

FAILING GRADES:

*A Report Card on the Inter-American Development
Bank's Environmental and Safeguard
Compliance Policy—Advanced Profile*

F

**By David Batker and Elizabeth Barclay
With assistance from Amanda Kaler**

**March 2004
Earth Economics
Formerly Asia Pacific Environmental Exchange (APEX)**

Earth Economics is devoted to promoting ecosystem health and ecological economics and to halting the globalization of unsustainable economic policies. Focusing on the vital areas of toxics, forests, fisheries and global trade policy, we achieve our goals through organization, education and advocacy.

Earth Economics

1121 Tacoma Ave. South, Tacoma, WA 98402

Phone: 1.253.539.4801

Fax: 1.253.539.5054

e-mail: info@eartheconomics.org

website: www.eartheconomics.org

Table of Contents

Guide to Acronyms	i
Executive Summary	ii
IDB Report Card	iii
Introduction	1
8 th Replenishment Commitments: Unfulfilled by IDB Management.....	1
Antiquated Policy Does not Measure Up to Peers	2
Observations	16
Conclusion	16
Sources	18

Guide to Acronyms

ADB — Asian Development Bank
APEX — Asia Pacific Environmental Exchange
CEA — Country Environmental Assessment
DMC—Developing Member Countries
EA — Environmental Assessment
EAP — Environmental Action Plan
EBRD — European Bank for Reconstruction and Development
EMP — Environmental Management Plan
ESMP — Environmental and Social Management Plan
EU— European Union
FI — Finance Initiative
IDA — International Development Association
IDB — Inter-American Development Bank
IEE — Initial Environmental Evaluation
IFC — International Finance Corporation
IFI — International Finance Institution
MDB — Multilateral Development Bank
NGO—Non-Governmental Organization
SEA — Strategic Environmental Assessment
SECAL — Sector Adjustment Loan
WB — World Bank
WHO — World Health Organization

Executive Summary

The Inter-American Development Bank (IDB) Board of Governors approved the 8th Replenishment in 1994, committing IDB management to adopt an improved environmental policy. Ten years later, the IDB is only beginning to consider a draft policy. No one disputes that the current two-page IDB environmental policy approved in 1979 is grossly out of date.

Environment and safeguards policy are an essential part of due diligence. They help ensure that lending reduces poverty, is sustainable and achieves real economic development.

On March 18, 2004, a policy committee of the IDB Executive Directors approved an advanced profile of an environment and safeguards compliance policy that is severely deficient by the standard set by the World Bank, Asian Development Bank and European Bank for Reconstruction and Development. Each of these institutions has significantly improved its environmental policies and lending over the past decade.

The “Report Card” presented here provides a point-by-point comparison of the IDB advanced profile with the adopted policies of peer institutions. This report card shows the IDB failing in most categories.

The responsibility for this failure rests with the president and senior management of the IDB. Despite the mandate from the Board of Governors for an improved environmental policy, senior IDB management did nothing until recently. The environmental policy advanced profile reflects a continuing lack of management leadership. The draft lacks substance, specifics, and requirements that have been part of normal operations in IDB peer institutions for over a decade.

The IDB must adopt and enforce a credible environmental policy that adequately addresses sustainable development, ecological protection and poverty alleviation. Refusing to recognize the interconnectedness of healthy ecosystems and economic development will leave the IDB with continued substandard lending, retarding development, perpetuating poverty, and generating social unrest.

It is time the IDB management and Executive Directors implement environmental policies and safeguards comparable to those of peer institutions. If this is not achieved, the Governors of the IDB need to take action: either replace top IDB management with staff that can accomplish the commitments of the 8th Replenishment, or postpone consideration of a 9th Replenishment.

Table 1 on the following page depicts the deficiency of IDB’s performance. The text of the full report that follows presents the information on which each of these grades is based.

