

IMPLEMENTING THE RECOMMENDATIONS  
OF THE BLUE RIBBON PANEL  
ON ENVIRONMENT

*Year One Progress Report*

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**I. INTRODUCTION**

The IDB has long sought to provide leadership in promoting development that is environmentally and socially sound in Latin America and the Caribbean and ensuring that its own operations are sustainable. In keeping with this role, and as part of an extensive public consultation process on the recently approved Environment and Safeguards Compliance Policy, the Blue Ribbon Panel on Environment was established in August 2004. This advisory group was created not only to advise on the Bank's draft Environment and Safeguards Compliance Policy, but also to look more broadly at increasing the Bank's role in supporting countries in the Region to achieve sustainable development.

The nine-member Panel is comprised of: Bruce Babbitt, former U.S. Secretary of the Interior; José Goldemberg, Environment Secretary for the State of São Paulo; Stephen Green, HSBC Chairman; Lynn Holowesko, former Ambassador for the Environment and Chair of the Bahamas Environment, Science and Technology Commission; Yolanda Kakabadse, former IUCN President; Thomas Lovejoy, President, the H. John Heinz III Center for Science, Economics and the Environment; Juan Mayr Maldonado, former Minister of the Environment for Colombia; William Reilly, former U.S. EPA Administrator; and Maurice Strong, former Special Advisor to the Secretary General of the United Nations.

The Final Report of Recommendations was received on February 23, 2005 and was made available publicly at [www.iadb.org/sds/env/site\\_6428\\_e.htm](http://www.iadb.org/sds/env/site_6428_e.htm)

The Panel underscored that there are large developmental challenges confronting the Latin America and Caribbean region, many of them significantly influenced by underlying environmental, social and cultural issues. They noted in their report *"We believe that sustainability represents a significant opportunity for the IDB to assert leadership in supporting its client countries to meet those challenges"*.

In particular the Panel pointed out that given the need for increased investment in infrastructure and considering the potential implications of key environmental trends related to sectors such as energy, agriculture and the opportunities for increased partnership with the private sector, new and innovative thinking and practices are needed to enable the Bank to better manage risk and identify opportunities for sustainability. The Panel also highlighted that the IDB leadership will need to develop clear and consistent messages establishing sustainability as a crucial development issue for the IDB and identify the IDB as a distinct and relevant player in development finance in Latin America and the Caribbean. Enhanced environmental, social and cultural sustainability performance should be clearly positioned as a valued outcome within IDB projects. *"We believe that the IDB can become a leader and a 'point of reference' on sustainability issues within Latin America and the Caribbean.* In making their recommendations however the Panel pointed out the importance of increased resources and

capacity building to enable the Bank to achieve this goal: *“we believe that this will require increases in, or reassignment of, capacity and changes in organization and operational systems to achieve the desired outcomes”*.

The Panel emphasized the importance of monitoring and reporting upon progress to achieve the actions set out in their recommendations, proposing an independent review of progress be undertaken at an alternative appropriate time in 2006. The Panel also recommended that a report should be prepared by the Bank on progress achieved, suggesting that the report could be independently reviewed. Both the report and the review could then be released into the public domain.

The Panel set out their recommendations along four themes: (i) Standards and harmonization; (ii) Moving sustainability analysis upstream; (iii) Civil society engagement; and (iv) Capacity, systems and resources.

The Bank responded to the Blue Ribbon Panel report in May, 2005. The response lays out the Bank’s commitment to:

- integrate sustainability into all of its lending programs and projects, recognizing the importance of a robust and efficient sustainable risk management system.
- empower operational teams at headquarters and Country Offices to integrate sustainability opportunities into the design and execution of lending programs and projects
- carry out sustainability risk analysis and management.
- support operational teams with tools, training, and expertise to ensure consistent alignment between the Bank's sustainability objectives and its operations.
- promote an active partnership between the public and private areas of the Bank Group in program and project design and execution, as well as active collaboration among all Bank departments.
- increase capacity and resources.

