

24. INTER-AMERICAN DEVELOPMENT BANK (IADB)

24.1 Water Resources Management Policies and Actions

The IADB is the oldest and largest regional bank in the world, which support and finance Latin America and Caribbean (LAC) economically and socially. It has been active in water, predominantly financing projects in sanitation, hydropower, and irrigation and drainage, but also other areas such as watershed management, flood control and waterway projects.

In 1998, IADB published the “Strategy for Integrated Water Resources Management”, which applies to all Bank water related projects. This strategy provides assistance to the borrowing member countries to develop viable fresh water sources and systems through a variety of initiatives, such as developing and implementing guidelines; devising and employing integrated approaches that will converge over time upon least-cost solutions for investments in water resources development; identifying and preparing projects and project components, including water conservation programmes; and encouraging better use of water resources and advances in water technology.

New elements have been raised in the strategy, which focus on how the Bank:

- Can incorporate elements of integrated water resources management into its water-related operations, in order to shift the emphasis of its actions in water resources from a project-based approach to increase supply to an integrated supply and demand management approach;
- Use the instruments at its disposal, can help its borrower member countries to achieve integrated water resources management in order to (i) conserve water through a more efficient allocation of the resource; (ii) solve conflicts among competing uses and users; (iii) explain the social, economic and environmental value of water; (iv) increase the participation of communities and the private sector in decision-making and financing.³⁸⁰

IADB has set out different operational policies. Under Social Infrastructure Sectors, there is one policy named “Basic Environmental Sanitation”, which ensure that the financial assistance and technical cooperation which the Bank provides in the basic environmental sanitation sector effectively helps the member countries in their efforts to improve the health and welfare of their inhabitants. The Bank will continue to support both the construction of new systems and the expansion, rehabilitation and improvement of current systems.

In accordance with the above objective and bearing in mind past experience, the Bank provides the countries with cooperation in order to assist them in their efforts to:

- Undertake the planning and programming of their investments in basic environmental sanitation, in harmony with their priorities and their investments in

³⁸⁰ Referenced to the Strategy for Integrated Water Resources Management, <http://www.iadb.org/sds/doc/1289eng.pdf>, page 1-2

other interrelated sectors and based on socioeconomic, technical and financial criteria;

- Strengthen the technical, financial, administrative and operating capacity of the institutions in the basic environmental sanitation sector;
- Encourage health education and community promotion activities, which are basic to the success of water supply and sewerage programmes, especially in rural areas and marginal urban areas; and
- Strengthen permanent systems that improve the identification, selection, preparation and evaluation of projects, in accordance with generally accepted standards.

Possible Activities on Water Resources Management by IADB

The Bank provides financing and/or technical cooperation for basic environmental sanitation projects in:

- Rural and urban potable water supply, including production, treatment, transmission, distribution and macro/micrometering
- Collection, treatment and disposal of sewerage in urban and rural areas. This includes the possible recycling of treated water for irrigation purposes and the recharging of aquifers, as well as the production of energy through biodigestion
- Collection and disposal of urban storm - water runoff
- Drainage of the project area in order to ensure both the installation and proper operation of the water supply and sewerage systems
- Collection, treatment and disposal of urban solid wastes, including the possible production of byproducts for agriculture and of recycling materials for industry
- Removal of pollutants and prevention of pollution of the soil, watersheds, water courses and the air³⁸¹

³⁸¹ Extracted from the website of the Inter American Development Bank, http://www.iadb.org/exr/pic/VII/OP_745.cfm

24.2 Environmental Evaluation/SEA in IADB

The IADB has used the SEA process flexibly in relation to various types of operations. It is seen as complementing and preceding project-level assessments in defining policies and sectoral programmes, identifying key issues and mainstreaming environmental considerations where they matter most. Key areas include regional-based projects, sectoral loans, investment loans with sectoral or multi-sectoral programmes, and regional development initiatives and policy analysis.³⁸²

According to the Bank's Environmental Strategic in July 2003, additional work needs to be done to incorporate environmental concerns at the policy or programme level, using methodologies such as SEA. This effort is important to address up front social and environmental issues related to broad regional development programmes and policy loans. In order to strengthen environmental quality of the Bank operations, the Bank will seek to assure the appropriate application of both upstream environmental assessment (SEA) as well as downstream environmental impact assessment at the specific project level.³⁸³

