

Inter-American Development Bank

SUSTAINABILITY REPORT 2017

About the IDB Message from Introduction Climate Change Sustainable Infrastructure In-Depth at Sustainable Cities Infrastructure

Natural Capital

Sustainable Islands Social

Sustainability

DISBURSEMENTS FOR

BILLION IN 2017.

SOVEREIGN-GUARANTEED LOANS TOTALED \$8.9

Safeguarding Sustainability

\$8.9

BILLION

Sustainability at Home

About the IDB

We work 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 and advance infrastructure. Our aim is to achieve development in a sustainable, climate-friendly way. With a history dating back to 1959, today we are the leading source of development financing for Latin America and the Caribbean. We provide loans, grants, and technical assistance and we conduct extensive research. We maintain a strong commitment to achieving measurable results and the highest standards of increased integrity, transparency, and accountability.

The IDB's current focus areas include three development challenges social inclusion and inequality, 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 2017, the IDB approved a total of 90 sovereign-guaranteed loan operations, totaling \$11.4 billion. Disbursements for sovereign-guaranteed loans totaled \$8.9 billion in 2017. At the end of 2017, the approved value of IDB's project portfolio in execution stood at \$53.8 billion. IN 2017, THE IDB APPROVED A TOTAL OF 90 SOVEREIGN-GUARANTEED LOAN OPERATIONS, TOTALING \$11.4 BILLION. —

\$53.8

BILLION

AT THE END OF 2017, THE APPROVED VALUE OF IDB'S PROJECT PORTFOLIO IN EXECUTION STOOD AT \$53.8 BILLION.

BILLION

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Growing demand for infrastructure, natural disasters, and persistent social challenges in Latin America and the Caribbean continually drive the need for a development vision that is more sustainable and inclusive. The 2030 development agenda and the Paris Agreement trace a path agreed among countries that seeks to address the key question of how we can achieve economic growth in a sustainable way.

We updated our institutional strategy and created a new Climate Change and Sustainable Development Sector to reaffirm our commitment to support the countries of Latin America and the Caribbean in their efforts to accelerate economic growth and reduce poverty and inequality. At the Inter-American Development Bank, we are changing the way we operate toward an integrated approach to sustainability. This 2017 report presents how our interventions and support translate into positive actions and impacts in the region, while highlighting some examples of how sustainability is the key transversal ingredient to help countries advance in achieving their development objectives.

At a global level, one of the most relevant issues is delivering sustainable infrastructure. It is estimated that in the 2015-2030 period around \$90 trillion in new infrastructure investments will be needed-an amount equivalent to the world's total existing stock. At the IDB we have developed a sustainable infrastructure framework that considers economic and financial, environmental, social, and institutional pillars. This framework is instrumental in guiding our member countries' investments and programs aimed at achieving the Sustainable Development Goals.



AT A GLOBAL LEVEL, ONE OF THE MOST RELEVANT ISSUES **IS DELIVERING SUSTAINABLE INFRASTRUCTURE. IT IS ESTIMATED** THAT IN THE 2015-2030 PERIOD **AROUND \$90 TRILLION IN NEW INFRASTRUCTURE INVESTMENTS** WILL BE NEEDED.



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Public-private partnerships (PPPs) will be fundamental to face the region's challenges. Yet this type of investment arrangement brings a certain degree of complexity to both the design and implementation phases. In 2017, we created a new team specializing in public-private partnerships to optimize the IDB Group's resources and knowledge. This team supports our Country Representatives in their roles as focal points, coordinating sector specialists, national economists, and IDB Invest specialists to provide technical assistance for the design and implementation of PPP projects.

Introduction

We have witnessed the impact of natural disasters year after year and we have seen the Caribbean suffer the costly damage of hurricanes and floods. In 2017, we launched the Sustainable Islands Platform to support Caribbean countries in attracting investments that are resilient to climate change, using the principles of the blue and circular economies, with an emphasis on reuse, recycling, and the regeneration of natural capital.

We hope that our actions and efforts will positively impact the lives of people-the reason behind all our efforts. In 2018, we must continue to strengthen our work toward innovative, integrated, and inclusive solutions to confront the complex challenges we face.

I trust that this report reflects the vision we have at the IDB for helping to forge a more resilient and sustainable region and planet for future generations.

Luis Alberto Moreno President Inter-American Development Bank



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Introduction

The geographic location of the Latin America and Caribbean region makes it susceptible to natural disasters, including hurricanes, landslides, droughts, and earthquakes. In 2017, the region faced a series of devastating natural disasters, including an active hurricane season (with two category five storms—Irma and Maria), a tropical storm in Central America (Nate), flooding in Peru, mudslides in Colombia, and two major earthquakes in Mexico. In many cases, climate change is making these tragic events more frequent and worsening their impact. At the same time, Latin America and the Caribbean remains the most unequal region in the world. Women, indigenous peoples, and African descendants frequently suffer development opportunity gaps. We also know that disasters disproportionately affect the poor. These disasters and how they affect people highlight the increasing need to ensure sustainable development in the region.

The Sustainable Development Goals (SDGs) and the Paris Climate Change Agreement marked a turning point in the international commitment to deliver sustainable development. As the agenda continues to gain momentum, the IDB is committed to supporting member countries' efforts to translate the agenda into meaningful countrylevel targets, policies, programs, and projects. We provide financial and non-financial resources to governments, businesses, and civil society organizations in our 26 borrowing member countries, including loans for investment projects, policy reforms, and help in managing financial crises. We also provide technical cooperation, convene global experts, and conduct research to further the understanding of critical issues and seek solutions.

In the pages that follow, we showcase some of the initiatives, operations, and research the IDB financed and worked on with partners to contribute to the sustainability agenda in 2017, selected based on a Bank-wide call for inputs.







KEY MILESTONES IN 2017

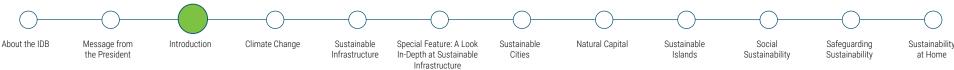
For information about IDB's sustainability journey through the years, please visit our interactive Sustainability Timeline. Our key milestones in 2017 include:

- Enhanced mainstreaming of climate change and sustainability (we financed over \$4.3 billion in climate change-related activities, or 28 percent of total IDB Group approvals, in 2017).
- 2. Approval of our Climate Change Action Plan 2016–2020.
- **3.** Cohosting the second Global Infrastructure Forum in April 2017 with the European Investment Bank.
- **4.** Approval of our new Gender Action Plan 2017–19.

We are proud of what we have helped our member countries achieve so far, but we know there is a lot of work ahead of us, and we look forward to continuing the journey together. Read on to learn about what we are doing at the IDB for climate change and sustainability in infrastructure, cities, natural capital, islands, landscapes, social development, and safeguards. We also look inward at what we are doing to make our own offices more sustainable.

GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) sets global standards for sustainability reporting, relying on best practices for reporting on a range of economic, environmental, and social impacts. The IDB's second 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.



OUR STRATEGIC APPROACH AND ALIGNMENT WITH THE SDGS

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. At the IDB we are committed to maximizing the positive sustainability outcomes of our work. Sustainability has long been a core element of the IDB's strategic vision.

The Update to the Institutional Strategy 2010–2020: Partnering with Latin America and the Caribbean to Improve Lives (UIS) reinforces our approach to sustainability. The vision of the UIS is to work in partnership with the region to increase productivity and reduce inequality in a sustainable way 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, informed the development of the UIS, as the two were developed concurrently. As can be seen in Figure 1, each of the UIS development challenges and cross-cutting themes is aligned to at least one of the 17 SDGs, and all 17 SDGs are covered by the UIS. The UIS also reaffirms the IDB Group's two overarching objectives of sustainable growth and the reduction of poverty and inequality—both of which are at the core of the 2030 Sustainable Development Agenda. Look for the SDG symbols throughout this report to see specific examples of how we are contributing.

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IDB Group Strategic Priorities	Sustainable Development Goals				
Social Inclusion and Equality	1 [№] ₽verty Ť*ŤŤŤ Ť	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	6 CLEANWATER AND SANITATION	10 REDUC
Productivity and Innovation	4 QUALITY EDUCATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 ADDISTRY, INVOLUTION AND INFRASTRUCTURE	
Economic Integration	9 ROLSTRY, INFINITION AND INFASTRUCTURE	17 PARTNERSHIPS FOR THE GOALS			
Climate Change and Environmental Sustainability	11 SUSTANABLE CITIES	12 ESPONSIBILE CONSIMPTION AND PRODUCTION	13 action	14 BELOWWATER	15 LIFE ON LAN
Gender Equality and Diversity	5 GENDER EQUALITY	10 REDUCED INFQUALITIES			
Institutional Capacity and Rule of Law	16 PEACE_JUSTICE AND STRONG INSTITUTIONS				
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SUSTAINABILITY IN OUR ORGANIZATIONAL STRUCTURE

Our ambitious, integrated approach to sustainability requires shared commitment and responsibility throughout the IDB, from the president to technical specialists.

- Our Climate Change and Sustainable Development sector is responsible for setting the Bank's strategic direction on sustainability. The department fosters a regional network that aims 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. The sector has specialists in 24 of the IDB's 26 country offices.
- Tackling sustainability issues requires integrated solutions, and all of the IDB's sectors are committed to the agenda. Transversal working groups have been created to provide venues to discuss crosscutting issues and joint work, including for sustainable infrastructure and sustainable islands and for a community of practice on resilience.
- 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 operations (see page 55 for more on safeguards).
- The Independent Consultation and Investigation Mechanism (known as MICI, from its Spanish acronym) and other oversight bodies play important roles in ensuring that sustainability is given due consideration at the IDB.
- We also promote sustainability at home through our corporate sustainability program and other mechanisms.
- The IDB also collaborates extensively with IDB Invest, the private sector arm of the IDB Group, on climate change and sustainability.

This structure positions the IDB to integrate sustainability into everything we do. For further information on IDB structure, roles, and responsibilities, click here.





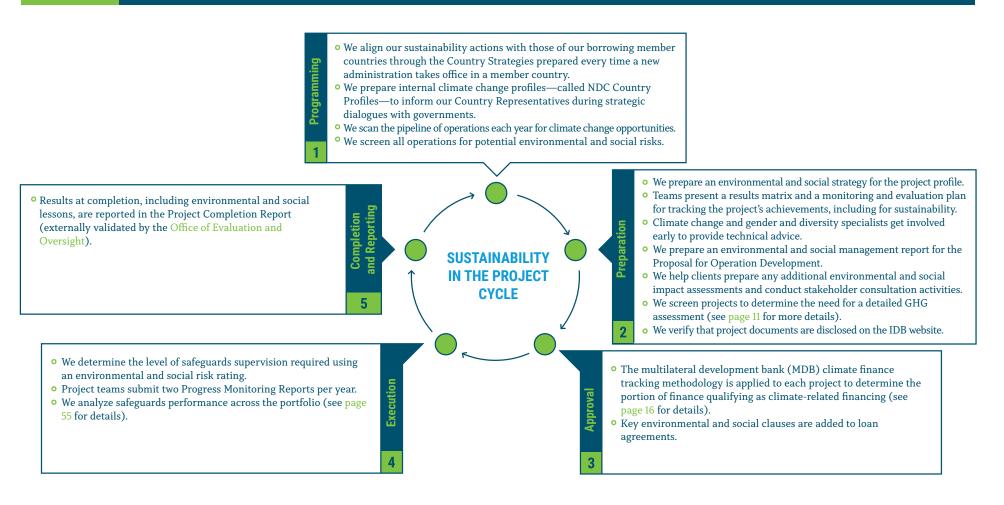
SUSTAINABILITY THROUGHOUT THE PROJECT CYCLE

Aspects of sustainability are found at all stages of the IDB project cycle. Figure 2 highlights some of the key sustainability activities at the various stages of the project cycle.

Managing Concerns and Complaints

Individuals who believe they have been or may potentially be harmed by an IDB-financed operation due to the failure of the IDB to comply with relevant operational policies may raise concerns directly to the IDB through the Independent Consultation and Investigation Mechanism. MICI's annual report is available here.

FIGURE 2 Sustainability throughout the Project Cycle



GREENHOUSE GAS FOOTPRINT OF OUR LENDING PORTFOLIO

We work with our member countries to incorporate GHG emission reduction technologies into project designs. Our Environment and Safeguards Compliance Policy commits us to calculate gross emissions from Bank-financed projects that generate significant amounts of GHG emissions. We also calculate net or "avoided" emissions (reductions below business as usual) for selected projects. Reporting GHG emissions at the portfolio level in a manner harmonized with other multilateral financial institutions allows us to track the trends in our portfolio and to understand the implications of our investments. Figure 3 shows the process we use to calculate GHGs.

According to these calculations, in 2017 the 29 IDB-financed greenfield and expansion projects for which gross emissions were estimated generated the equivalent of about 270,000 metric tons of carbon dioxide (CO_2) and the four low-carbon development projects for which net emissions were calculated avoided the equivalent of about 30,000 metric tons of CO_2 . These estimates assume a 20-year project lifetime. Sixty-four percent of our gross emissions stemmed from two projects one project closing 13 open dumpsites and the other constructing a tunnel under the Andes. The projects that reported overall avoided emissions in 2017 included two projects toward improving access to and the efficiency of wastewater treatment in Argentina and the construction of wastewater treatment plants in both Colombia and Nicaragua. Figure 4 shows GHG emissions and avoided emissions in 2017 compared with earlier years.