The Management response to the report of the Blue Ribbon Panel is available at [www.iadb.org/sds/env/site\\_6428\\_e.htm](http://www.iadb.org/sds/env/site_6428_e.htm)

## II PROGRESS AGAINST RECOMMENDATIONS – YEAR 1. (2005-2006)

### 1. STANDARDS AND HARMONIZATION

#### 1.1 Consistency with International Standards

*“The environmental, social and cultural standards utilized by the IDB should be consistent with and we strongly believe - in advance of - those used by the World Bank and the International Finance Corporation and the Equator Principles”*

*“The proposed Environment and Safeguards Compliance Policy should be appropriately revised to achieve this and to take into account changes envisaged in the new International Finance Corporation standards. The Panel believes that a failure to achieve this will significantly constrain the IDB’s ability to work with other progressive private sector banks”.*

The Environment and Safeguards Compliance Policy (hereafter the “Environment Policy”) was developed with harmonization of environmental standards in mind, consistent with the ***Rome Declaration on Harmonization***. The Bank closely reviewed the environmental policies of sister institutions, such as the World Bank, IFC, ADB and EBRD and maintained a close dialogue with key actors during the preparation of the Policy. Specifically, the new Policy integrates various characteristics common to other institutions: the classification of project by impact, the adoption of clear environmental safeguards (for critical natural habitats, for critical cultural sites, for hazardous materials, for pollution prevention and abatement, trans-boundary issues and for specific Bank instruments such as policy-based loans), harmonizing processes for co-financing projects, and in general, by adopting clear consultation and reporting obligations.

This policy brings together a number of directives that will steer the Banks work toward mainstreaming environmental considerations across sectors, safeguarding the environmental quality of all IDB operations and making the Bank socially and environmentally responsible within its own facilities. The new policy makes current, coherent and systematic a set of environmental practices that the Bank has developed over the past 20 years, such as environmental assessments, consultations with local populations and other stakeholders, safeguards, incorporation of sustainability principles into country strategies and application of best practices and standards of the international community. Implementing Guidelines, toolkits, and other instruments and resources will be made available to facilitate policy implementation.

There are currently three areas where Management is committed to achieve equivalence with international sustainability standards. The first is a policy on IDB activities with respect to labour including occupational health and safety. The second is the development of guidelines for community participation, and the third is an update relevant policies (related to forestry) to take into account biodiversity values as well as opportunities for supporting

sustainable forestry, including certification. The Bank will work on these during the second half of 2006 with the view to completing them in 2007. With these additions the IDB safeguards will be consistent with the Equator Principles.

## 1.2 Coherent Suite of Safeguards

*“Environment, indigenous and other relevant policies should be integrated into a coherent suite of safeguards”.*

The new Environment Policy recognizes the need to ensure compliance with other relevant IDB policies such as the Operational Policy on Indigenous Peoples, the Resettlement Policy and the Information Disclosure Policy, as part of its set of sustainability safeguards.

It is important to recognize that sustainability standards are constantly evolving based on the experiences of institutions. Similarly the Environment Policy of the IDB is a work in progress and will be updated periodically to reflect experience gained in the Bank and from other institutions, to ensure that the IDB remains effective and efficient in promoting sustainability in the Region.

## 1.3 Convergence of Regional Standards in Latin America and Caribbean

*“IDB should use its influence and outreach to support the convergence of environmental and social investment standards amongst sub-regional banks and financial and governmental institutions operating within Latin America and the Caribbean. The ability of the IDB to influence evolving harmonized standards will depend upon the Bank itself setting an example”*

Convergence of regional environmental standards is part of the strategy of the Bank to work more closely with its partners including governments and other international financial institutions. The Bank is working closely with the Meso-American countries in the adoption of common environmental safeguards in the context of regional infrastructure initiatives, and is working with Andean Development Corporation (CAF) and FONPLATA in seeking similar results in South America.

In the case of Meso-America, under the auspices of the Plan Puebla Panama, the Ministers of Environment have agreed on a common Environmental Code of Conduct that brings together consistent environmental safeguards in regional integration projects. To support this process, IDB has financed technical support and training activities in the application of Strategic Environmental Assessments (SEA).