Table 1: IDB Report Card

IDB REPORT CARD	GRADE
Environmental Assessment: Screening/Scoping	F
Environmental Assessment: Required Documents	F
Environmental Assessment: Impact Analysis	C
Environmental Assessment: Examination of Alternatives	D
Environmental Assessment: Information Disclosure & Consultation	D
Environmental Assessment: Impact Mitigation & Management Requirements	C
Environmental Assessment: Follow up/Monitoring/Enforcement	C
Strategic Environmental Assessment Requirements	B
Natural Habitats	D
Pest Management	F
Forestry	F
Water Resource Management	F
Pollution Abatement and Emission Standards	D
Requirement to Observe International Environmental Law	F
Environmentally Responsible Procurement	C
Environmental Staffing Requirements	F
Environment Policy Applicability to Private Lending	F

Introduction

Most lending institutions recognize that healthy environments play a critical role in poverty reduction and economic development. Ecological degradation, on the other hand, is costly and impoverishing. As a result, competent procedures requiring environmental assessments have become an essential part of modern banking, a critical part of the appraisal of proposed projects, and almost universally accepted.

Despite this, the IDB is failing to develop credible environmental policy. The IDB environment and safeguards compliance policy-advanced profile (“policy profile”) is vastly weaker than the environmental policies already in force at the World Bank (WB), Asian Development Bank (ADB) and European Bank for Reconstruction and Development (EBRD). In short, it leaves much to be desired.

This report begins by reviewing the environmental requirements the IDB is charged with fulfilling under the 8th replenishment. It then compares the policies of the WB, ADB, and the EBRD to those contained in the IDB policy profile on a variety of significant environmental policy elements. It concludes with some observations.

8th Replenishment Commitments: Unfulfilled by IDB Management

The Board of Governors in 1994 charged IDB management with the following tasks, as set forth in the Report on the 8th General Increase in Resources of the Inter-American Development Bank:

- The IDB was required to work with borrowing members to ensure that all the operations it finances are environmentally sustainable.
- The IDB was required to ensure that its environmental guidelines were extended to cover possible environmental effects in other activities, such as agriculture, transportation, watershed management, extractive industries and mining.
- Improved environmental management was designated as one of three key areas where the IDB would “bring its experience and expertise to bear in a more focused and refined way to help borrowing member countries meet the challenges they face.”
- The Bank was required to ensure that Bank-financed operations would be supported by high-quality environmental assessments that reflect, inter-alia, consideration of project alternatives and the results of timely consultations with the affected populations, in accordance with current practices.
- The Bank was charged with updating its internal guidelines on an ongoing basis and strengthening its programs of staff training to ensure effective application of environmental standards. The Bank was also charged with developing and updating environment-related guidelines in a context of consultation and dialogue with relevant segments of the public.

To date, IDB management has not met these commitments.

Though the policies of all the multilateral development banks (MDBs) contain flaws, other MDBs have significantly improved their policies over the past decade. The IDB's failure to upgrade its policy, despite requirements to do so, stands in sharp contrast.

Antiquated Policy Does Not Measure Up to Peers

The IDB environmental policy was last revised in 1979. The two-page policy is grossly inadequate to meet the challenges of 2004 poverty alleviation, development and sustainability goals. Other development banks, such as the World Bank, the ADB and the EBRD have extensive policies containing multiple specific binding safeguards.

The IDB policy profile has a stated goal to “set forth a new paradigm for Bank action in environmental matters.” However, on inspection, it contains little real substance.

The policy profile does not reflect recognition of the central role of environmental sustainability in development policy and poverty reduction. It states, for instance, that “the Strategy seeks to incorporate environmental dimensions into broad development objectives to reduce poverty and achieve sustainable economic growth.” This approach contrasts with the texts of other MDB environmental policies, which reflect the notion that sustainability is central to development success. For instance, the Asian Development Bank Environmental Policy states:

Economic growth alone is no longer considered sufficient to reduce poverty. The economic, social, and environmental policies that shape the process of growth and development must also address the needs of the poor and must ensure the sustainable use of resources on which continued growth depends...It is estimated that the annual economic costs of environmental degradation already lie between 4–8% of gross domestic product (GDP) in various DMCs (Developing Member Countries) ... The Environment Policy is grounded in ADB's Poverty Reduction Strategy ... [which] recognizes that environmental sustainability is a prerequisite for pro-poor economic growth and efforts to reduce poverty.

In addition, a point-by-point comparison shows that the IDB policy profile, compared to implemented environmental policies of its peer development banks, is deficient. Table 2 summarizes the contents of the IDB policy profile and compares them with the policies of other development banks. Table 2 also assigns the IDB a grade in each category.