FIGURE 3 Process to Calculate GHGs

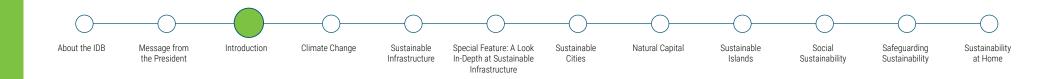
Of the **90** projects that were approved in 2017, **42** met the criteria for GHG screening during preparation.

Of the **42** projects that were screened, **33** underwent a more detailed GHG assessment.

Of the **33** projects that underwent a more detailed GHG assessment, **29** reported gross emissions and **4** reported overall avoided emissions.

3

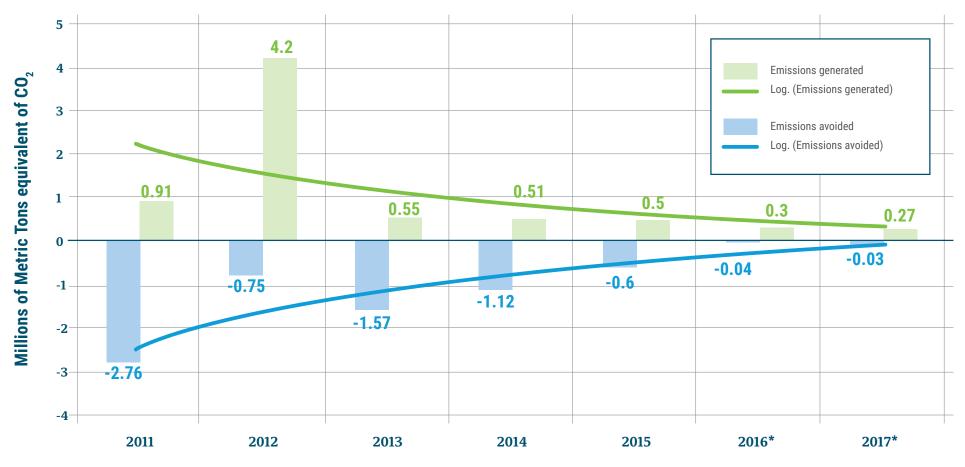
DETAILED ASSESSMENT



CALCULATION OF EMISSIONS

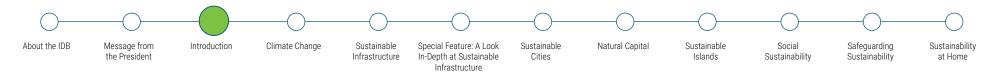
SCREENING

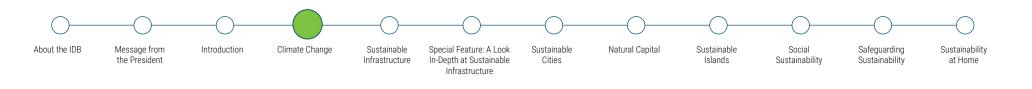
FIGURE 4 GHG Footprint of IDB Lending



*2016 and 2017 calculations include only public sector projects (at the end of 2015 the IDB's private sector operations were consolidated into IDB Invest, including many large renewable energy projects, which had traditionally contributed significantly to IDB's figure for emissions avoided).

A wind energy project provides a good example of how we calculate GHG emissions and avoided emissions. We first estimate emissions due to land use change associated with the project, taking into account the amount of land converted, the above-ground biomass, and the carbon fraction (for example, conversion of grasslands results in fewer emissions than conversion of a tropical rainforest). We estimate emissions from the construction of associated facilities such as transmission lines, access roads, buildings, and the wind turbine towers. Finally, we calculate the annual energy output of the wind project, which gives us the greenhouse gas reduction emissions (emissions avoided).





Climate Change

The Paris Climate Change Agreement sets the objective of limiting the rise in global temperature this century to 2 degrees Celsius above pre-industrial levels (widely considered to be the threshold beyond which warming becomes dangerous for humans). Most analyses indicate this will necessitate achieving net zero GHG emissions by 2050, which means countries need to transition toward a low-carbon, climate-resilient economy now.

All 26 of the IDB's borrowing member countries are signatories of the Paris Agreement and are committing to specific emission reduction and climate resilience plans, referred to as Nationally Determined Contributions (NDCs). Progress toward implementing these pledges will be essential for the world to tackle climate change. But the transformation is constrained by institutional capacities, the absence of pipelines of new low-carbon and climate-resilient projects, high transaction costs, risk aversion, and resistance to change. The transition will require increased investment, and the IDB is ready to provide financial and non-financial assistance related to critical climate change issues. The IDB Group has also committed to screening, by 2018, all relevant projects for climate risks, particularly for countries that are most vulnerable to the impacts of climate change. To do this, we continually improve the screening of operations for disaster and climate change risk and have drafted a Disaster Risk Assessment methodology for high- and medium- risk projects. This effort is being supported by a Community of Practice on Resilience, established in 2017, which aims to acquire a better understanding of the factors that contribute to resilience and the sustainability of the programs and to strengthening the capacities of the Bank and its clients.

In the remainder of this section we look at the IDB's work on NDC Invest, the regional policy dialogue on climate change, climate finance, and some examples of the operational work we are doing on climate change.

TO LEARN MORE, PLEASE VISIT OUR BLOG, LET'S TALK ABOUT SUSTAINABILITY AND CLIMATE CHANGE.







NDC INVEST

Launched in 2016, **NDC Invest** is a comprehensive platform that aims to help our member countries align their national portfolios with international commitments made under the Paris Agreement. It brings together relevant IDB Group services under a single umbrella to support countries with NDC implementation and to leverage further resources. (See Figure 5.) It has four components:

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- The **NDC Programmer** focuses on integrating NDCs into investment plans and on policy and regulatory enabling environments.
- The **NDC Pipeline Accelerator** provides support to develop a pipeline of transformational projects, particularly for sustainable infrastructure, by integrating sustainability upstream.
- The NDC Market Booster offers additional reimbursable and non-reimbursable resources for innovative financial instruments and business models to overcome market and other non-financial barriers.
- The NDC Finance Mobilizer increases access to concessional resources and blended IDB Group capital to make public sector investments more attractive and to de-risk private sector investments.

FIGURE 5 NDC Invest in Action

In Mexico, we are supporting the national climate change agenda with a Results Based Loan (disbursements are triggered by the verification of mitigation and adaptation outcomes) (see page 41).

> We are identifying all NDC-relevant interventions in **Guatemala** and assisting the government in elaborating its financial strategy for NDC implementation.

We are fostering private sector engagement in **Peru** to implement and co-finance the measures identified in its NDC. In **Jamaica**, we are developing a partnership with the Ministry of Economic Growth and Job Creation and the Ministry of Finance and Public Service to support the planning and implementation of the NDC and to strengthen national capacity on transparency. At the **regional** level, we are identifying opportunities that best enable the implementation of NDC and SDG objectives in island territories of the Caribbean, as well as exploring potential alignments with a blue and circular economies approach.

We are working in collaboration with the *Agence Française de Développement* to set a unique work plan for NDC implementation in the **Dominican Republic**, supporting governance assessments in the agriculture and tourism sectors.

> In **Brazil**, we are supporting the Brazilian Forum on Climate Change on sectoral consultations for implementing their NDC and, through the technical cooperation *InfraInvest*, we are supporting Brazil's Ministry of Planning to upstream infrastructure planning by providing the evidence for prioritizing and programming infrastructure investments in a sustainable manner and by creating the conditions at local level to finance and implement that infrastructure.

We are working with the government of **Paraguay** to generate the conditions that enable international climate finance with the purpose of promoting low-carbon and climate-resilient infrastructure in Asunción.

We are working with the government in **Argentina** by identifying all infrastructure needs related to the country's NDC.

assisting the Ministry of Finance in creating a climate change agenda and assessing policy reform options.

In **Colombia**, we are

In **Bolivia**, we are helping the government integrate its existing initiatives with international funding mechanisms for the execution of their NDC.

We are supporting the development of the National Financial Strategy in **Chile**.

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CLIMATE FINANCE

Significant levels of finance are needed to fulfill commitments made in the Paris Agreement. Recognizing this, Governors at the IDB Group's 2016 annual meeting endorsed a goal of doubling our climate finance to 30 percent of approvals by 2020, subject to demand from our borrowing countries and clients as well as access to external sources of concessional financing. In 2017, the IDB Group approved a Climate Change Action Plan to achieve the 30 percent climate finance goal and systematically mainstream climate change into operations. This goal is also tracked through the IDB Group's Corporate Results Framework.

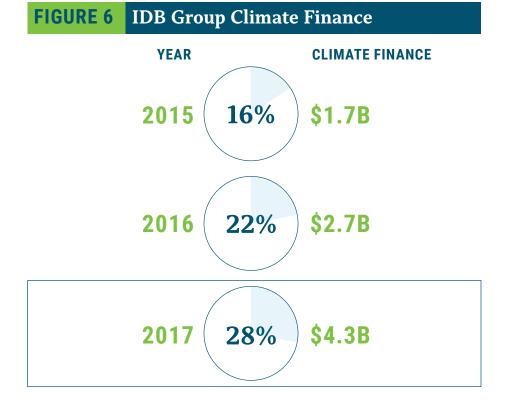
MDBs have agreed on a common methodology to define and track climate finance in operations financed with their own resources and the external resources that they manage. They collaborate on an annual joint report to disclose the climate finance provided through development operations in developing and emerging economies.

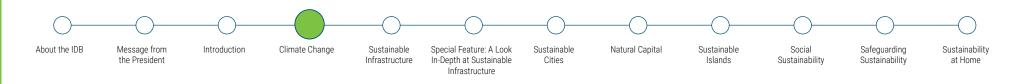
MDBs have defined climate finance as "the financial resources committed by MDBs to development activities with climate change mitigation and adaptation benefits in developing and emerging economies." Further details on the methodology and detailed MDB data can be found in the joint MDB report on climate finance.

In 2017, the IDB Group financed over \$4.3 billion in climate change-related activities benefiting Latin America and the Caribbean, through loans, grants, technical cooperation, guarantees, and equity investments, accounting for 28 percent of total IDB Group annual approvals. This represents a considerable increase in the rate of climate finance in relation to 2015 (16 percent) and 2016 (22 percent). See Figure 6.

More than half of the number of sovereign-guaranteed lending operations approved in 2017 had some element of climate finance. IDB Group climate finance in 2017 also targeted a wider range of sectors that are either affected by climate change or are key to mitigate change.

Mitigation (\$3.4 billion): Climate change mitigation refers to efforts to reduce or sequester GHG emissions to reduce the risk of climate change. Thus, climate mitigation finance refers to resources to adopt and deploy low-emission approaches and technologies, such as in the energy, transport, forestry, agriculture, and land use sectors.





Adaptation (\$761 million): In this context, adaptation is a process to lower the current and expected risks or vulnerability posed by climate change. Thus, climate adaptation finance refers to resources allocated to projects, or components thereof, that explicitly define a context of vulnerability, intend to reduce such vulnerability, and allocate resources to specific vulnerabilityreduction tasks.

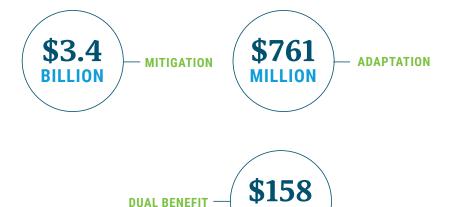
In addition, dual benefit climate finance in 2017 totaled \$158 million.

During 2017 we enhanced our ability to provide external climate finance. We strengthened our partnership with the Green Climate Fund (GCF) by signing an Accreditation Master Agreement, which is a prerequisite for all GCF-accredited entities to implement GCF-approved projects. We approved the United Kingdom Sustainable Infrastructure Program, which will provide about \$230 million to help mobilize private investment for sustainable, low-carbon infrastructure to facilitate implementation of NDCs. Finally, the NDC Accelerator multi-donor fund became operational with resources from the Nordic Development Fund ($\in 10$ million) and the IDB (\$4 million) to accelerate the delivery of sustainable projects.

REGIONAL POLICY DIALOGUE ON CLIMATE CHANGE

In December 2017, we convened a regional policy dialogue on climate change where 14 countries exposed their ongoing work regarding the implementation of their NDCs. Specific attention was given to the opportunity NDCs present for incorporating climate-related considerations into national investment and for financing decision-making processes.

The discussion at this meeting signals the ever-growing importance that ministries of finance in the region have vested in understanding the consequences of climate change on the region's economy and their interest in shifting the region toward a low-carbon, resilient economic growth path.



Deep Decarbonization Pathways in Latin America and the Caribbean

13 CELIMATE

Country: Regional Sector: Environment and Natural Disasters Approval Year: 2017 IDB Amount: \$980.000

We have developed a framework to help policymakers assess comprehensive emission reduction pathways and design politically acceptable policies to put their countries on track to reach the zero net emissions target. To assist country planning for emission reductions in all sectors, this project will contribute to state-of-theart tools to assess and design emission-reduction roadmaps across sectors in several countries in the region.