## 1.4 Annual Sustainability Report

*“Management should commit to reporting publicly on key aspects of sustainability objectives and outcomes based on these standards, in its operations – positive and negative. A “Sustainability*

*Report” should be published and key information integrated into the Annual Report. A timeline for the first report should be set – we would suggest no later than June 2006). Guidelines for the report should be set in advance with key reporting parameters agreed through a process of public consultation and with reference to relevant emerging standards such as the Global Reporting Initiative (GRI)”.*

In April 2006, the IDB released its first annual Sustainability Review, reporting on the Bank's efforts to manage environmental and social impacts of IDB-financed projects and activities and identify opportunities to enhance the long-term benefits of investments. It also reviews Bank initiatives to help countries improve policy, regulatory and institutional frameworks for sustainable social and environmental management. Whilst somewhat qualitative in its approach, future sustainability reports will over a period of three years adopt more quantitative sustainability indicators.

The IDB has initiated a program with a working group made up of peers from other multilateral financial institutions (MFIs) on common and frontier indicators for sustainability reporting at MFIs, with a view to defining a workable set of reporting indicators by November 2006. This will take into consideration developments of the Global Reporting Initiative G3 Indicators to be released in October 2006.

The Bank will consult with stakeholders during the preparation of its second Sustainability Review for 2006.

## **1.5 Monitoring of Internal Environmental Management and Performance**

*“IDB must ensure appropriate management and monitoring of its own environmental performance with respect to its internal operations. An individual or nominated group should be assigned responsibility to manage the sustainability impacts of its own physical operations. However, the message should remain clear that the impact of IDB lending operations is where the most profound impacts are to be found. Where possible common standards for resource intensity and efficiency should be used, such as those under development by the Global Reporting Initiative (GRI). An action plan for implementation should be prepared within six months”.*

The Bank has begun to carry out an analysis of its “footprint”. The details of this as well as an overview of the steps the Bank is taking to reduce its own environmental impact are documented in the Sustainability Review. In April 2006 the formation of an inter-departmental Greening the Bank Task Force was announced by President Moreno which will establish greening programs and set targets for reducing the Bank’s footprint (initially at headquarters and in the longer term in the Country Offices). The task force, under the joint leadership of the Sustainable Development Department and the Information Technology and General Services Department, will develop an action plan during 2006 that will include resource efficiency measures, recycling targets, suggested improvements to catering facilities, and a greenhouse gas inventory for both Bank annual travel and IDB headquarters. To that

end the IDB will appoint a Sustainability Officer in August 2006 to manage sustainability reporting and greening issues at the IDB.

In particular, important progress has been made in the area of calculating greenhouse gas emissions resulting from the Bank's activities. This included calculating and offsetting carbon emissions resulting from the Annual Meeting in Belo Horizonte. This was the first time an MDB had held a carbon neutral meeting. Emissions were offset by investing in a fuel replacement project benefiting rural communities in the state of Tocantins in Brazil. The task force will look at ways to expand this initiative, to offset emissions associated with all Bank travel as well as its building facilities, considering the use of common standards for resource intensity--for example those developed by the World Resources Institute. In addition, for the first time in 2005, the IDB made an effort to calculate the climate "footprint" of its portfolio of private sector projects. It will expand its experience gained from this exercise, applying it to its public sector. This will help the Bank to establish a baseline with which to measure and monitor the emissions produced by its projects.

The IDB is also part of a DC Greening Network whose members also include the World Bank, the International Finance Corporation (IFC), Conservation International, World Wildlife Fund (WWF) and the Canadian Embassy. Collectively the group is discussing environmental management and performance issues as well as convergence on the use of standards.

## 2. MOVING SUSTAINABILITY ANALYSIS UPSTREAM

### 2.1 Mainstreaming Environmental, Social and Cultural Sustainability

*“The Bank must allocate adequate resources to ensure the mainstreaming of environmental, social and cultural sustainability into its programmatic lending and Country strategies”.*

Upstreaming and mainstreaming environmental issues is a new approach adopted by the Bank through the new Environment Policy. It requires the identification of sustainability concerns, issues and opportunities early in the pre-programming and programming phases and seeks to ensure that the results of this analysis is reflected in the Bank’s Country Strategies. As such the IDB is adopting tools to enable this, including as per the Environment Policy and as part of the Bank’s programming exercise, Country Environmental Assessments (CEAs). To date 3 CEAs have been carried out and a further 9 are underway or planned for 2006/2007. The Bank has modified its Country Strategy guidelines appropriately to include the requirements for CEAs.

