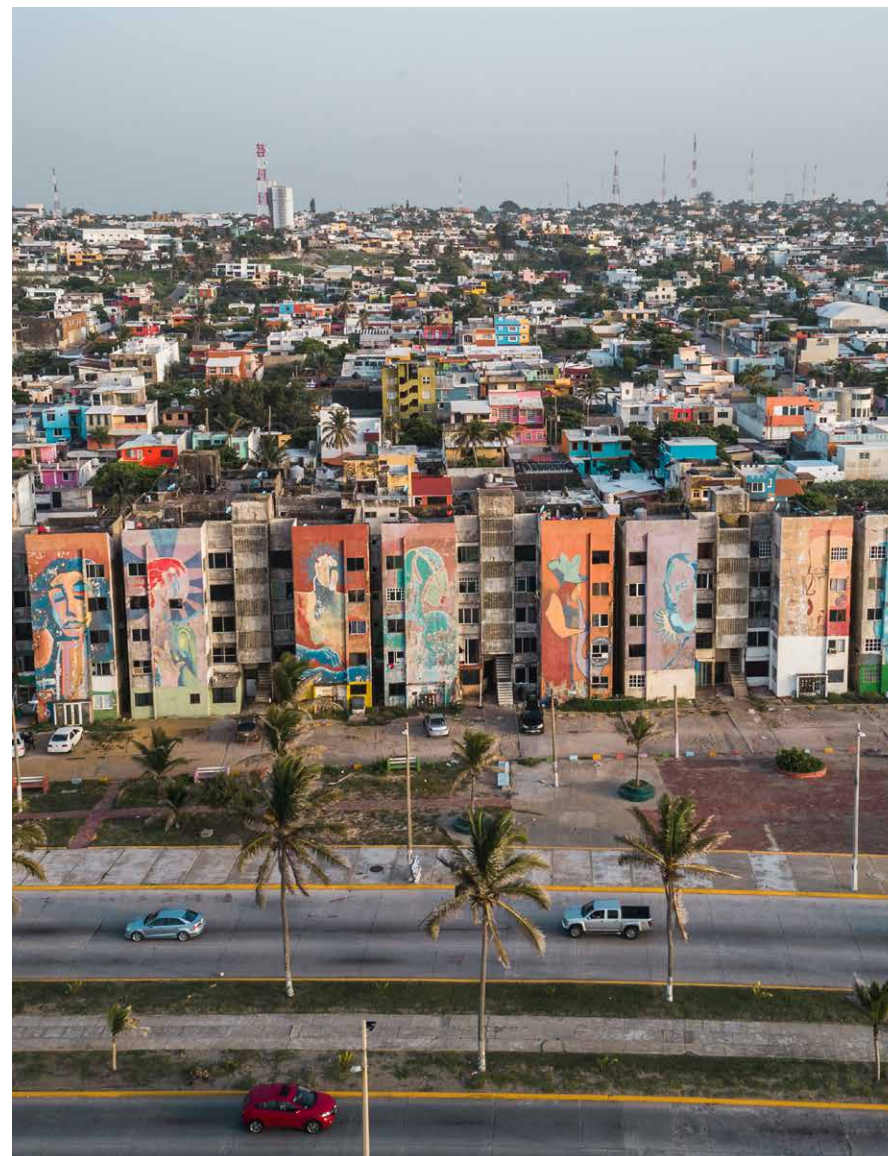
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