PROADAPT

2 ZERO HUNGER

13 CLIMATE

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The PROADAPT program is a technical assistance initiative of the IDB, the IDB's Multilateral Investment Fund, and the Nordic Development Fund. PROADAPT has two basic objectives. The first is to foster private sector development by promoting climate resilience and related business opportunities for micro, small, and medium-size enterprises and their local communities in Latin America and the Caribbean. The second objective is to broker and share new knowledge, best practices, and innovative tools that foster private sector resilience in developing regions and other markets.

To date, PROADAPT has committed over \$10 million in technical assistance and leveraged a total of \$21 million in the region. By the end of 2017 PROADAPT had approved 11 technical assistance projects in 13 countries: Argentina, Belize, Bolivia, Brazil, El Salvador, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, and Saint Lucia.



Proadapt Sertão: Building Climate Resilient Farmers in the Brazilian Sertão

Country: Brazil

Sector: Private Firms and SME Development Approval Year: 2014 IDB Amount: \$1.75 million

The Building Climate Resilient Farmers in the Brazilian Sertão project is developing climatesmart agriculture solutions in the northeastern semiarid region of Brazil. It has received several awards for its innovative approach to climate resilience. Through innovative technology and finance, it seeks to reduce farm failure among farmers facing acute climate risk. It has created a tool for smallholder farmers to integrate several levels of climate resilience, including short-term actions to increase productive efficiency, medium-term actions to reduce production fluctuations, and long-term actions to buffer climate shock through the restoration of ecosystem services. The application of the tool has led to production increases of up to 30 percent for individual farmers, mainly by minimizing fluctuations and improving quality, and it allows for continuous scoring and monitoring of climate risk at the farm level.

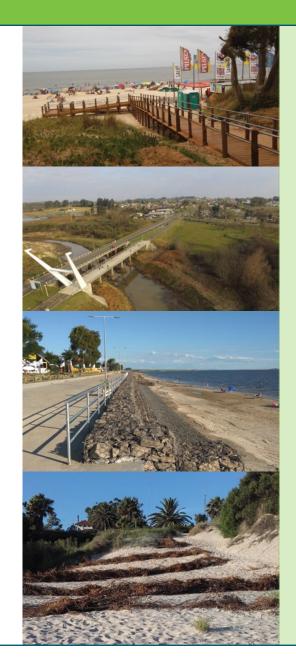
Local Development and Subnational Management Program

Country: Uruguay

Sector: Reform / Modernization of the State Approval Year: 2012 IDB Amount: \$70 million

The objective of the Local Development and Subnational Management Program is to assist the government of Uruguay in its efforts to make departmental governments more financially autonomous from the national government and to improve delivery of the basic services they provide. The program and departmental governments have co-financed numerous activities aimed at adapting or mitigating the effects of climate change and sustainable infrastructure.

- They diagnosed departmental governments' existing risk management instruments, included a risk management chapter in the new project guide, and conducted training workshops.
- In San Gregorio de Polanco the program sought to improve resilience capacity in the coastal area, directly benefiting more than 3,400 people (indirectly more than 80,000) by protecting the coastal edge with a retaining wall, promenade, and park space.
- At Miguelete Park in Montevideo the program addressed environmental degradation of the stream, while also considering the precarious housing and health status of the population living along its banks. It set the space as a public park, with appropriate pedestrian and traffic infrastructure, including bridges, lighting, benches, games, and landscaping.
- The program financed the first phase of the Cuñapirú stream recovery as a natural area. Five kilometers of the stream channel was cleaned and repaired, reducing flood risks. See the video to learn more.
- In the Ravera and Centro neighborhoods of the city of Rocha, the program improved storm drains, sidewalks, and the public lighting system. See the video (available in Spanish) to learn more.



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Sustainable Infrastructure

Infrastructure is an engine for inclusive growth and crucial to the delivery of services—it provides energy, transport, water, sanitation, and communication services for increasingly urbanized populations. Yet infrastructure needs (estimated at 3–8 percent of GDP) in the region exceed current investment levels (2–3 percent of GDP).

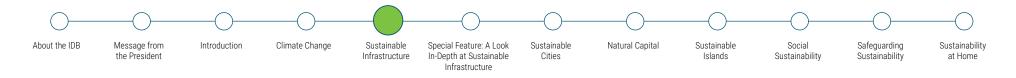
Beyond the need for additional investment, there is the fundamental question of what type of infrastructure to prioritize. Infrastructure assets are long-lived, making their sustainability key. With 70 percent of the forecasted increase in GHG emissions from developing countries set to come from infrastructure that is not even built yet, decisions made in the coming years will determine the climate future of the planet. Moreover, increasing infrastructure's resilience to climate change impact has become a high priority, particularly relevant to protecting the economy and fostering growth. In this section, we look at how we are fostering sustainability at the project level, improvements in project preparation, updates of a key infrastructure investment database, the conclusions from the Global Infrastructure Forum, and examples of programs in energy, transportation, and water.

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In addition, as a supplement to this report, we have taken a closer look at the work we have done on sustainable infrastructure in recent years. Please see *A Look In-Depth at Sustainable Infrastructure* (page 26), where we showcase some recent Bank research on the topic.





FOSTERING SUSTAINABILITY AT THE PROJECT LEVEL

Sustainable infrastructure is at the core of the global agenda for sustainable development, and at the IDB we are continuing to work to align our investment strategies with our member countries' respective sustainability objectives.

Approximately 26 percent of the resources financed by public sector infrastructure operations approved in 2017 were classified as climate change mitigation activities and 11 percent as adaptation activities (see page 16 for more information about climate change finance). We are also continuing to consider the gender perspective in infrastructure projects with the creation of the **Infrastructure Gender Toolkit**, an internal tool that provides ideas for specific interventions by country, sector, and type of project to increase women's use of the services provided by our projects but also to provide women with new employment opportunities in the sector.

IMPROVING PROJECT PREPARATION THROUGH SOURCE

The Sustainable Infrastructure Foundation, in cooperation with all major MDBs, has developed **SOURCE**, an online project preparation platform. SOURCE provides countries with specific sector templates to prepare projects and has features that enable project teams to collaborate online through the process of project preparation. The platform also includes enabling features for sharing information with investors and the public. We are committed to supporting the rollout of SOURCE in Latin America and the Caribbean and to promoting regional clients' application of it (in both IDB-funded and non-IDB projects). To this end, we have started a pilot process to upload project information onto the platform, and we are supporting SOURCE's efforts to train executing agencies in the region to use the platform.

UPDATING INFRALATAM, A KEY DATABASE FOR INFRASTRUCTURE

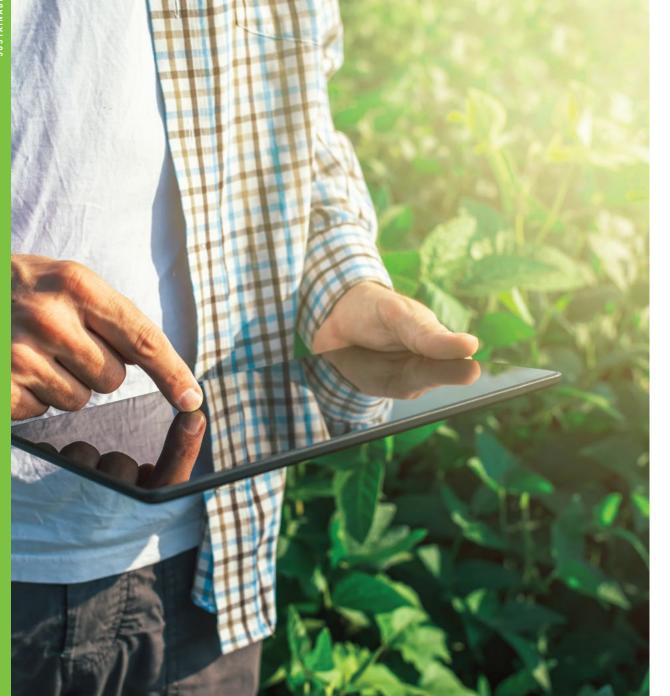
26%

APPROXIMATELY 26 PERCENT OF THE RESOURCES FINANCED BY PUBLIC SECTOR INFRASTRUCTURE OPERATIONS APPROVED IN 2017 WERE CLASSIFIED AS CLIMATE CHANGE MITIGATION ACTIVITIES AND 11 PERCENT AS ADAPTATION ACTIVITIES.





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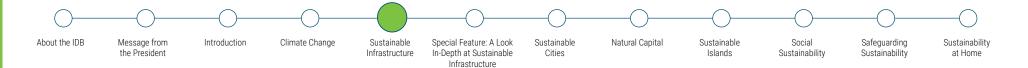
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Access to good-quality information is critical to design better infrastructure policies. Together with the Economic Commission for Latin America and the Caribbean (ECLAC) and the Development Bank of Latin America, the IDB manages the INFRALATAM website, which seeks to gauge and promote the analysis of investments in infrastructure. In 2017, the database was updated and its coverage increased. Now annual figures of infrastructure investments by the public and private sectors are available for 19 countries in the region for the 2008–2015 period. The information provided by INFRALATAM seeks to partly fill the data gap, promoting discussion and enriching the debate around building infrastructure along the path toward sustainable development.

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2017 GLOBAL INFRASTRUCTURE FORUM

In line with their commitments under the Billions to Trillions Agenda, MDBs are increasingly seeking to devote a substantial part of their annual financing resources in support of sustainable infrastructure investments. Along with the European Investment Bank, the IDB cohosted the Global Infrastructure Forum in 2017.

The forum was organized under the theme "Delivering Inclusive, Sustainable Infrastructure." It focused on meeting the challenges and finding innovative solutions to facilitate investment in sustainable infrastructure in different regions. At the conclusion of the 2017 forum, MDBs agreed that their concerted efforts should focus on the following priorities:

- Strengthening investment capacity, policy, and governance frameworks of public authorities and governments at national and subnational levels to address the infrastructure challenges of each country.
- Enhancing private sector involvement and finance by creating an enabling environment.
- Enhancing the catalytic role of MDBs.

MDBs continue to extend their collaboration to overcome upstream constraints and to mobilize additional infrastructure investment and finance, including from the private sector. They are building on their track record of strengthening capacities and the knowledge required for public and private investment in infrastructure, in the financing of projects and programs, and in the mobilization of private and public capital resources.





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Grid of the Future

Country: Regional Sector: Energy Year Closed: 2017 **IDB Amount: \$800,000**

Our Grid of the Future study analyzed the vast potential for two of the most mature and competitive non-conventional renewable energy technologies in the region—solar and wind energy—and laid out a long-term vision for a more sustainable energy supply in Latin America. The study's main objective was to identify, measure, and demonstrate the net benefits of a low-carbon, interconnected electricity grid by determining cost-effective and technically feasible investment paths for Latin America in generation and transmission. Considering the region's extraordinary untapped wind and solar resources, the IDB wanted to go a step further than traditional energy planning exercises. The study used state-of-the-art modeling techniques and a regional perspective to evaluate options for tapping into those resources and developing the necessary transmission infrastructure. The study had the following key takeaways:

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- Up to 80 percent renewable energy could be optimally integrated into Latin America's energy matrix by 2030 (from 60 percent in 2015) based on current trends in technology and costs. The natural variability of solar and wind resources can be mitigated by better linking neighboring countries and regions to take advantage of their temporal (hourly and seasonal) and geographic complementarity.
- Contrary to general belief, a future scenario with a higher renewable energy share (80 percent) and regional electricity interconnections is cheaper in terms of total systems costs over the next 15 years than business-as-usual scenarios with smaller renewable energy shares. The savings due to decreased fossil fuel spending can help to offset new investments in renewable generation capacity and regional transmission infrastructure.
- Carbon emission reduction targets can be achieved in the medium and long term thanks to a higher share of clean and sustainable renewable electricity, while assuring reliability in the electricity service. Tapping into endogenous and clean natural resources can help avoid fossil fuel dependency, enhancing energy security and providing stable prices to final consumers and local industry in the long term.

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Railroad Gral Roca Improvement Program – Constitución – La Plata Line

Country: Argentina Sector: Transportation Approval Year: 2013 IDB Amount: \$300 million

The seven lines of urban and suburban passenger railways in Buenos Aires cover over 800 kilometers and transport almost 430 million passengers each year. Deteriorating infrastructure has caused the system's overall quality of service to decrease significantly (delayed or canceled trains and an increase in serious accidents).

While improving the rail passenger service, this operation has also contributed to reducing GHG emissions. First, system improvements that have been made are expected to lead to increased use (replacing higher-carbon alternatives). Second, the electrification of the system will replace diesel. Finally, technological upgrades now mean that regenerative electric brakes are used, significantly reducing energy consumption (and emissions).

Program to Expand and Improve Water Supply Sustainability and Resilience in Cities

Social

Sustainability

Country: Bolivia Sector: Water and Sanitation Approval Year: 2017 IDB Amount: \$50 million

One of the program's objectives is to increase and improve access to water services and enhance resilience to the effects of climate change. It will focus on urban centers where a national emergency has been declared due to drought and water shortages. A second objective is to boost efficiency in managing the supply and demand for water resources through capacity building for water service providers. Finally, the program aims to help build preinvestment capacity with a view to facilitating projects with the potential to improve water service delivery in the program's beneficiary cities.