The Bank will allocate the necessary resource to ensure the mainstreaming of sustainability into its programmatic lending and country strategies. A needs analysis is being undertaken to determine skill sets and resource needs for the effective implementation of mainstreaming at the IDB.

### 2.2 Capacity Building in Regional and Country Institutions

*“The IDB should support the building of capacity in regional and Country institutions, where necessary with the support of concessional funding. This should include support in valuing environmental and social resources in broader decision-making. Explicitly, the IDB as a Development Bank must address key decision makers including finance ministries within client Countries on the necessity to integrate sustainability issues and to demonstrate their cost effectiveness. IDB analysis at the Country level must adequately assess the commitment, capacity and track record of its members and borrowers in implementation and enforcement when deciding whether to go ahead with loans and envisage a scenario where lending might be refused on such a basis”.*

The IDB recognizes the importance of addressing capacity building needs of its clients. It also recognizes the value of country environmental analysis in helping identify capacity building priorities. An integrated training program will be developed to systematically assess the institutional capacity for environmental management and to understand gaps in capacity. To that end, the Bank will explore with international donors how best to fund institutional capacity building activities.

With respect to the private sector the Bank holds Environmental and Social Seminar series to provide training on key environmental and social issues in large infrastructure projects, for clients.

The Bank has continued to provide environmental lending and build environmental governance, particularly in the use of country systems. For example, following a request from the Government of Uruguay, the Bank will be advising that country's central and local government environmental agencies. This is particularly important at a time when local development projects stretch capabilities. The Bank is also working with Paraguay and Bolivia to enhance capabilities in environmental management in general, and with Brazil and Argentina in specific sectors - ecotourism and solid waste management respectively.

### **2.3 Upstreaming Sustainability in strategic infrastructure planning activities**

*“The IDB should engage in strategic infrastructure plans such as IIRSA to ensure that sustainability factors are addressed upstream and adequately address cumulative and secondary economic, social, cultural and environmental impacts early in the process. This will make engagement in later stages of the project and component projects more straightforward and consistent with these sustainability principles”.*

With respect to IIRSA, the Bank is promoting the use of strategic environmental analyses. During the past 12 months the Bank has initiated SEAs in Peru, Brazil and the Northern Corridor in Bolivia.

In partnership with a number of international nongovernmental organizations and other financial institutions working in the Region, the Bank has developed a GIS-based integrated mapping tool that attempts to bring together key information layers on aspects essential to sustainable infrastructure planning. This tool will allow the development of strategic assessments of proposed projects, identifying the key issues that need to be addressed during the planning and design stage, and developing a base to ensure decision makers have good information on social and environmental concerns. The Bank will continue to enhance the utility of this tool, developed as a pilot project, over the next year.

### **2.4 Development of new analytical tools to measure the contribution of programmatic or project lending to sustainability.**

*“The IDB should develop new analytical tools, which can be used to ‘measure’ the contribution of programmatic or project lending (including, for example, the contribution to meeting the Millennium Development Goals) to sustainability (i.e. beyond safeguards)”.*

In 2006-2007 the Bank is developing a sustainability tracking system that will identify the nature and the size of sustainability components in project and programmatic lending. The information gathered through this system will feed into the Bank's Sustainability reporting initiative.

### **2.5 Development of an internal incentive structure to reward sustainable outcomes**

*“Management should commission work on developing internal incentive structures (in alignment with other work on incentives) which reward sustainable outcomes from programmatic and project lending across all staff groups which can be implemented in parallel with policy implementation. This would include the requirement for specific assessment of performance in these areas in staff assessments and promotions, in assessing candidates for positions within the Bank and in remuneration and bonuses, if applicable. Development related issues such as these should become central to the measurement of performance across all dimensions, many of which in the past have tended towards a focus on investment volume”.*

The Bank recognizes the importance of aligning incentives to reward sustainable outcomes. The Bank will undertake a study to look at the efforts undertaken in other institutions and in 2007 will suggest options for such a structure in the context of the IDB realignment.