Table 2. Comparison of the Environmental Policies of World Bank, Asian Development Bank and European Bank for Reconstruction and Development with the Environment and Safeguards Compliance Policy Advanced Profile of the Inter-American Development Bank (GN-2208-5, 6 February 2004)

Environmental Assessment: Screening/Scoping

World Bank	At the earliest possible project cycle phase, the project is classified as category A, B, C or FI. A is designated if the project has significant adverse environmental impacts that are sensitive, diverse or unprecedented; B, if the project has potentially adverse environmental impacts on human population or environmentally sensitive areas, site specific impacts, and if few if any impacts are irreversible; C, if the project is likely to have minimal or no adverse impacts. The project is designated as FI if it involves investment of Bank funds through a financial intermediary in a subproject that may result in adverse environmental impacts. Projects designated as category A require civil society consultation after screening and before the terms of reference for the EA are finalized.
ADB	Early in the process, the project is classified as falling into category A, B, C or FI. A is designated if the project has potentially significant environmental impacts; B if the project has potentially less significant impacts; C if the project is unlikely to have significant environmental impacts; and FI if the project involves investment of ADB funds through a financial intermediary. The category is determined by the most environmentally sensitive element of the proposed project, taking into account both direct and indirect impacts. A project environmental screening checklist is used. Final classification can be appealed to the ADB Chief Compliance officer. ADB policy requires a transparent process for project categorization.
EBRD	Early in the process, the project is classified as falling into category A, B, C or FI. A is designated if the project could potentially result in significant adverse future environmental impacts; B if the project could result in future environmental impacts less adverse than A; C if the project is likely to result in minimum or no adverse environmental impacts; and FI if the project involves investment of EBRD funds through a financial intermediary; EBRD has strict scoping requirements that include civil society.
IDB Profile Grade: F	No clear classification system; the policy profile does not state that the scoping process will involve civil society; nor does it state that scoping will be conducted as early as possible in the process.

Environmental Assessment: Required Documents

World Bank	For category A projects, an EIA, is required; for category B projects, an EA is required; for category FI projects, the FI is required to screen each proposed subproject and carry out the appropriate environmental analysis for each; if Bank is not satisfied that the FI has adequate capacity to carry out the EA, A and some B subprojects will be subject to review and approval by the Bank.
ADB	For category A projects, an EIA is required; for category B projects, an IEE (initial environmental evaluation) is required; for category C projects, no EA is required but environmental implications still need to be reviewed; for FI projects involving equity investment where ADB funds do not support specific subprojects but adverse environmental impacts are possible, the FI must adopt an appropriate environmental management system to comply with all relative government regulations. Where ADB funding may support specific subprojects, the FI must adopt environmental management systems to conduct environmental assessments of all ADB financed subprojects. In addition, FI category A and environmentally sensitive category B projects above a certain dollar threshold must have their EIA or IEE cleared by ADB prior to subproject approval.
EBRD	For category A projects, an EIA is required; for category B projects, an EA is required. No specific document is required for category C projects but environmental impacts must be considered. For FI projects, the FI must adopt and implement environmental procedures satisfactory to the EBRD. The structure of these procedures should mirror the EBRD's own environmental appraisal and monitoring process; activities that may involve a high degree of environmental risk (listed on the FI Referral List) must be referred to EBRD for review & approval (EBRD also conducts environmental due diligence on the FI and its portfolio prior to establishing a relationship with the FI).
IDB Profile Grade: F	Policy profile is open-ended stating that operations with potentially significant adverse impacts will require an EA adapted to the type of lending instrument and the potential impacts of the project; the policy profile does not include any procedures regarding environmental review of FI lending.

Environmental Assessment: Impact Analysis

World Bank	For category A projects, independent experts must carry out the EA. For category A projects that are highly risky or contentious or that involve serious environmental concerns, the borrower is advised to engage an advisory panel of independent internationally-recognized experts to advise on all aspects of the project relevant to the environmental analysis.
ADB	The EA must include analysis of induced, indirect and cumulative impacts; in the case of FI lending, the EA must include a description of environmental management systems to be used by the FI.
EBRD	An environmental audit is required if a project involves an existing operation.
IDB Profile Grade: C	EA will account for indirect and cumulative impacts and include associated facilities.