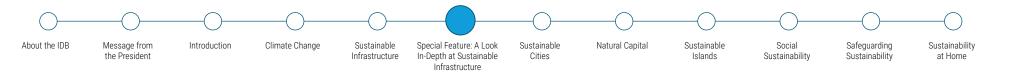
The program identifies past disaster situations and water emergencies and predicates its design as a preventative approach to increased water stress, making it qualify as 100 percent climate finance.



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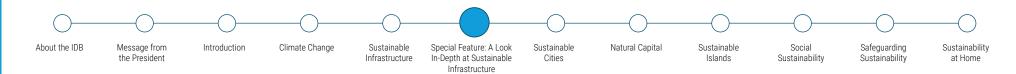


SPECIAL FEATURE: A Look In-Depth at Sustainable Infrastructure

Investment in infrastructure is widely recognized as crucial for economic and social growth through the development of essential services and assets. As the global population grows and urbanizes, the demand for infrastructure grows too. The New Climate Economy estimates that from 2015 to 2030 the global requirement for new infrastructure assets will total \$90 trillion, more than the value of the world's entire existing infrastructure stock.

In the recent Update to the Institutional Strategy, we identified three key development challenges in Latin America and the Caribbean: social exclusion and inequality, low productivity and innovation, and limited economic integration. Infrastructure is a factor in each of these challenges. Latin America and the Caribbean remains the most unequal region in the world. This inequality reaches into who has access to key infrastructure such as water and sanitation. The region lags behind other emerging market economies in productivity, and inadequate infrastructure has been identified as one of the causes. The logistics of trading across the region are hampered by bureaucratic customs and border crossing procedures and by deficient transport and port infrastructure.





The world needs more infrastructure—more roads, bridges, power and port facilities, and so on—particularly in developing countries. But not just any infrastructure. To achieve the economic, social, and environmental objectives embodied by the Paris Agreement on climate and the SDGs, new infrastructure must be sustainable, low-carbon, and climate-resilient. Although sustainable infrastructure needs can increase upfront capital costs by roughly 5 percent, they can lead to lower operating costs over the life of the investment, while also reducing risks and negative externalities—contributing to the business case for going sustainable.

In a broad sense, sustainable infrastructure is infrastructure that considers the full spectrum of sustainability factors: economic and financial, environment and climate change, social, and institutional. The specific application of this concept will depend on the relevant geographical and sector context. *Ultimately, sustainable infrastructure can be thought of as that which will enable the world collectively to meet the SDGs and the Paris Agreement.*

Time is running short to choose a sustainable path: the infrastructure that will be built over the next 15 years will dictate whether the world is on track for an increase of just 2 degrees Celsius, as outlined in the Paris Climate Change Agreement, and will have a strong influence on whether growth in developing markets is inclusive.

As a multilateral development bank that has taken important steps to develop its capacity to deliver sustainable infrastructure, the IDB has a key role to play in furthering this agenda. As part of this year's Sustainability Report, we are taking a closer look at how the IDB is approaching sustainable infrastructure. In this section, we look at the Bank's research on the infrastructure investment gap, explore how to define sustainable infrastructure, and examine conflict in infrastructure projects.



INVESTMENT GAP

While the infrastructure challenge in Latin America and the Caribbean is multifaceted, a key issue is the significant investment gap. Globally, around \$90 trillion needs to be invested in infrastructure over the next 15 years. More than half of this investment demand is coming from emerging and developing countries, where investment capital is more constrained and where sustainability can compete with other development priorities. The infrastructure investment gap in Latin America is significant. Several studies note that the region needs to invest at least 5 percent of GDP in infrastructure each year to meet demand (variously defined); this equates to additional infrastructure investment of about 2.5 percent of GDP annually. Experts suggest that an increase of \$120 billion to \$150 billion per year is required to achieve the region's development objectives.

Despite the funding gaps, public investment in infrastructure has declined since the global financial crisis. Faced with governments' decreasing ability to finance infrastructure, private spending in infrastructure is needed to overcome the investment gap. Increasing recognition of the potential for private capital to help fill the gap has been a key driver for a number of initiatives that have been launched since 2010.

At the same time, even with private financing, the public sector must continue to play a role in planning and regulating infrastructure. The necessary public and private coordination leads to unique challenges.

We engaged Mercer to better understand what is happening on the ground, review the barriers, and identify tangible next steps to address the funding gap for sustainable infrastructure. The report found that although there is some movement to incorporate environmental, social, governance, and climate considerations at the deal level, there is little "top-down" thinking about the transformational change and the investment pathways that must accompany successful implementation of the Paris Agreement and the SDGs and the opportunities that they offer investors.

\$90 TRILLION

GLOBALLY, AROUND \$90 TRILLION NEEDS TO BE INVESTED IN INFRASTRUCTURE OVER THE NEXT 15 YEARS.

SEVERAL STUDIES NOTE THAT THE REGION NEEDS TO INVEST AT LEAST 5 PERCENT OF GDP IN INFRASTRUCTURE EACH YEAR TO MEET DEMAND; THIS EQUATES TO ADDITIONAL INFRASTRUCTURE INVESTMENT OF ABOUT 2.5 PERCENT OF GDP ANNUALLY.

5%

EXPERTS SUGGEST THAT AN INCREASE OF \$120 BILLION TO \$150 BILLION PER YEAR IS REQUIRED TO ACHIEVE THE REGION'S DEVELOPMENT OBJECTIVES.

2.5%

\$120 BILLION





LACK OF WELL-DEVELOPED INFRASTRUCTURE PLANS AND LIMITED PROJECT PIPELINES



HIGH DEVELOPMENT AND TRANSACTION COSTS TO BRING PROJECTS TO COMPLETION



LACK OF VIABLE FUNDING MODELS AND INADEQUATE RISK-ADJUSTED RETURNS



UNFAVORABLE AND UNCERTAIN REGULATIONS AND POLICIES

A key recommendation emerging from our work with Mercer is to define just what we mean by "sustainable infrastructure" to drive clarity and urgency across the industry, providing a more compelling alternative to "traditional infrastructure" and enabling comparability for investors (see the next section to learn how we have progressed on that front).

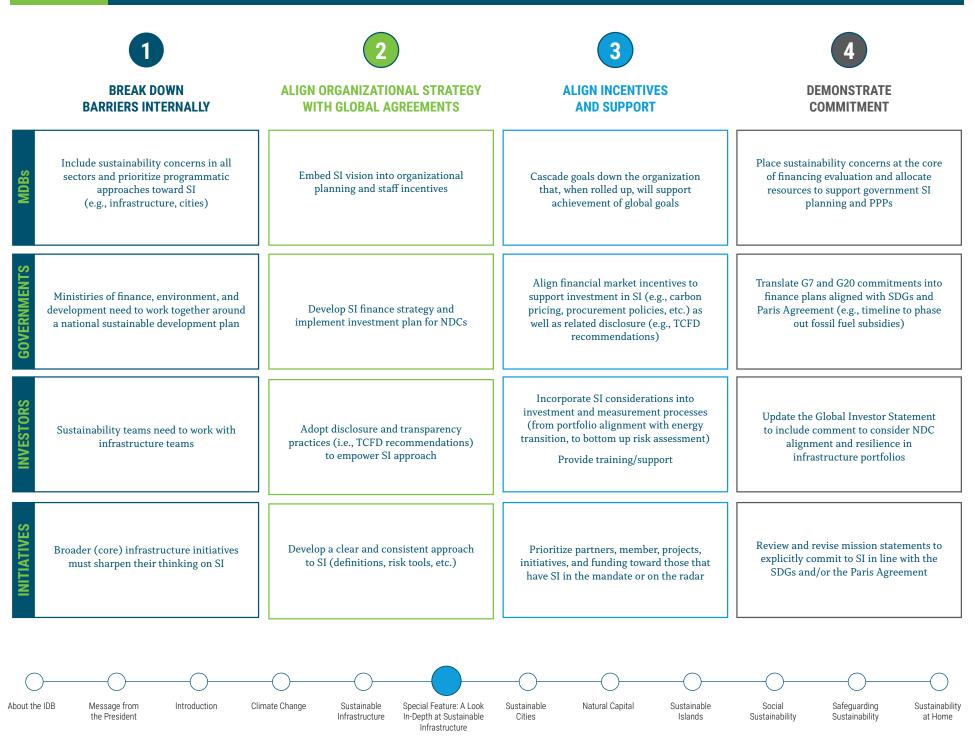
The continued financing gap is reflective of the range of barriers facing private sector financing of sustainable infrastructure identified in our work with Mercer:

- Lack of well-developed infrastructure plans and limited project pipelines: Governments often fail to develop and communicate long-term infrastructure pipelines, leading to a poor estimation of infrastructure needs. This may be exacerbated by a lack of coordination or consistency between a country's environment, planning, and finance ministries/departments.
- High development and transaction costs to bring projects to completion: Investors with limited resources, time, and expertise—such as pensions and insurance companies—can find it difficult to assess projects when standards are fragmented and the projects themselves have highly variable profiles.
- **Lack of viable funding models and inadequate risk-adjusted returns:** Many investors do not invest in infrastructure projects simply because they do not offer adequate risk-adjusted returns or match with the investor's specific risk-return or other investment requirements. In addition, large infrastructure investors may have difficulty taking up infrastructure opportunities below a certain scale due to minimum investment size requirements.
- Unfavorable and uncertain regulations and policies: Misaligned price signals and related policy uncertainty can result in investment in infrastructure that is not aligned with the SDGs and the Paris Agreement.

The report also identified key steps for success aimed at addressing internal barriers preventing prioritization of sustainable infrastructure and implementation of required changes, aligning organizational strategies to international agreements and commitments, and structuring incentives to deliver on those commitments. These are summarized in Figure 7.

Public-private partnerships (PPPs) are critical for meeting the challenge of sustainable development, and their complexity requires a skill set that combines knowledge of the private and the public sectors. Recognizing this, the IDB Group has a onestop shop for PPPs in the region to deliver support to countries. The unit has dedicated staff and resources to provide quality technical assistance.

FIGURE 7 Steps for Stakeholder Groups





DEFINING SUSTAINABLE INFRASTRUCTURE

Following recommendations from the study published in collaboration with Mercer, we have taken action to promote sustainable infrastructure investment and engage all stakeholders. Working with teams across the institution, we are spearheading the development of a sustainable infrastructure framework that can help identify opportunities, develop a transparent pipeline, improve project preparation, and increase private sector participation.

The proposed framework encompasses four major pillars of sustainability: economic and financial, environmental, social, and institutional. See Figure 8 for some of the elements we consider under each of the pillars.

SUSTAINABLE INFRASTRUCTURE

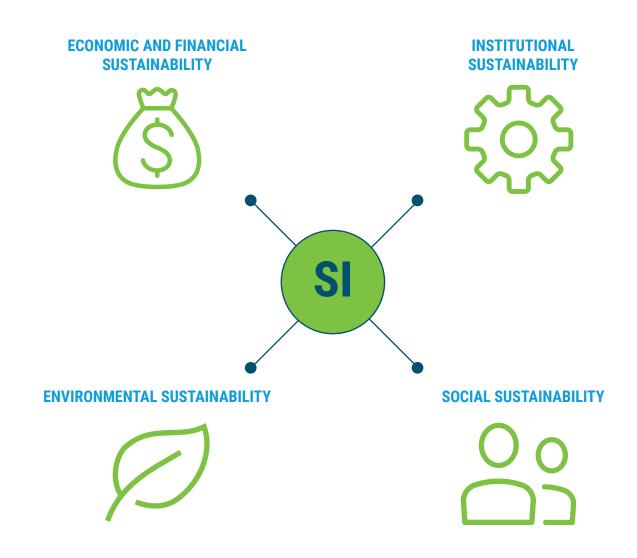
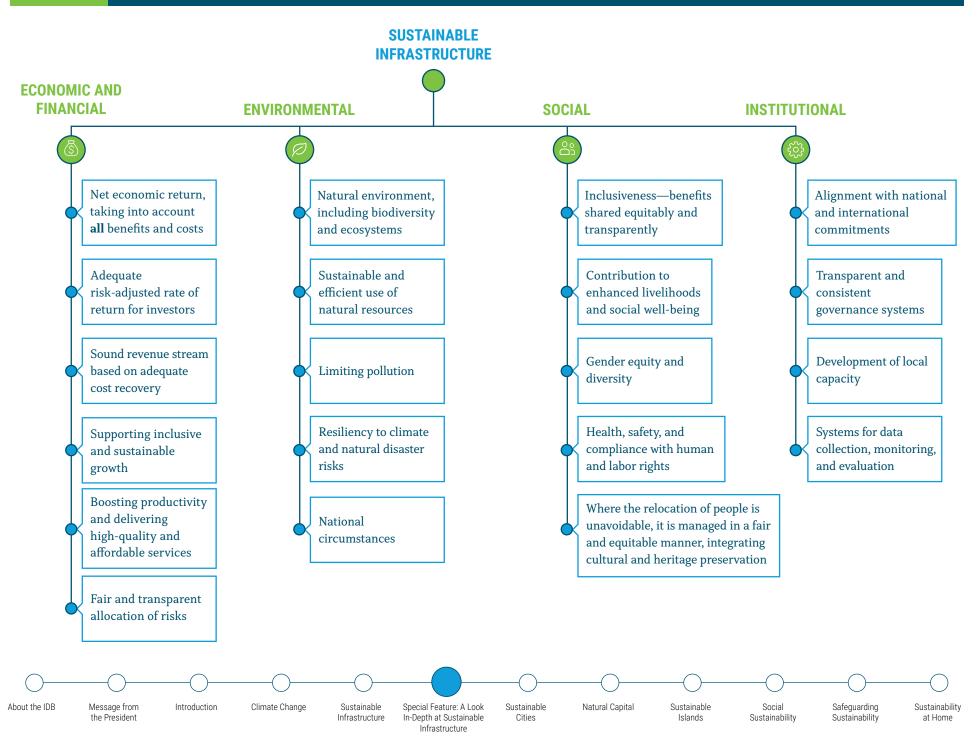


FIGURE 8 Elements of Sustainable Infrastructure



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Economic and Financial: Infrastructure is economically sustainable if it generates a positive net economic return, taking into account all benefits and costs over the project lifecycle, including positive and negative externalities and spillovers. In addition, for infrastructure to be financially sustainable, it must generate an adequate risk-adjusted rate of return for project investors. Sustainable infrastructure projects must therefore generate a sound revenue stream based on adequate cost recovery and supported, where necessary, by availability payments. Sustainable infrastructure must be designed to support inclusive and sustainable growth and boost productivity and to deliver high-quality and affordable services. Risks must be fairly and transparently allocated to the entities most able to control the risk or to absorb its impact on the investment outcomes over the lifecycle of the project.