## 2.6 Enhancing environmental lending in biodiversity, energy and water

*“The IDB should develop specific targets for certain types of ‘environmental’ lending, which it believes will become more prevalent in future and which will stimulate the development of specific expertise and business understanding more widely within the Bank. This would include, but not be limited to, water, renewable energy, biodiversity based development activity and ecosystems services. The IDB should exploit the opportunity to support Governments and the private sector in their responsibilities and commitments to the Convention on Biological Diversity, the Framework Convention on Climate Change and the Kyoto Protocol, which came into effect on February 16, 2005. The IDB should develop a view on the financial institution impacts for Latin America and the Caribbean”.*

The Bank has made significant progress in efforts to develop stronger business lines in biodiversity, renewable energy and water.

**Biodiversity:** As a starting point the Bank is developing a framework for increasing investments in biodiversity, drawing on a wide range of inputs. These include preparation of an analytical studies on protected areas and on opportunities to finance biodiversity conservation projects in the Region which yielded recommendations to the Bank and individual governments. Furthermore the Bank will hold an NGO workshop on biodiversity opportunities in July 2006. The Bank is also more proactively leveraging GEF resources for investments in biodiversity and water activities (to date US \$16,465,000 has been leveraged, for 4 projects which are in execution, and ten under preparation). The goal of the framework is to identify opportunities for expanded investments in biodiversity by the IDB. Within the framework the Bank will assess the feasibility of lending targets.

**Energy:** The Bank developed a new clean energy and greenhouse gas mitigation action plan in 2005. Part of the Plan calls for the IDB to work on increasing investment in clean energy. Over the past 12 months the Bank has been working with its partners and countries to increase attention on clean energy, including: identification of opportunities in energy efficiency and renewable energy and investment opportunities in new projects with governments; analysis of carbon finance potential in new and existing IDB projects;

identification of opportunities for carbon finance in the private sector pipeline; analysis of tools to increase Bank lending activity in landfill with carbon finance potential; and a number of workshops in 2005/2006 addressing opportunities for carbon finance investment, new instruments, the Clean Development Mechanism (CDM) in the region and the promotion of biofuels in the region. The Bank has been very active in defining an investment framework for sustainable energy and climate change mitigation, as part of a global effort to establish an investment framework for clean energy, launched at the G8 in Gleneagles, earlier this year. The framework seeks to expand the investment in renewable energy, energy efficiency and climate change mitigation and will consider targets for increased lending in these areas. The Bank will consider the implementation of a sustainable energy framework for Latin America and the Caribbean as a key priority.

**Water:** The Bank is actively supporting the countries in complying with the mandate of the Johannesburg Summit on Sustainable Development of having Integrated Water Resources Management (IWRM) Plans by 2005. In this respect the Bank, through the IDB-Netherlands Water Partnership Program (INWAP), is financing the preparation of IWRM plans and strategies for Bolivia, Brazil, Costa Rica, Guatemala, Haiti, and Panama. The Bank is also providing support to the countries to comply with the Millennium Development Goals (MDGs) with respect to potable water and sanitation and has prepared a handbook of innovative financial models to expand potable water and sanitation services directed to local communities.

### 3. CIVIL SOCIETY ENGAGEMENT

#### 3.1 Consultation and participation/ creation of an ombudsman process

*“The IDB should develop innovative participatory approaches, new methodologies and instruments for civil society engagement and inclusion in project design and execution placing it at the leading edge of sustainability analysis. A framework should be developed for guiding project and programmatic consultation and information disclosure processes, which also sets out when independent monitoring and means of redress should be designed into the project. Whilst we acknowledge progress with the Independent Investigation Mechanism, we recommend full consideration be given to establishing an Ombudsman process which can respond constructively to complaints and seek to resolve disputes”.*

*“Civil society should be increasingly integral to the independent monitoring of project implementation. The IDB should robustly support the disclosure and dissemination of project preparation and monitoring information in a place, style, form and language, meaningful to affected parties and which allows them to constructively engage and for their views to be heard. We recommend that policies be developed by reference to Principle 10 of the Rio Declaration on Environment and Development”.*