Environmental Assessment: Examination of Alternatives

World Bank	The EIA for a category A project must consider the “no project” option; analysis of alternative designs and sites must be included; Bank policy favors preventive measures over mitigation and compensation measures whenever feasible.
ADB	No significant policy binding consideration of alternatives beyond a requirement that they be considered.
EBRD	Project undergoes environmental analysis to help the EBRD decide if a project should be financed; EBRD policy states that a proposed project can be rejected on environmental grounds when there are major environmental issues or when a proposed project fails to address environmental issues in a satisfactory manner; In deciding whether to approve the project, the Board of Directors must take into account comments and opinions expressed by consulted parties and the way these issues were addressed by sponsors.
IDB Profile Grade: D	Requires consideration of alternatives; no other specification is included.

Environmental Assessment: Information Disclosure and Consultation

<p>World Bank</p>	<p>For all category A and B projects proposed for IBRD/IDA financing, the borrower must consult project affected groups and local NGOs and take their views into account. Consultation is expected to be initiated as soon as possible. For category A projects, the project must consult affected parties at least twice; first, shortly before terms of reference finalized; second, as soon as the first draft EIA is prepared; information must be timely and in a format & language understandable to consulted groups; for category A projects and B projects seeking IDA financing, the draft EIA/EA must be available in public place accessible to impacted groups and in most cases also posted on InfoShop; consultation and information disclosure are required before Board approval. World Bank policy mandates compliance with specific timelines, including circulation of the final EA is completed for category A projects at least 60 days before Board consideration; 30 days for category B.</p>
<p>ADB</p>	<p>For category A and B projects, the borrower must consult affected groups and local NGOs as early as possible so that the views of the groups to be affected are taken into account adequately in design of the project and mitigation measures. For category A projects, consultation must take place before the EIA is available, once a draft EIA is available, and prior to loan approval. A summary of the EIA/IEE is required to be circulated worldwide 120 days before Board consideration for all A and environmentally sensitive B projects. Full reports must be made available upon request.</p>
<p>EBRD</p>	<p>Sponsors must meet any national requirements for public consultation and EBRD's own public consultation requirements. The EBRD's consultation requirements vary based on the A or B status of project but are precise and include specific timelines. In addition, as mentioned above, the EBRD's Board of Directors is mandated to take into account comments and opinions expressed by consultees, and the way these issues are addressed by sponsors, when considering whether to approve a project.</p>
<p>IDB Profile Grade: D</p>	<p>Requires public consultation throughout all phases of the operation but does not require specific minimum timelines or mandate that materials be made available in a format and language accessible to impacted communities. No 120-day release of information nor other timelines are specified.</p>

Environmental Assessment: Impact Mitigation and Management Requirements

World Bank	In some cases, such as when natural habitats are converted, World Bank policy requires mitigations to be technically justified and imposes other specific mitigation requirements; in some but not all cases, the World Bank requires an Environmental Management Plan (EMP).
ADB	Category A and environmentally-sensitive category B projects require development of an EMP that outlines specific mitigation measures, environmental monitoring requests and related institutional arrangements. Loan agreements include specific environmental covenants describing environmental requirements including EMPs.
EBRD	For many projects, an EAP (Environment Action Plan) will be developed. An EAP documents key environmental issues, actions to address these issues, implementation schedules and estimates associated costs. The EAP becomes part of the legal agreement with the Bank; project legal documentation includes specific provisions reflecting requirements such as compliance with the EAP, provisions for environmental reporting, periodic environmental audits by independent experts, and inclusion of environmental performance criteria in project completion exit audits.
IDB Profile Grade: C	Requires each Borrower/Executing Agency to appropriately manage all project-related adverse impacts. The Borrower/Executing Agency must prepare documentation to demonstrate the ability to manage such impacts. An Environmental and Social Management Plan (ESMP) may be required. Loan agreements will establish the borrower and executing agency's obligation to comply with the environmental safeguard requirements applicable to the project.