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Environmental: Sustainable infrastructure preserves, restores, and integrates the natural environment, including biodiversity and ecosystems. Sustainable infrastructure supports the sustainable and efficient use of natural resources, including energy, water, and materials. It limits all types of pollution over the lifecycle of the project and contributes to a low-carbon, resilient, resource-efficient economy. Sustainable infrastructure projects should be sited and designed to ensure resiliency to climate and natural disaster risks. Sustainable infrastructure often depends on national circumstances, where the overall performance will need to be gauged relative to what could have been built or developed instead.



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Social: Sustainable infrastructure is inclusive—it serves all stakeholders, including the poor, and contributes to enhanced livelihoods and social well-being over the lifecycle of the project. Projects must be constructed according to good labor, health, and safety standards. Benefits generated by sustainable infrastructure projects should be shared equitably and transparently. Services provided by such projects should promote gender equity, health, safety, and diversity while complying with human and labor rights. Where the displacement and relocation of people is unavoidable, it must be managed in a fair and equitable manner and must integrate cultural and heritage preservation.

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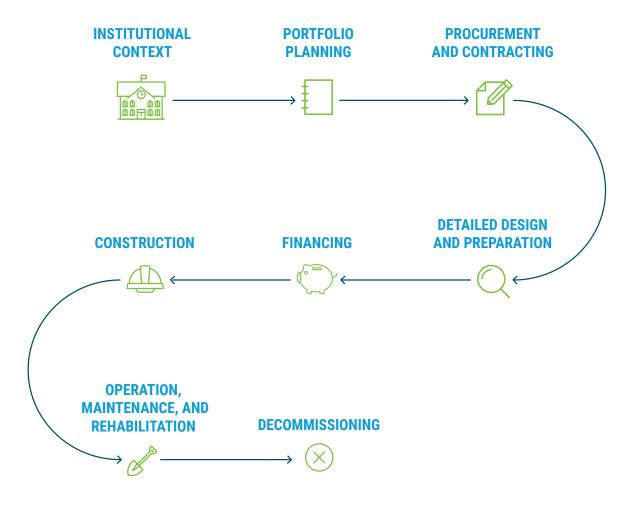
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These four principles of sustainability can be applied across the stages of infrastructure projects (see Figure 9). In that regard, upstream efforts are particularly important-robust institutions and policies ensure the selection of the "right" infrastructure projects, incentivize private sector investment in sustainable infrastructure, and promote sustainability from planning through project procurement.

At present, while sustainability opportunities are often pursued during later stages, upstream sustainability opportunities are not maximized, which increases costs. The proposed framework can help ensure that infrastructure investments consider all dimensions of sustainability across the project cycle.

We will use the framework, along with the resources from our NDC Invest platform (see page 14), to help us to better address sustainability in our infrastructure work going forward. Ultimately, the purpose of the framework is to conceptually unify the discussions we have with our partners regarding sustainable infrastructure and support delivery on the Addis Ababa Action Agenda, the SDGs, and the Paris Agreement.







INFRASTRUCTURE AND CONFLICT

The vast requirements of infrastructure and the potential environmental degradation and community perturbation issues that might ensue from these projects can be a major source of dispute between local communities and project sponsors. Failure to comply with sustainability standards often leads to problems in infrastructure projects, in many cases with devastating consequences.

We initiated the study Lessons from Four Decades of Infrastructure Project-Related Conflicts in Latin America and the Caribbean to learn more about the nature and impact of conflicts in infrastructure projects. The study looked at 200 conflict-affected infrastructure projects in Latin America and the Caribbean (non-IDB), evaluating the extent to which projects have been affected by environmental and social conflicts, the strategies in dealing with the conflicts, and the material implications for the companies.

The examination of conflict incidents underscores the importance of socioeconomic issues to local communities. Among the greatest concerns is the fact that although the communities have to bear all the environmental and social costs of the projects and often lose access to resources, project benefits are not adequately distributed to them. In addition, stakeholder engagement processes are not adequate to secure effective consultation and communication. A serious conflict could result in the loss of a firm's "social license to operate," which could prevent firms from implementing other projects and lead to significant losses as access to existing projects and exploration of future projects is blocked or hindered. In a world where protests can be easily organized through social media, obtaining a "social license" for infrastructure projects is becoming ever more important. (See also the section on improving safeguards management capacity on page 57.)

The nature of these conflicts is multidimensional and more dynamic than is considered in conventional project decision making. Several drivers of conflict are interrelated, and the emergence of one often causes a cascading effect that influences more drivers and can even exacerbate conflicts to violent confrontations. In the study, the drivers of conflict were grouped into four categories: environmental, social, economic, and governance. See Figure 10 for a summary of the factors driving conflict in each of the categories. Many drivers are important in any particular project, and the percentages here reflect the number of projects where each driver was important.

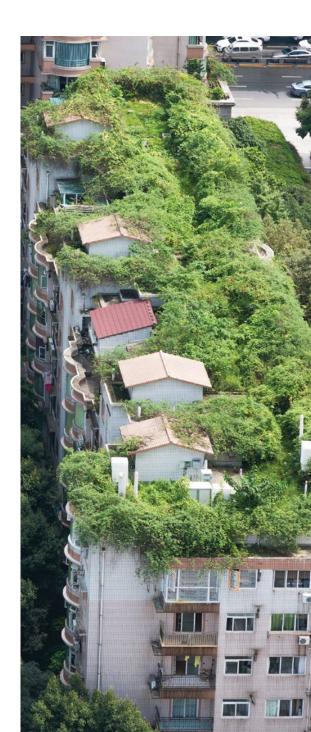
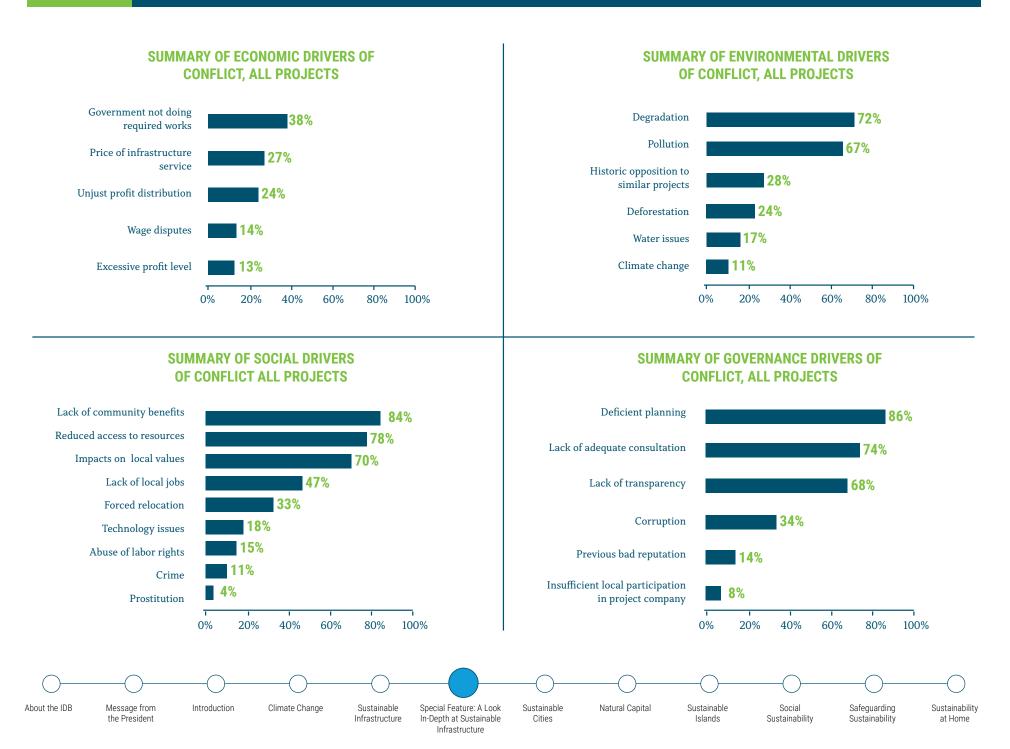
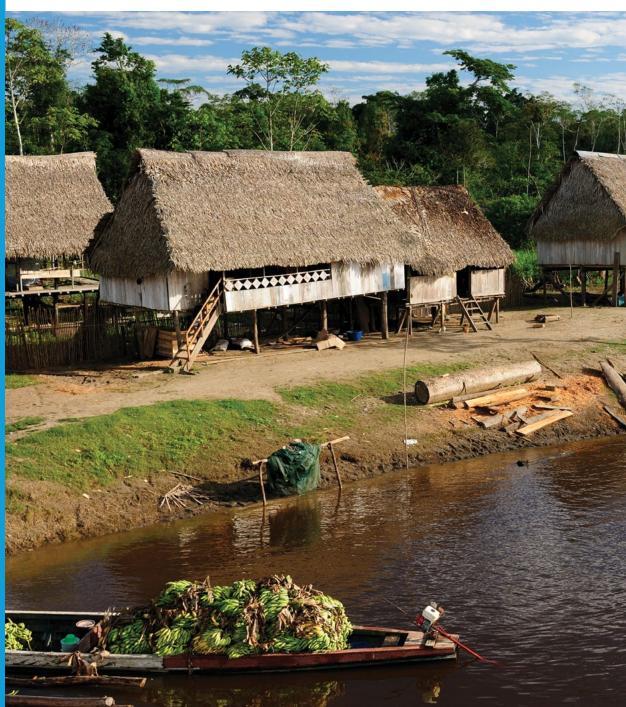


FIGURE 10 Drivers of Conflict







The cost of conflict is likely to be greater than either governments or firms expect. Project disruptions, delays, cost overruns, and cancellations are common consequences of conflict. However, conflicts can be addressed effectively and on time, as well-planned sustainable projects mitigate risks that lead to conflicts. Each firm addresses conflicts differently, but those committed to developing sustainable projects and taking comprehensive action to mitigate conflicts in advance are more likely to face less significant consequences and to implement their projects to the end.

Interviewees for the conflict study reported that projects funded by international financial institutions (IFIs) are generally better prepared and, when in countries with lower-than-average institutional capacities, come with more-stringent environmental and social management protocols and with monitoring initiatives that exceed local regulations. Our research shows that even if IFI-funded projects cannot avoid conflicts, on average the conflicts that did arise were slightly lighter.

We know that further work is needed to develop cross-cutting solutions to the challenges of sustainable infrastructure, and we are continuing our efforts.



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Sustainable Cities

Over the past three years, international institutions, governments, local authorities, the private sector, and nongovernmental organizations (NGOs) shaped the 2030 urban development agenda by adopting the SDGs, the Paris Climate Change Agreement, and the New Urban Agenda derived from the U.N. Conference on Housing and Sustainable Development (Habitat III). With the creation of a new Housing and Urban Development Division, the IDB is committed to fostering better urban planning and project implementation capacities to respond to this challenging multisectoral development agenda, with the city as a natural counterpart and the national government a decisive partner. We aim to improve the lives of vulnerable communities and to build resilient and inclusive urban environments in the region.

Through the **IDB Cities Lab**, we launched a technical assistance program for cities in Latin America and the Caribbean. It develops innovative and collaborative interventions that create new urban management tools, strengthen institutions, and promote knowledge transfer among sectors and disciplines involved in urban issues. It produces practical solutions and solves problems in client cities in a quick and responsive manner. The Cities Lab is integrated with the design and execution of IDB projects, so the solutions offered are innovative and scalable, and they serve as replicable case studies for similar problems in other countries.