The IDB is developing new and innovative participatory approaches, methodologies and instruments for civil society engagement and inclusion in project design and execution. This includes the development of guidelines for public participation in various phases of the project cycle and to facilitate consistent approach to public participation in the project cycle in line with Principle 10. In addition a study being carried out by the private sector to develop alternative models for participation of stakeholders in the supervision of large infrastructure projects. The final results of this study are estimated for November 2006 and will be available to the public. The Bank is also developing a special participatory supervision and monitoring system for the Camisea Gas Pipeline Project, expected to be implemented by mid-late 2006. This could provide a model for other projects to include civil society in project monitoring and supervision.

The draft Consultation and Compliance Review Policy, as successor to the current Independent Inspection Mechanism, was subject to a wide-ranging public consultation in 2005 and is currently under consideration by the Board of Executive Directors prior to final approval of the new mechanism. This draft policy proposes a consultation component that attempts to address identified problems prior to the triggering of an “inspection” into the narrower question of compliance with a given IDB operational policy.

### 3.2 IDB/NGO Staff Exchanges

*“We recommend a program of staff exchanges between the Bank and NGO groups to improve recognition and understanding of the constraints, dilemmas and pressures confronted by all the parties in development projects”.*

Since 2004, the Bank has held five NGO seminars on environment-related matters. These seminars serve as an opportunity for the IDB and civil society in the region to exchange experiences society on key issues. Topics have included the Millennium Ecosystem Assessment, soybean and associated environmental issues, tourism, infrastructure and environment policy considerations for the IDB. A further workshop will be held in July 2006 to look at the issue of biodiversity opportunities in the region. The Bank will continue to hold these exchanges.

## 4. CAPACITY, SYSTEMS AND RESOURCES

### 4.1 Reporting good practice and lessons learned

*“Systems should be developed to publicize examples of good practice around the institution through seminars, briefings, etc., with Senior Management taking an active role. Difficult, as well as successful, projects where problems are encountered should similarly be assessed and lessons learned communicated to staff. We believe that a comparative review of the IDB role in projects such as Camisea and Darien and how it might learn from the experience – including a comparative analysis with the approaches taken in other macro projects on this scale, such as Chad-Cameroon and Baku-Tblisi-Ceyhan pipeline projects, could very helpfully inform future procedural development. Development of case analyses, which demonstrate and monitor the lessons to be learned for use in training programs, should be undertaken”.*

The Environment Policy is accompanied by a virtual implementation handbook which will contain the Policy, the Policy Guidelines, a glossary and supporting material for implementation of the Policy, such as a database of up-to-date good practices. The supporting materials will be updated regularly to reflect evolving practices in the field. In addition, as part of an integrated capacity building program the Bank will hold workshops to facilitate lesson learning on a routine basis.

Comparative case study analyses of large infrastructure projects will be undertaken to identify lessons learned.

### 4.2 Consistent and robust risk management

*“Environmental, social and cultural risk management procedures need to be more robust and more consistently applied. Project risk – through the A,B,C categorization system and client risk – their capacity, commitment and track record, should be rigorously assessed and the interaction between these risks adequately considered in the design of the due diligence. Clear operational procedures should be developed for each core product type – recognizing the different points of engagement and leverage. Procedures should explicitly preclude investments where there is a high sustainability project risk and the client cannot demonstrate the commitment, capacity and track record to adequately implement”.*

Under the Environment Policy the Bank adopted a safeguard risk management approach which includes environmental impact categorization, robust environmental safeguards and procedures for all operations. The Policy also includes consideration of other related risk factors such as the capacity of executing agency and requirements for reporting and monitoring, that may threaten the environmental sustainability of an operation.

As part of its goal to ensure consistent risk management at a high level the Bank has also developed guidelines to accompany the Environment Policy which will provide project teams with specific instructions on procedures and standards to implement the policy

directives. The Bank's private sector department has also commissioned an Environmental and Social Risk Management guideline and a Reputation Risk Management Guideline. The final documents will be available later in 2006.