Environmental Assessment: Follow up/Monitoring/Enforcement

World Bank	During project implementation, the borrower reports on compliance with measures agreed with the Bank, including implementation of any EMP; the status of mitigation measures; and the findings of monitoring programs. The Bank bases supervision on the findings and recommendation of the EA, including the legal agreements, any EMP, and other project documents.
ADB	Borrowers must submit semi-annual reports on implementation of EMPs. The ADB will conduct annual environmental missions on all aspects of the EMP and environmental covenants; ADB completes a project completion report evaluating the EMP, loan covenants and assessing the performance of the executing agency.
EBRD	Utilizes missions to the project site, environmental reporting, and periodic environmental audits by independent experts. Includes environmental performance criteria in project completion exit audits. In most cases, project sponsors are required to do annual environmental reporting. Summary information is required to be published on EBRD website; EBRD may require the results of on-going monitoring be made available to public; for a category A project, the EBRD will require the project sponsor to provide an annual environmental report to affected public; FIs are required to submit periodic annual reports on implementation of their environmental projects and the environmental performance of their investment portfolios.
IDB Profile Grade: C	The Bank will incorporate into project preparation, approval and implementation the mechanisms necessary to assess compliance with the safeguard requirements of the operation. The Bank will specify in loan contract documents the responsibility and timing of project monitoring to be carried out by the executing agency. Monitoring reports by executing agencies and project sponsors “should” be made available to the public. An assessment of safeguard compliance “should” be included in Bank supervision reports and technical audits of projects.

Strategic Environmental Assessment Requirements (Strategic Environmental Assessment (SEA) refers to environmental assessment above the project level – for example, environmental assessment of plans, programs and policies)

World Bank	When a project is likely to have sectoral or regional impacts, World Bank policy states that a sectoral or regional EA is required. Sector adjustment loans (SECALs) are also subject to the requirements of the Environmental Assessment policy. EA for a SECAL assesses the potential environmental impacts of planned policy, institutional, and regulatory actions under the loan. There is no requirement yet for the application of SEA to country assistance strategies, program lending, technical assistance activities and the Bank’s budget as a whole.
ADB	Requires preparation of a country environmental analysis with the objective of ensuring that environmental impacts are considered on par with traditional economic concerns when formulating policies, plans, and programs; this assessment is “directed at the policy, program and sector levels, and not at the project level”; ADB also requires environmental assessment of all project loans, program loans, sector loans, sector development program loans, financial intermediation loans and private sector investment operations.
EBRD	Environmental sections are included in all country and sector strategies, taking into account the National Environmental Action Plans of the relevant countries and other issues; the EBRD may carry out SEAs on the likely environmental consequences of proposed sector or country/regional plans or programs which have the potential to significantly affect the environment but is not required to; each sector strategy will reflect the EBRD’s environmental mandate.
IDB Profile Grade: B	Aspires to move beyond mitigation to a strategic view of environment; requires programming activities such as Country Strategies to analyze and show the state of enabling conditions for environmental management (such as the state of environmental governance, etc); for sector activities which may pose substantial environmental risks and challenges, adequate strategic provisions must be identified to anticipate and address early on the need for developing appropriate enabling conditions for environmental management; SEAs may be used for policies, plans or programs. The language is ambiguous as to whether this is required. If it were required, IDB would merit a higher grade.