To amplify the existing network of over 70 mid-size cities gained through the former Emerging and Sustainable Cities Initiative, we redefined the work and scope of the IDB Cities Network, which now embraces cities in the region of all sizes. The vision of this knowledge-based network is "to build cities where everyone wants to live." The network proactively supports the relationship with cities, generating opportunities for mayors and other key decision makers to interact and exchange knowledge and best practices in an environment of cooperative engagement.

We also prepared a new study looking at the potential impact of coastal erosion and rising sea levels on coastal areas. A Blue Urban Agenda: Adapting to Climate Change in the Coastal Cities of Caribbean and Pacific Small Island Developing States reviews aid and private sector flows over the past 20 years and finds that increased emphasis has recently been placed on comprehensive programs for strengthening coastal city resiliency.

In 2017, the conversation shifted from negotiation to implementation. Next, we provide examples of what the Bank is doing to mainstream climate change into its housing and urban development work and to better prepare the region for natural disasters.



Urban Integration and Social and Educational Inclusion Program in Buenos Aires

Country: Argentina

Sector: Urban Development and Housing Approval Year: 2017 IDB Amount: \$100 million

Despite its comparably high development indices, inequalities in the city of Buenos Aires affect access to quality public services such as water and education. Some 200,000 people, or about 6 percent of the city's population, live in informal, self-built neighborhoods called villas. The city's most vulnerable students are four to seven times more likely to score poorly in a mathematics, science, and reading test than the average in western industrial countries.

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9 INDUSTRY, INNOVAT

Through this project, more than 150,000 people will benefit from resilient urban infrastructure and improved structures for living and working in the Barrio 31 neighborhood, the city's oldest and largest informal settlement, as well as from a more equitable education system in Buenos Aires. The program approaches education as a key driver for development equity and the urban and social integration of Buenos Aires.

The program will finance:

- An education hub in Barrio 31, containing three new schools for 1,100 students and the Buenos Aires Education Ministry with 3,000 employees. It is a 30,000-square-meter green building certified by the Excellence in Design for Greater Efficiencies (EDGE) system and will help to integrate this marginal neighborhood with the rest of the city.
- Improved living and work spaces in 550 structures in Barrio 31.
- Climate change-resilient urban infrastructure that will increase soil permeability and control building temperature, including 18,000 square meters of green public spaces, providing meeting and recreational areas.
- New teaching methods, including digital learning platforms and technology, benefiting 100,000 students and 18,000 teachers and bringing state-of-the-art equipment, furniture, and information technology labs to schools.
- Strengthened evaluation and education management processes and systems and help with design and implement policies to identify students with the greatest needs.

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Land Management to Achieve Results under the Climate Change Agenda

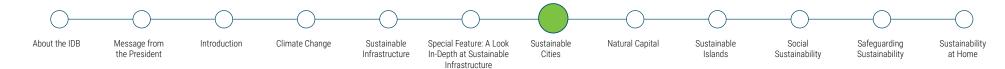
Country: Mexico

Sector: Environment and Natural Disasters **Approval Year: 2017 IDB Amount: \$600 million**

Effective land use management helps address climate change by contributing mitigation objectives and by reducing the vulnerability of communities, ecosystems, and infrastructure.

This program will support the government of Mexico in improving land management to reduce emissions and vulnerability to climate change. Specifically, the program will support the housing and forestry sectors and will strengthen national capacity to implement the climate change agenda by focusing on interagency coordination. To address urban sprawl, the program includes incentives to foster housing subsidies in urban centers, as part of a policy that favors more compact and transit-oriented cities. To address deforestation and forest degradation, the program focuses on forest management and conservation as well as on the profitability of forest land uses. In both the forestry and the urban sectors, the project focuses on the alignment of land management with the climate change agenda. The program is the IDB's largest loan based on results, an instrument that links disbursement of funds directly to the delivery of predefined, sustainable results.





Climate Vulnerability Reduction Program

Location: Belize

Sector: Environment and Natural Disasters Approval Year: 2017

IDB Amount: \$10 million

Belize was hit by Hurricane Earl on August 3–4, 2016. With maximum wind speeds of 75 miles per hour, the storm made landfall in Belize City as a Category 1 hurricane and then moved westward across the country. Affected areas received 8–12 inches of rain in just 5–8 hours. The wind and rain caused extensive damage to housing and infrastructure in Belize City and to the country's two main industries—agriculture and tourism.

Belize's National Emergency Management Organization was responsible for the immediate emergency response. However, a national effort and a comprehensive strategy for climate and disaster risk-resilient and sustainable reconstruction is needed to assess and plan for the medium and long term.

In this context, the government of Belize requested support from the IDB and the Economic Commission for Latin America and the Caribbean. An ECLAC report estimated the monetary effects (damages, losses, and additional costs) and macroeconomic impact of Hurricane Earl. At the IDB, the Climate Vulnerability Reduction Program was approved, aiming to reduce the main climate-related vulnerabilities of the productive sector (including tourism and agriculture), especially in the areas affected by the hurricane (as identified in ECLAC's damage assessment report). The program will also install flood control measures in Belize City, building on an earlier IDB-financed Flood Mitigation Infrastructure Program and recently completed risk assessment studies for Belize City.

The government of Belize and the IDB agreed on a two-pronged strategy to reduce disaster and climate-related vulnerabilities in the productive sector and to improve flood control in Belize City. First, improvements are needed in Climate and Disaster Risk Reduction Governance, including making risk information accessible to technocrats, the private sector, and the general population. Second, efforts are under way to reduce climate risk in sectors affected by Hurricane Earl, including flood control in Belize City and small-scale, nature-based shoreline stabilization measures in coastal areas of Caye Caulker.

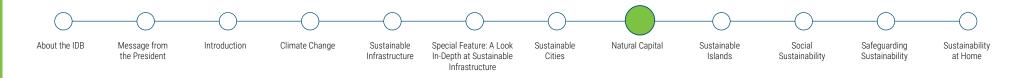
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Latin America and the Caribbean is home to 40 percent of the biodiversity on Earth and to many unique ecosystems. The region's wealth of natural capital is at the core of its economic and social development. At the same time, the region's increasing population and economic growth are also partly responsible for the growing threats to environmental sustainability and the loss of natural capital. Recognizing this, the region is leading the world in biodiversity conservation. With 20 percent of its land set aside for conservation, the region far surpasses the 13 percent average accomplished in other developing regions. This major achievement is thanks to the efforts of many people, including decision makers, practitioners, financiers, communities, civil society, and individuals. But further measures to halt degradation and promote sustainability are needed. In this section we provide examples of projects aiming to conserve mangroves, the use of natural capital as part of the defense against natural disasters, and the benefits of ecotourism.







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Updating Mangrove Inventories Conservation, Mitigation, and Adaptation to Climate Change

Country: Honduras

Sector: Environment and Natural Disasters Approval Year: 2015 IDB Amount: \$370,000 (through two technical cooperation projects)

The objective of these two technical cooperation projects is to conserve mangroves on the territories of Afro-descendant and indigenous communities of the northern coast of Honduras and to implement community projects for poverty reduction based on sustainable use and management of biodiversity and ecosystem services of the mangroves. The results achieved include the following:

- Updated data and coverage maps of mangrove forests of six coastal lagoon systems.
- Two community governance structures created to support the sustainable management of mangrove ecosystems and artisanal fisheries.
- Some 120 people (community leaders, government, NGOs, the private sector, and civil society) of the six Coastal Territorial Councils of the Moskitia area progressively trained in good environmental governance, with sensitivity to conflict, to improve the use and exploitation of mangrove resources and fishing.
- Ten permanent monitoring plots established in the mangrove forests of the Moskitia, in support of the *Forest Conservation Institute for the National Forestry Inventory* and the *National Monitoring of Forests* programs.
- First assessment of "blue" carbon stocks and potential carbon credits of the mangrove forests of the six Coastal Territorial Councils of the Honduran Moskitia region.



Environmental Program for Disaster Risk and Climate Change Management (PAGRICC)

Country: Nicaragua

Sector: Environment and Natural Disasters Year Closed: 2016

IDB Amount: \$10 million

Frequent and severe weather events affect Nicaragua. Recent decades have been no exception, and a high number of hydro-meteorological disasters have affected the country, causing significant human and economic losses. The mountainous nature of Nicaragua contributes to its high vulnerability to natural hazards. The conversion of forestry lands in upper watersheds for agricultural activities—reducing soil and water quality and increasing the risk of landslides and erosion problems—has magnified this vulnerability.

In response, the government of Nicaragua has been taking important measures to promote prevention, mitigation, adaptation, and disaster response. Among them is an IDB-financed program, PAGRICC (from its acronym in Spanish). Building on the work of earlier programs, PAGRICC had the objective of reducing the vulnerability of rural communities to events associated with climate change through risk management activities based on natural resource management in prioritized vulnerable locations. The program had three components: support for the adoption of environmental restoration systems, infrastructure for the reduction of losses due to disasters, and capacity development.

An impact evaluation to measure the effectiveness of the first component was completed in 2017. This prospective, quasi-experimental evaluation used three econometric models to verify that the results are reliable and consistent. Baseline information was collected from a representative group of beneficiaries and a control group (that met similar eligibility criteria), which were followed up three years after the program began. The evaluation showed that the program had a positive and statistically significant impact on the following indicators:

- Increased production value in annual crops per hectare (on average, \$195 more than the control group).
- Increased tree cover (on average, 22 plants and 3 hectares more than the control group).
- Increased eco-forestry management plants (on average, 1,045 plants more than the control group).
- Increased households with a water harvester (between 34 and 44 percent of households more than the control group).
- Increased volume of water captured (on average, 204 cubic meters more than the control group).
- Increased milk sales per day during the dry season (on average, between 2.4 to 7.5 liters more than the control group).

These results indicate that the practices promoted by the program were successfully adopted and translated into increased productivity of natural resources. Notably, these positive results were achieved despite three consecutive drought years in the intervention zones. In conclusion, the evaluation showed the intervention to be successful in reducing the vulnerability of the beneficiaries to phenomena associated with climate change, restoring the natural resource base of the intervention zones, and improving the economic situation and food security of the beneficiary households.

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Tourism Program in Protected Areas

Country: Costa Rica

Sector: Environment and Natural Disasters Year Closed: 2017 IDB Amount: \$19 million

Costa Rica is rich in biodiversity—about 5 percent of the world's known biodiversity is found there—and biodiversity is an important driver for the country's tourism sector.

The IDB's Tourism Program of the National System of Conservation Areas (SINAC) was completed in 2017, achieving the following results:

- Strengthened planning and management of sustainable tourism to effectively manage visitor services in the Protected Wildlife Areas and to monitor visitors' impact.
- Contributed to the institutional strengthening of SINAC: management, administrative, and financial systems.
- Increased number of visitors to the Protected Wildlife Areas from 1.1 million in 2011 to 2.1 million in 2016.
- Increased ecotourism activities (including trail hiking and flora and fauna observation, among others) from 46 percent of visitors in 2009 to 65 percent in 2013.





Sustainable Islands

The islands of the Caribbean are both highly susceptible to natural disasters and have limited capacity to respond to and recover from such disasters. Their size, geography, and location contribute to their physical and economic vulnerability. The Caribbean region is located within the hurricane belt, and the islands frequently face the effects of storms and flooding. They have limited access to freshwater resources and limited means to sustainably exploit natural resources. They have economies that rely on only a few industries, lack economies of scale, and are sensitive to external financial and economic shocks.

Climate change is compounding these challenges. In the Caribbean, the effects of climate change are a daily reality. Warmer temperatures mean hotter days, longer dry seasons and more frequent droughts. Warmer

seas can produce stronger storms and hurricanes, damage coral reefs, and threaten food security. Rising sea levels pose a danger to coastal communities, damaging resources and increasing the risk of floods and storm surges. If current trends continue, climate shocks could cripple key economic sectors—such as agriculture and tourism.

The region is learning how to cope with these challenges and how to strengthen its ability to bounce back from the damage caused by natural disasters associated with climate change. However, technical capacity, relevant data, and access to financial resources still pose a challenge. This section looks at the IDB's new Sustainable Islands Platform, a climate resilience investment plan for the Caribbean, and our climate-smart islands program.





THE PLATFORM WILL BENEFIT 11 CARIBBEAN BASIN ISLAND STATES AND CONTINENTAL COUNTRIES



SUSTAINABLE ISLANDS PLATFORM

Launched in 2017, the IDB's Sustainable Islands Platform is designed to help island territories pursue sustainability and climateresilient investments. The platform will benefit 11 Caribbean Basin island states and continental countries whose territory includes islands: The Bahamas, Barbados, Belize, Costa Rica, Dominican Republic, Haiti, Honduras, Jamaica, Nicaragua, Panama, and Trinidad and Tobago. The platform will promote economic growth and climate-resilient investments through an innovative approach that applies the principles of the blue and circular economies. The blue economy focuses on the sustainability of oceans and coastal areas, as opposed to land-based models, while the circular economy emphasizes reuse, recycling, and the regeneration of natural capital such as mangrove swamps and barrier reefs. The platform seeks to adhere to the following principles:

- Recognize that islands and their unique ecosystems and lifestyles are particularly vulnerable to climate change and susceptible to invasive species, natural disasters, sea level rise, drought, and other impacts.
- Acknowledge that environmental disturbances on islands are magnified and pervasive and that natural disasters cause shocks that reverberate through social, economic, and environmental dimensions.
- Underscore building island resiliency.
- Address islands' spatial dimension and uniqueness that can hamper absorptive ability and the sustainability ideal.