### 4.3 Strengthening expertise and accountability in risk management

*“Procedures and training should clearly specify that accountability for project environmental, social and cultural performance rests within the business line. The role of the Committee on Environmental and Social Impact (CESI) in providing clear advice to project teams based on client and project risk analysis should be formalized and effectively resourced. This requires that the constitution of CESI is specifically nominated, with specialists who have the necessary expertise in risk management and are given the necessary time to review the documentation and participate consistently in the Committee, providing continuity and institutional memory. A dedicated Secretariat should be established. Categorization of projects should take place within the operational departments, but these should be forwarded to CESI for ratification. All category A projects should require CESI sign off in advance of Loan Committee consideration. Staff assigned to CESI should be suitably qualified to enable rigorous analysis of public, private and joint projects expeditiously at the concept and approval stage and to monitor and ensure the adequate allocation of resources at the project level. CESI recommendations should be explicitly endorsed by the Loan Committee”.*

The Bank is developing a training program for the implementation of the new Environment and Safeguards Compliance Policy. This includes screening, scoping and classification of operations (an impact classification of operation (A, B, C) will be used and publicly disclosed), and the application of specific directives. In 2007 a longer term capacity building program will be delivered to all users of the policy, including non-environmental specialists, in both Country Offices and in Headquarters. In addition, the Bank will provide technical support to operational teams through a type of safeguard help desk to promote a consistent application and compliance with the Environment Policy.

An inter-departmental Policy implementation working group is identifying the necessary resources to implement the policy's objective of a robust sustainable risk management review. The CESI will review all A projects in advance of consideration by the Loan Committee. CESI will be supported by a Secretariat with the necessary resources and expertise, to enable it to operate at a high level of efficiency and effectiveness.

As part of its accountability efforts the Bank is adopting a sustainability tracking system which describes the risk classification, the factors that entered into consideration of that classification, the appropriate safeguards triggered by the project, and the conditions and status of compliance of the executing agency.

### 4.4 Strengthening monitoring of project sustainability outcomes

*“that the Bank's (ex-post) monitoring of project outcomes be significantly strengthened and undertaken independent of the business line, probably through the central Sustainable Development Department and*

*operations evaluation, specifically against the core development objectives of the project. Countries should be supported in undertaking their own (ex-post) monitoring of project sustainability outcomes”.*

Environmental clauses are incorporated in loan contracts, for those operations with significant impacts. Compliance with such clauses is monitored during implementation of the operation, with at least one yearly mission for high risk operations.

Internal tracking of the status of compliance with the Environment Policy will be undertaken and internal independent monitoring will be applied. In addition the capacity of country offices to monitor projects, will be enhanced.

#### **4.5 Comprehensive analyses of resource requirements**

*“Comprehensive analysis of resource requirements at central operational department and Country Office levels to fully implement the policy mainstreaming should be completed. We believe additional resources will be required in a number of areas including:*

- Increase in core environmental, social and cultural development staff and capacity at central, country and regional levels;*
- Specific professional support in developing operational procedures and risk management processes;*
- Specific resources to be applied to the monitoring and supervision of projects during execution;*
- Enhanced training to develop new skill sets in existing environmental, social and cultural staff to meet new strategic commitments;*
- Development of a sustainability-training program which engages together all the professional groups working on investments within the Institution, so that understanding amongst the teams is consistent and mutually supportive. This program should then be progressively provided to all staff. The IDB should explore the possibility of providing such training in collaboration with private sector financial institutions, some of whom have already expressed an interest in such collaboration;*
- Development of a supportive skills network throughout the institution, which can be drawn upon to provide input on specialist issues;*
- Flexible consulting resources, which can be deployed to support internal capacity or provide specialist input”.*

A special budget initiative was approved in 2006 for \$490,000 to provide baseline resources for training, screening and tracking, reporting and support to country programming. This initiative also includes one three-year staff position, yet to be filled. Approximately \$4.75 million will be requested for 2007-2009 as well as 7-9 staff positions. Based on resources allocated, a long-term sustainability training program will be developed and deployed to all staff. In addition, the Bank will set up a dedicated help desk to assist operational teams in the identification and management of sustainability risk management factors and the application of the Environment Policy.