Natural Habitats

World Bank	<p>Expects a precautionary approach to natural resource management. Does not support projects that, in the Bank’s opinion, involve the significant conversion or degradation of critical natural habitats.</p> <p>If a project involves significant conversion of natural habitats:</p> <ol style="list-style-type: none"> 1) there must be no feasible alternatives to the project and its site; 2) a comprehensive analysis must demonstrate that overall benefits substantially outweigh environmental costs; 3) mitigation measures must minimize habitat loss through habitat retention, restoration, or other technically justified mitigation measure; 4) the borrower’s ability to implement the mitigation measures must be considered; 5) appropriate environmental expertise must be utilized; 6) the borrower must take into account the views of local communities and NGOs and include them in project design and monitoring; and 7) the costs of mitigation measures must be included in project financing.
ADB	<p>Priority areas for ADB assistance include: (i) maintaining the flow of ecosystem goods and services to sustain the development process, and rural livelihoods in particular, including through the conservation and sustainable use of biodiversity; (ii) protection and improved management of freshwater systems, and coastal and marine resources; and (iii) prevention of land degradation, including desertification.</p>
EBRD	<p>Supports a precautionary approach to the management and sustainable use of natural biodiversity resources (such as wildlife, fisheries and forest products) and will seek to ensure that its operations include measures to safeguard and, where possible, enhance natural habitats and the biodiversity they support; requires that projects be structured so as to meet EU environmental standards, in so far as these apply to a specific project. According to the EBRD, there are relevant EU Directives and Regulations on the issue of natural habitats.</p>
IDB Profile Grade: D	<p>Includes a difficult to enforce habitat policy stating that bank operations “should avoid” significantly converting or degrading critical ecological or cultural sites; In the case of natural habitats not designated as critical, the policy states that if the EA finds no acceptable alternatives to significantly degrading natural habitats, that project’s benefits justify all project costs including environmental and social costs, and that it is vital to the public interest to proceed with the project, effective mechanisms and management plans to offset and compensate adverse impacts should be built into the project.</p>

Pest Management

World Bank	Pesticide must have negligible adverse human health effects, be shown to be effective against the target species, have minimal effect on non-target species and the natural environment. Pesticides used in public health programs must be demonstrated to be safe for area inhabitants and domestic animals, as well as for personnel applying them. The World Bank will not finance WHO Class IA, IB and Class II pesticides if a country lacks restrictions on their use or they are likely to be used by those lacking proper training or facilities.
ADB	Follows the World Bank's Pollution Prevention and Abatement Handbook, which contains some provisions on pesticides. May recommend alternative approaches in the case of individual projects. Observes the IFC exclusion list which includes dangerous pesticides.
EBRD	EBRD requires that projects be structured so as to meet EU environmental standards, in so far as these apply to a specific project. According to the EBRD, there are relevant EU Directives and Regulations on the issue of pesticide use.
IDB Profile Grade: F	Contains no safeguard on this issue.

Forestry

World Bank	Prohibits financing for projects involving significant conversion or degradation of critical forest areas or related critical natural habitats; requires compliance with applicable international environmental agreements; to be eligible for Bank financing, industrial commercial harvesting operations must be certified under an independent forest certification system or have a time-bound action plan acceptable to the Bank for achieving certification.
ADB	Currently under revision.
EBRD	EBRD requires that projects be structured so as to meet EU environmental standards, in so far as these apply to a specific project. According to the EBRD, there are relevant EU Directives and Regulations on the issue of forests. If those Directives and Regulations do not apply to a specific project, the project will have to meet good international practice, which, according to the EBRD would include certification.
IDB Profile Grade: F	The IDB policy profile does not contain a safeguard on forests; IDB forest policy (OP 723) offers no substantive safeguards, stating only that "environmental impacts of proposed activities in the forest sector should be assessed, including "where appropriate" examination of alternatives and mitigations; wherever "pertinent," ex-post evaluation must include a Bank-financed assessment of the environmental impact of the project (these provisions do not meaningfully add to the independently applicable requirements under the EA process); the 8 th Replenishment Report prohibits financing for commercial logging in primary tropical moist forests, as well as the purchase of equipment for these purposes; however, this requirement is not incorporated into the habitat provision of the policy profile.

Water Resource Management

World Bank	General policy of support for economically viable, environmentally sustainable, and socially equitable water resource management; Serious resource misuse will result in end of future financing except for operations to deliver potable water to poor households, conserve water and protect water quality.
ADB	Has a limited policy on this subject.
EBRD	EBRD requires that projects be structured so as to meet EU environmental standards, in so far as these apply to a specific project. According to the EBRD, there are relevant EU Directives and Regulations on the issue of water resources.
IDB Profile Grade: F	Does not include a safeguard on this subject.

Pollution Abatement and Emission Standards

World Bank	World Bank Pollution Prevention and Abatement Handbook
ADB	Will follow the standards in the World Bank Pollution Prevention & Abatement Handbook (these are not binding on any particular project but environmental assessment must justify levels and approach chosen).
EBRD	The EBRD will require that projects be structured so as to meet EU environmental standards, in so far as these can be applied to a specific project. When such standards do not exist or are inapplicable, the EBRD identifies other sources of good international practice including relevant World Bank guidelines, the approaches of other IFIs and donors, and good industry practice, and requires compliance with the selected standards.
IDB Profile Grade: D	All IDB operations must comply with in-country environmental laws, regulations and standards. As a general rule, when a country has no applicable environmental regulation, an internationally accepted reference will apply. Where a national and an international standard differ, the higher will usually apply unless otherwise approved by the IDB. This language is overly discretionary and vague.