Investment Plan for the Caribbean Regional Track of the Pilot Program for Climate Resilience (PPCR)

Location: Caribbean Region

Sector: Climate Change and Sustainable Development

Approval Year: 2015

IDB Amount: \$10 million

One of the main challenges in managing today's climate risk and adapting to climate change in the Caribbean is the lack of reliable climate data and consistent protocols to inform decision making. Regional scientists struggle to produce the kinds of credible data needed for long-term climate projections.

This five-year program aims to help the Caribbean improve regional processes of climate-relevant data acquisition, storage, analysis, access, transfer, and dissemination and to pilot and scale up innovative climate-resilient initiatives directly in PPCR countries—Dominica, Grenada, Haiti, Jamaica, Saint Lucia, and Saint Vincent and the Grenadines. Since its approval this project has advanced significantly.

- Thirty-six participants—including 17 women—from seven Caribbean countries participated in a Climate Modelers Workshop held at the University of West Indies. Participants shared and learned the latest in climate modeling in the Caribbean—from the dynamics of climate systems to projections of future climate.
- A new high-performance "Super Computer" was acquired and installed at the University of the West Indies. Dubbed SPARKS—short for the Scientific Platform for Applied Research and Knowledge Sharing—the computer will respond to the need for the collection, analysis, modeling, storage, access, and dissemination of climate information in the Caribbean. Over the long term, climate researchers will be able to produce even more accurate and reliable climate projections at higher spatial resolutions to facilitate, among other things, the piloting and scaling up of innovative climate-resilient initiatives.
- An Early Warning and Emergency Response System for Fisheries has been developed to reduce the risks of climate change and variability for fishers in Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines using information and communication technology that integrates existing national disaster risk management and emergency response frameworks.

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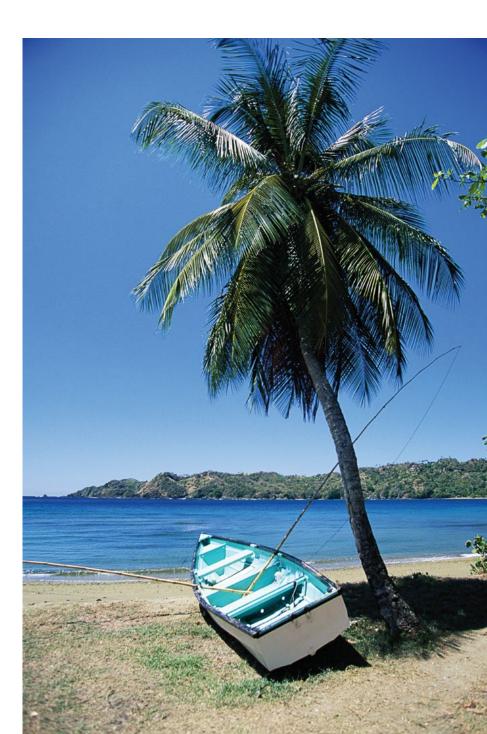
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Caribbean Islands Program

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Location: Islands in the Caribbean Basin Sector: Environment and Natural Disasters **Approval Year: 2014 IDB Amount: \$992,000**

The program's objective is to demonstrate ways of transitioning to low-carbon and climate-resilient development pathways through pilots on the islands of Tobago (Trinidad and Tobago), Caye Caulker (Belize), and Harbour Island (The Bahamas). It is examining priority sectors in which low-carbon and climate-resilient measures can be implemented, such as transport, infrastructure, energy, water, waste treatment, and tourism. The identified measures are being analyzed using cost-benefit and commercial potential perspectives in order to prioritize them, highlighting cost recovery rates. Based on this analysis, mitigation and adaptation pilots will be carried out in the project sites. The methodology being used for the analysis—specifically, the economics of climate adaptation and multicriteria analysis of project options—is replicated from a similar methodological approach undertaken in the islands of Trinidad and Tobago under the project Understanding the Economics of Climate Change Adaptation in Trinidad and Tobago. Additionally, the methodology is being applied in the project Support to Climate Resilient Tourism Development in San Salvador, along with the integration of the valuation of ecosystem services.



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Race, ethnicity, and gender create additional challenges for equal access to human opportunities in Latin America and the Caribbean. The female labor force participation rate in the region stands at 68 percent, much lower than the male participation rate of 95 percent. In addition, women's employment is concentrated in low-wage and low productivity occupations. The income gap between workers of ethnic and non-ethnic origin is 40 percent in the Latin American and Caribbean countries where disaggregated data are available. And despite rich cultural traditions, social structures, governance, and access to natural resources, 43 percent of indigenous households in the region live in poverty—more than double the rate for non-indigenous households.

In 2017, we continued to support our borrowing member countries in strengthening policies and strategies to close gender gaps and promote development with identity for indigenous peoples and African descendants. In this section, we explore the regional policy dialogue on gender equality and diversity we conducted this year, the Program for Emerging Women Leaders in the Public Sector, and some examples of operations supporting social sustainability, including the Gender Parity Initiative.

TO LEARN MORE, PLEASE VISIT OUR BLOG, Y SI HABLAMOS DE IGUALDAD?

95%

THE FEMALE LABOR FORCE PARTICIPATION RATE IN THE REGION STANDS AT 68 PERCENT, MUCH LOWER THAN THE MALE PARTICIPATION RATE OF 95 PERCENT.

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40%

THE INCOME GAP BETWEEN WORKERS OF ETHNIC AND NON-ETHNIC ORIGIN IS 40 PERCENT IN THE LATIN AMERICAN AND CARIBBEAN COUNTRIES.

DESPITE RICH CULTURAL TRADITIONS, SOCIAL STRUCTURES, GOVERNANCE, AND ACCESS TO NATURAL RESOURCES, 43 PERCENT OF INDIGENOUS HOUSEHOLDS IN THE REGION LIVE IN POVERTY.



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In November 2017 we convened a Regional Policy Dialogue entitled *Public Policies for Ethnic and Racial Inclusion: Public and Private Partnerships*, which highlighted the work of governments and the private sector in the formulation of action plans for the inclusion of African descendants and indigenous peoples. Over 90 representatives from ministries of finance, planning, culture, social development, and environment participated, along with the municipal governments of Mexico City, Montevideo, São Paulo, Salvador, and Quito.

A highlight of the dialogue was a private-sector panel with the CEOs of Bayer and Pandora, the IDB's Executive Vice-President, IDB Invest, and São Paulo's inclusion secretary. The panelists identified concrete challenges and solutions for promoting inclusion in the private sector and outlined a compelling business case for why the incorporation of diverse populations as managers, staff, and suppliers is a business imperative.

The dialogue also marked the launch of the first EXPO INCLUSIÓN at the IDB—an interactive space for sharing the inclusion tools that the IDB has generated with government partners. It provides concrete information on how to replicate innovative practices in the design of national plans, visualization of statistics, creation of partnerships for economic empowerment, and promotion of inclusive government and tourism. Through EXPO, participants had the opportunity to exchange ideas with and

learn from the individuals responsible for the implementation of these tools and to learn and think creatively about how to adapt these models to their local contexts. EXPO forged important exchanges on inclusive policy and led to a follow-up meeting in Peru, where one of the tools was shared with local governments.

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PROGRAM FOR EMERGING WOMEN LEADERS IN THE PUBLIC SECTOR

We also promote women's leadership through the Program for Emerging Women Leaders in the Public Sector. The program offers a combination of classroom sessions, one-on-one coaching, assessment tools, mentoring opportunities, and networking opportunities to women poised to play important leadership roles.

The program was first launched in July 2017 in the Dominican Republic; 28 women from five public sector institutions graduated in the first cohort. A diagnostic study was undertaken as part of the program to provide recommendations on how to increase the number of women in leadership positions.

In October 2017, the program was launched in Panama with the participation of 30 women representing five ministries. An online platform has facilitated networking among participants from both countries.



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Human and Productive Empowerment for Indigenous and Afro-descendant Peoples of Costa Rica

Country: Costa Rica Sector: Social Investment **Approval Year: 2017** IDB Amount: \$790,000 (from the Japan Special Fund Poverty **Reduction Program**)

Territorial Development with Cultural Identity is a new way of developing projects in indigenous territories that ensures that indigenous peoples' priorities and values are respected and that simultaneously invests across a range of sectors to produce integrated results. We successfully used the approach in Costa Rica in this technical cooperation project, which included cultural revitalization as a backbone of the design and implementation of projects that promote cross-sector coordination and emphasize community engagement to improve living conditions. This operation will improve the quality of services offered by the government through training for public sector officials in sociocultural issues and community engagement for indigenous territories. The operation includes work with public and private partners to promote indigenous and African-descendant economic empowerment. The methodology addresses the complex causes of poverty among indigenous peoples through conscious, structured collaboration. Government institutions from different sectors and at varying levels are committed to working together with indigenous peoples to solve urgent needs. All stakeholders have set up a common agenda for the 18 participating communities, aligning efforts and using joint indicators to measure progress.

Public-Private Initiative to Reduce **Economic Gender Gaps**

Countries: Argentina, Chile, Panama, and Peru Sector: Social Investment **Approval Year: 2017 IDB Amount: \$650,000**

In collaboration with the World Economic Forum. we have continued the implementation of the Chilean Gender Parity Initiative (known as the Iniciativa de Paridad de Género in Spanish). The initiative, launched in December 2016, is a public-private collaboration aiming to close economic gender gaps. Its goals include ensuring better participation of women in the labor force, reducing the wage gap between men and women, and boosting the presence of women in leadership roles in both public and private sectors. To date, more than 100 private sector companies in Chile have joined the initiative and committed to identifying and closing gender gaps. The initiative is set to expand to Argentina and Panama in 2018 and to Peru in 2019. In 2017, the IDB approved this **Regional Public Goods project to share lessons** learned and develop common metrics among countries implementing the initiative.

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Country: Haiti Sector: Social Investment Approval Year: 2016 IDB Amount: \$380,000

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Statistics and research available on women's labor force participation and violence against women in Haiti are insufficient to fully understand causes, patterns, and geographic concentrations and to design effective interventions. The main survey on violence against women in the country, the Demographic and Health Survey, occurs about every five years and only interviews women.

This technical cooperation aims to help close knowledge gaps on the risk factors of violence against women in Haiti and to help prevent violence against women through increased access to opportunities in health, education, and labor markets. Using various methods of data collection, this project will gather essential information on how Haitian men and women perceive violence and will provide additional data from specific areas to compare with existing national numbers. For example, the Bank will launch in early 2018 an interactive mobile phonebased survey to test an alternative method of data collection on violence against women, targeting men and women living and working near industrial parks. These new data will feed into internal and national conversations on improving programs that target citizens' security, that respond to and prevent violence against women, and that continue to encourage relevant institutions to focus on producing reliable and updated data on sexual and gender-based violence.





Safeguarding Sustainability

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 BLOG, VIVA SUSTAINABILITY AND THE SUSTAINABILITY AND SAFEGUARDS WEBSITE.

ADDING DEVELOPMENT 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.

Our safeguards:





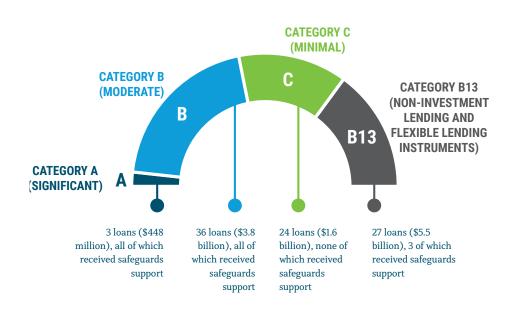


APPLYING SAFEGUARDS TO PROJECTS

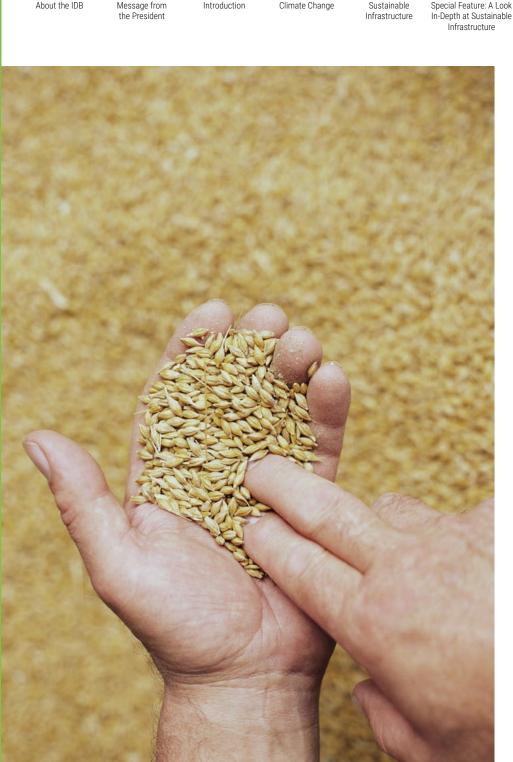
- All IDB projects are classified according to their environmental and social impact (except for loans of the Immediate Response Facility for Emergencies Caused by Natural and Unexpected Disasters, which are exempt from the requirements of the Environment and Safeguards Compliance policy).
- We undertake 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 and making adjustments as needed.
- We assign safeguard specialists to all moderate to high-risk operations (category A and category 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-risk operations 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 2017 the IDB approved 90 loans totaling \$11.4 billion. See Figure 11 for the 2017 classification (please refer to section *B.3 Screening and Classification* of our Environment and Safeguards Compliance Policy for more information on the categories).