Requirement to Observe International Environmental Law

World Bank	The World Bank does not finance projects that would contravene country obligations under international environmental treaties and agreements.
ADB	If a government has ratified a protocol under international environmental law and the protocol has entered into force, ADB considers it a government requirement/obligation that must be complied with.
EBRD	The EBRD will not finance projects that would contravene country obligations under relevant international environmental treaties and agreements.
IDB Profile Grade: F	States only that a country's obligations under international environmental treaties must be considered. This may place the IDB in the position of funding activities that violate a country's international legal commitments.

Environmentally Responsible Procurement

World Bank	New procurement rules will become effective in 2004. Neither the current rules nor the revised rules require environmentally-sound procurement. The International Financial Corporation (IFC) bans procurement of asbestos.
ADB	The ADB will encourage borrowers and executing agencies to ensure, wherever possible, that the goods and services procured under ADB-financed projects have been produced in a responsible manner with a view to resource efficiency, waste minimization, and environmental consideration. Suitable provisions will be included in loan and project agreements and bidding documents to ensure environmentally responsible procurement. This will be done so as not to compromise the competitiveness of developing member country firms.
EBRD	In its internal operations, the EBRD will pursue the best practices in environmental management, including energy and resource efficiency, waste reduction, and recycling. The EBRD will seek to work with suppliers and subcontractors who follow similarly high environmental standards.
IDB Profile Grade: C	Contains a procurement clause designed to advance the goal that goods and services procured under IDB financing are provided in an environmentally responsible manner by environmentally responsible suppliers. Qualifying phrases may undermine its enforceability.

Environmental Staffing Requirements

World Bank	The Environmental Strategy addresses this issue, though insufficiently.
ADB	The ADB Environmental Policy contains a section on implementing the policy providing clear lines of command including creation of a center for compliance oversight, discussing staff resource implications and requiring a mandatory training for headquarters and resident mission staff on the Environmental Policy. ADB has an accountability mechanism that sanctions staff who do not comply with the Environmental Policy.
EBRD	As a matter of policy, the EBRD will allocate appropriate resources to ensure an effective implementation of its Environmental Policy. The Bank will maintain adequate staff resources to oversee the environmental appraisal and monitoring processes and to initiate and develop environmentally oriented operations.
IDB Profile Grade: F	No provision.

Environment Policy Applicability to Private Lending

World Bank	IFC projects are required to comply with safeguards including Environmental Assessment, Natural Habitats, Pest Management, Forestry, Safety of Dams and other crucial safeguards.
ADB	ADB EA requirements for private and public sector investments are the same. An EA for direct and equity investments with identified projects or subprojects is required. For indirect investments in the form of a credit line and equity investment operations through a financial intermediary, ADB's environmental requirements for loans involving financial intermediaries will apply.
EBRD	The Environment Department appraises all projects (public and private) funded by the EBRD to ensure that they comply with the Bank's Environmental Policy and Procedures.
IDB Profile Grade: F	The policy profile covers private lending carried out within the IDB but does not cover the Inter-American Investment Corporation.

The current policy profile and the mandate from top management at the IDB are clearly failing. A summary of the overall grades is repeated below in Table 3.

Table 3: IDB Report Card

IDB REPORT CARD	GRADE
Environmental Assessment: Screening/Scoping	F
Environmental Assessment: Required Documents	F
Environmental Assessment: Impact Analysis	C
Environmental Assessment: Examination of Alternatives	D
Environmental Assessment: Information Disclosure & Consultation	D
Environmental Assessment: Impact Mitigation & Management Requirements	C
Environmental Assessment: Follow up/Monitoring/Enforcement	C
Strategic Environmental Assessment Requirements	B
Natural Habitats	D
Pest Management	F
Forestry	F
Water Resource Management	F
Pollution Abatement and Emission Standards	D
Requirement to Observe International Environmental Law	F
Environmentally Responsible Procurement	C
Environmental Staffing Requirements	F
Environment Policy Applicability to Private Lending	F

Observations

The IDB Policy Profile is far weaker than corresponding environmental policies already in force at the World Bank, ADB, and EBRD. The IDB must overhaul its environmental policy and bring it at a minimum to a level comparable with other multilateral development banks.

When projects or policies with major environmental impacts are being considered, what matters for staff are specifics and non-permissive language setting forth affirmative, binding obligations, or prohibitions. The pervasive lack of specificity and binding obligations in the IDB policy profile renders most aspects of the policy discretionary and open to waiver on a case-by-case basis. This is unacceptable for an environmental policy of an MDB in the 21st century.

Compared to its peers, the IDB is deficient on nearly *every measure*. As a public lending institution, the IDB should be providing quality lending with due diligence. However, this is not possible without adequate, consistently applied environmental safeguards.

The IDB also lags behind even some private banks. At least 20 major international commercial banks have committed to develop environmental policies and standards for project finance commensurate with the WB/IFC environmental and social safeguard policies.

Conclusion

Overall, the IDB environmental policy profile earned remarkably poor grades as compared to those enforced by other multilateral development banks. Following a decade of inaction in the face of the Eighth Replenishment mandate of the IDB Board of Governors, this demonstrates a tremendous failure by top IDB management.

If the IDB cannot meet basic minimum standards set by peer institutions, perhaps the citizens of Latin America would be better served if scarce concessionary development funds were placed with other institutions that have demonstrated the capability to achieve more effective lending by implementing substantive environmental and safeguard policies.

The 2002 IDB Annual Report painted a bleak picture of Latin American and Caribbean development. The region is experiencing economic recessions, declining per capita income, stagnant consumption, exacerbated poverty and rises in unemployment (the average unemployment rate reached 9.1% -- the highest on record). By 2001, the total number of poor people in the region had risen to 214 million, while those in extreme poverty rose to 93 million, an increase of 5 million in just over a year. Approximately 80% of foreign direct investment is captured solely by Brazil and Mexico. In the face of this kind of performance, can the costs of ecological destruction be afforded? According to the Asian Development Bank, it is estimated that the annual economic costs of environmental degradation lie between 4–8% of gross domestic product (GDP) for various developing countries. The goals of sustainable development and ecological sustainability are interdependent.

It is time the IDB management and Executive Directors adopt and implement environmental policies and safeguards comparable to those of peer institutions. If this is not possible, the Governors of the IDB need to take action: either replace top IDB management with staff that can accomplish the commitments of the 8th Replenishment, or postpone consideration of a 9th Replenishment.

The IDB must adopt and enforce a credible environmental policy that adequately addresses sustainable development, ecological protection and poverty alleviation. Refusing to recognize the interconnectedness of healthy ecosystems and economic development will leave the IDB with continued substandard lending, retarded development, perpetual poverty, and social unrest.

Notes

The African Development Bank did not respond to our requests for their environmental policies; neither are they listed on the African Development Bank website

Sources

Asian Development Bank. 2002. Environment Policy of the Asian Development Bank.

The Equator Principles: An Industry Approach for Financial Institutions in Determining, Assessing and Managing Environmental & Social Risk in Project Financing. 2003. www.equator-principles.com/ (accessed March 15, 2004).

European Bank for Reconstruction and Development. 2003. Environmental Policy.

Goodland, Robert. 2004. Strategic Environmental Assessment and the World Bank Group.

Inter-American Development Bank. 2002. Annual Report.

Inter-American Development Bank. 2004. Environment and Safeguards Compliance Policy – Advanced Profile, GN-2208-5.

Inter-American Development Bank. OP-703 Environment.

Inter-American Development Bank. OP-723 Forestry Development.

Report On The Eighth General Increase In Resources Of The Inter-American Development Bank, Chapter II.

World Bank. 1998. Pollution Prevention and Abatement Handbook.

World Bank. OP 4.01 Environmental Assessment.

World Bank. OP 4.04 Natural Habitats.

World Bank. OP 4.09 Pest Management.

World Bank OP 4.36 Forests.