FIGURE 11 Classifying Loans







RISK-BASED SAFEGUARDS MANAGEMENT

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During 2017 we strengthened the management of social and environmental risks in IDB-financed operations by developing a new environmental and social risk management framework. The framework has the following objectives:

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- Strengthen the project lifecycle management of environmental and social risk and safeguards implementation.
- Support the allocation of resources and prioritize supervision activities in proportion to those risks.
- Identify trends and systemic issues across the portfolio.
- Measure the impact of environmental and social interventions.

The target for 2018 is to apply the new methodology to all IDB-financed operations, monitor high-risk operations, and report on trends.

IMPROVING SAFEGUARDS MANAGEMENT CAPACITY

In 2017 we launched a multi-year safeguards knowledge and learning plan to increase regional capacity to manage environmental and social risks and requirements. Initial results include the publication of three widely disseminated technical notes: best practices on how to manage meaningful stakeholder consultations (including grievance mechanisms), social impact assessment, and management of contextual risks such as conflict and violence. We also expanded our training course, engaging over 550 public servants in environmental licensing agencies in the region through online training programs and regional policy dialogues. About the IDB

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MANAGING SAFEGUARDS IN OUR MOST COMPLEX PROJECTS

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



Integrated and Sustainable Urban Development Program of the Municipality of João Pessoa

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Country: Brazil Sector: Urban Development and Housing Approval Year: 2017 IDB Amount: \$100 million The Municipality of João Pessoa has the highest population growth rate among the capitals in northeast Brazil. Despite its privileged geographical location, João Pessoa is confronting pockets of povert with inequity in access to public services and a considerable number

Natural Capital

rate among the capitals in northeast Brazil. Despite its privileged geographical location, João Pessoa is confronting pockets of poverty with inequity in access to public services and a considerable number of people living in precarious housing. The *Integrated and Sustainable Urban Development Program* aims at supporting sustainable urban development in João Pessoa through strengthened planning, improved urbanization, and public management. Specifically, the program will support the Beira Rio neighborhood by increasing access to quality housing, infrastructure, and quality urban services for vulnerable families. The program also includes the construction of sewerage, drainage, and other improvements to public infrastructure services.

In Beira Rio, the program will support the construction of nearly 3,000 housing units and the resettlement of approximately 840 at-risk families. A Resettlement Planning Framework was prepared based on aerial photographs, studies, field work, and other information documenting current housing rates and conditions. Collaborative work through surveys and public consultations enabled a shared vision with residents to mitigate and compensate for impacts, a critical step to ensuring equitable treatment and benefits within the community. About the IDB

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First Operation of the Agua Negra Pass International **Tunnel** Construction Program

Country: Regional Sector: Transportation **Approval Year: 2017 IDB Amount: \$280 million**

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This regional infrastructure loan to Chile (\$150 million) and Argentina (\$130 million) will support the Agua Negra Pass International Tunnel Construction Program with a design and build contract. The Agua Negra Tunnel consists of two unidirectional 13.9-kilometer-long tunnels connecting the two countries at about 4,000 meters above sea level. The project is expected to reduce travel time and cost between the countries as well as to avoid winter closures, thus allowing more-efficient transportation of goods in the region encompassing the bio-oceanic corridor stretching from Chile to Brazil.

During due diligence, an amendment was prepared for the existing environmental impact assessment to include various additional studies, including potential indirect impacts, cumulative impacts, impacts to glaciers, and indigenous communities. A disaster risk assessment was prepared for the project that included a list of recommendations to mitigate potential impacts from natural disasters. A series of public consultations were conducted in Chile focusing on the community of Vicuna and the city of Coquimbo. Lastly, a communication platform was established to promote long-term community engagement regarding the project. These additional safeguard measures ensure that the costs of economic development do not fall disproportionately on those who are poor or vulnerable, that the environment is not degraded in the process, and that renewable natural resources are managed sustainably.

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Environmental Sanitation and Urban Development Program in the Mané Dendê River Basin

Country: Brazil

Sector: Water and Sanitation Approval Year: 2017

IDB Amount: \$67.5 million

The Mané Dendê River Basin in the western part of Salvador (the capital of Bahia) has a population of about 44,000. Eighty percent of households in the area have incomes below the minimum wage, and 32 percent of the Salvador population lives in informal settlements, sometimes in areas prone to flooding and with poor access to public services.

This Environmental Sanitation and Urban Development Program aims to improve the well-being and quality of life—in economic, social, and health terms—of people living in the Mané Dendê River Basin through sustainable improvements in social, environmental, and urban development conditions. While the program will bring important benefits to these communities, its construction requires the resettlement of more than 1,000 families from areas prone to flooding.

Specifically, the program will finance macro-drainage, containment of slopes, water and sanitary sewage networks, housing for resettlement, improvement of precarious housing, roads, urbanization, landscaping, and other complementary interventions. In addition, the project includes an innovative solid waste management pilot in areas of difficult access.

Involuntary resettlement is nearly always a traumatic experience to those affected. It is therefore particularly important to engage with potentially affected individuals, households, and groups as early as possible and in a sensitive and transparent manner. Our policies for involuntary resettlement ensure that at the end of a project people have not experienced a net loss in their assets, livelihoods, or well-being. The IDB helped design a comprehensive resettlement plan applying an innovative approach to compensate and assist affected communities and to respect the local sociocultural settings. A preliminary survey of the potentially affected households was conducted using drone technology. This information was then confirmed with community focus groups representing a wide spectrum of stakeholders. The involvement of local leaders was key to ensure a proper participation of the population in the consultation process. The final resettlement plan took into consideration the proposals, concerns, and expectations of the community and contributed to ensuring the long-term sustainability of the project.

Salvador was the first capital of colonial Brazil and was very active in the slave trade; today it is the center of traditional Afro-Brazilian religious practices (*candomblé*) that are closely associated with natural resources, particularly water. Within the Parque São Bartolomeu there is a waterfall (Cachoeira de Oxum e Nanã) that is widely used for the practice of *candomblé*. The waterfall is considered a sacred site by the practitioners. Since one of the project's objectives is to avoid the discharge of sewage directly to the Mané Dendê—a small river—this action could significantly lower the amount of water flowing through the Cachoeira de Oxum e Nanã waterfall during the dry season. Consultations were held with local religious leaders to discuss this risk and to help find a solution in a participatory way: Clean water will be diverted from a nearby reservoir through a two-kilometer pipeline and discharged in the Cachoeira, securing its place as a natural and cultural key habitat.

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For information on other category A projects, please visit:

- Land Tenure and Land Use in Rural Areas
- Support to the Geothermal Exploration Program and Improved Power Transmission in the Framework of Nicaragua's Investment Plan (PINIC)



Sustainability at Home

At the IDB we are committed to preserving the environment in which we live and work—both in our projects and in our workplace. Our commitment includes empowering neighborhood communities, maximizing the potential of employees, and minimizing the environmental impact of our facilities. 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.

LOCATION

The IDB is headquartered in Washington, D.C., and has offices in each of its 26 borrowing member countries. These country offices play an essential role in 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 NGOs interested in the development of Latin America and the Caribbean.

Sustainability

at Home



STAFF

The Bank has about 2,000 staff members. Approximately one-third of our staff are posted in the region to foster closer cooperation with clients and partners.

The IDB is committed to gender equality, diversity, and inclusion not only in our operations but also in our internal talent management practices. Without a doubt, 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 2016, the IDB was awarded the EDGE Assess Level Certification, recognizing our solid commitment to gender equality. EDGE assesses five areas for their certification: equal pay for equivalent work; recruitment and promotion; leadership development, training, and mentoring; flexible working arrangements; and company culture.

GOVERNANCE

The IDB's highest authority is its Board of Governors, made up of representatives from each of the 48 member countries. Most governors are finance ministers or central bank presidents. The Board of Governors holds an annual meeting to 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 dayto-day operations. The Board of Executive Directors approves country and sector strategies, operational policies, loans, technical cooperation, 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, the IDB's main source of lending. At the IDB, borrowing members have majority voting power (just over 50 percent of the vote).





COUNTRY OFFICE ENVIRONMENTAL SUSTAINABILITY COMPETITION

Each year, country offices are invited to participate in a competition to develop creative, actionable proposals for reducing office GHG emissions. In 2017, the Nicaragua country office submitted the winning proposal and will use the funds awarded to install solar panels that will reduce the office's energy costs and carbon footprint.

Last year's winner, our country office in Haiti, focused on activities to reduce their energy consumption and electricity bill. They replaced most of their fluorescent and incandescent lights with more-efficient LED lights and added occupancy sensors. They began using a smart thermostat to control the air conditioning system, limiting its running hours to daytime, and they installed filters on the windows. A solar power system was installed to supply the conference room. They put up posters around the office to educate employees on efficient use of their workstations in order to reduce nighttime energy consumption.

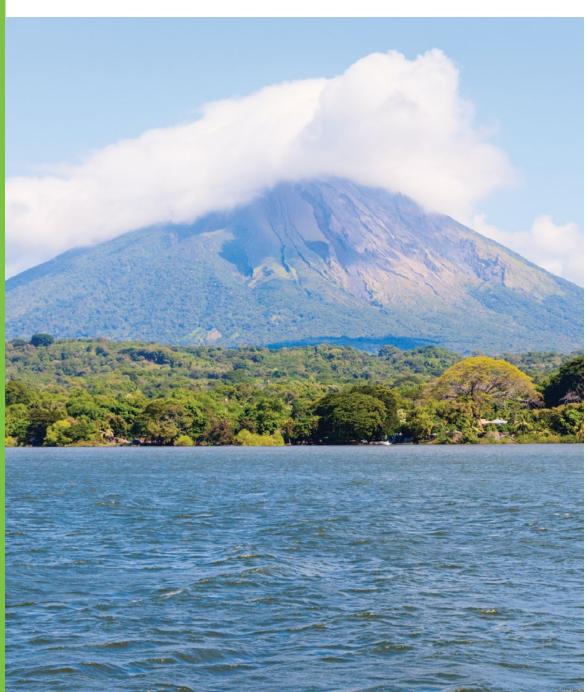
Starting with changes at home, staff in our country offices are showing their dedication to reducing the IDB's carbon footprint.

METROCOMMUTE PROGRAM

In 2017, the IDB Group piloted a MetroCommute Program at its headquarters, aiming to incentivize Bank employees to reduce the use of personal vehicles, encourage the use of public transportation to commute to and from work on a regular basis, and reduce the Bank's carbon footprint.







CORPORATE SUSTAINABILITY PROGRAM

In addition to promoting development in Latin America and the Caribbean that is environmentally sound, the IDB has long sought to ensure that its internal operations are sustainable. Through our Corporate Sustainability Program (CSP) we take actions to reduce our environmental footprint at the corporate level. CSP tracks the impacts of internal operations to identify potential reductions in the overall environmental footprint of the organization, to increase employee awareness, and to implement actions that help the Bank make a greater contribution toward addressing global environmental responsibility issues.

We are committed to incorporating environmental sustainability measures into the design and construction of all new and renovated corporate facilities. All IDB offices in Washington, D.C., are LEED Gold-certified and in 2017 our Brazil office joined the country offices in Peru, Costa Rica, and Panama in obtaining the applicable LEED certification.

All workplaces consume energy and other natural resources and generate waste. Technological advances are increasingly making it possible for organizations such as the IDB to track how we use resources and in turn to implement efficiency measures that help lower consumption, such as a comprehensive recycling program that helps reduce pressure on landfills and natural resources. About the IDB Message from Introduction the President

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Some of the highlights of our CSP program in 2017:

- We continue to meet our carbon neutrality commitment. In 2017, we emitted approximately 24,400 tons of CO₂ equivalent, which we offset through a combination of Renewable Energy Certificates and carbon credits invested in carefully selected projects in Latin America and the Caribbean.
- We updated our GHG Inventory Management Plan to expand the scope of our emissions reporting and have it verified by a third party for public disclosure.
- To stay current with developments in corporate sustainability management and reporting and to leverage technology to improve our sustainability performance, new Enterprise Sustainability Reporting and Management software was customized and implemented for the IDB.
- In recognition of Earth Day and World Environment Day, CSP partnered with the IDB Staff Association to present "Too Close," a theatrical event that confronts the depletion of the greatest resource we will ever have, the planet.
- CSP also partnered with BIDKids (the childcare facility for employees in the Washington office) to produce another theatrical play on the importance of trees for Earth. The play was presented in the Bank in celebration of Earth Day to raise awareness among the children and IDB staff.



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1300 NEW YORK AVENUE, N.W. WASHINGTON, D.C. 20577, USA TEL: (202) 623-1000 WWW.IADB.ORG