As all of the SEAs undertaken for IADB operations have been carried out without specific guidance, and have been varied greatly in scope and objectives, a new IADB guidance on SEA³⁸⁴ was issued in 2004 which provide a common framework but will be flexible to facilitate application to a variety of operations.³⁸⁵

Since 19 January 2006, the IADB approved a new Environment and Safeguards Compliance Policy³⁸⁶, strengthening the Bank's commitment to environmental sustainability. The new policy, approved by the Board of Executive Directors, consolidates environmental safeguards consistent with best practices being carried out among public and private international financial institutions. This new policy is part of the implementation of the Bank's Environment Strategy, which was approved by the Board in July 2003.³⁸⁷

The Policy Directives are structured under two major categories: a) environmental mainstreaming; and b) environmental safeguards. These two categories are essential for environmental sustainability and complement and reinforce each other. The mainstreaming directives apply to Bank programming activities, which by their nature predominantly focus on the Bank's public sector activities. These policy directives are

³⁸² Extracted from the "Strategic Environmental Assessment: A sourcebook and reference guide to international experience", Barry Dalal-Clayton and Barry Sadler, 2004,

http://www.iied.org/Gov/spa/documents/SEAbook/Chapter4_Oct04.pdf, pages 125-126

³⁸³ Referenced to the "Environment - Strategic Document" by IADB, 2003,

<http://enet.iadb.org/idbdocswebservices/idbdocsInternet/IADBPUBLICDOC.aspx?docnum=354272>, pages 13, 23

³⁸⁴ Conditional Credit Line for Investment Projects (CCLIP) - Environmental Procedures and SEA Guidance, IADB, 2004, <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=354298>

³⁸⁵ Extracted from the "Strategic Environmental Assessment: A sourcebook and reference guide to international experience", Barry Dalal-Clayton and Barry Sadler, 2004,

http://www.iied.org/Gov/spa/documents/SEAbook/Chapter4_Oct04.pdf, pages 125-126

³⁸⁶ available at <http://enet.iadb.org/idbdocswebservices/idbdocsInternet/IADBPUBLICDOC.aspx?docnum=665902>

³⁸⁷ Referenced to the web site of IADB under Sustainable Development Department, http://www.iadb.org//sds/env/site_5512_e.htm

proactive in nature and seek to enhance the incentive framework to foster environmental opportunities, new business opportunities for the Bank, and greater development benefits for the countries. On the other hand, the safeguard directives establish procedures and standards to ensure the quality and the environmental sustainability of both public and private sector operations.

The policy contains the following key objectives for SEA:

- To assure that the main environmental risks and opportunities of policies, plans or programmes have been properly identified
- To engage early-on governments and potentially affected parties in the identification and analysis of strategic issues, actions, and development alternatives;
- To define and agree on a sequence of actions to address systematically and strategically environmental issues and priority actions, summarised in an SEA action plan for adequate monitoring and follow up
- To assure that adequate environmental information is available and collected for the decision making process. The SEA process should be triggered early in the decision-making process and prior to the implementation of the policies, plans or programmes. Recommendations from the SEA process should be incorporated into an operation's activities.³⁸⁸

The Bank will finance environmental and natural resources management components or activities across different sectors, with loans and technical assistance, beyond required environmental mitigation actions to increase value added and long-term sustainability. It will seek to enhance environmental sustainability through appropriate public and private operations across sectors, such as urban development, transportation and road infrastructure, and agriculture, among others.

All Bank-financed operations will be screened and classified according to their potential environmental impacts so that the appropriate environmental assessment or due diligence requirements are selected for the operation. The following classification will apply:

- Category "A" - Any operation that is likely to cause significant negative environmental and associated social impacts, or have profound implications affecting natural resources. These operations will require an environmental assessment (EA), normally an Environmental Impact Assessment (EIA) for investment operations, or other environmental assessments such as a Strategic Environmental Assessment (SEA) for programmes and other financial operations that involve plans and policies.
- Category "B" - Operations that are likely to cause mostly local and short-term negative environmental and associated social impacts and for which effective mitigation measures are readily available. These operations will normally require an environmental and/or social analysis, according to and focusing on, the specific issues identified in the screening process, and an Environmental and Social

³⁸⁸ Referenced to the "Environment and Safeguards Compliance Policy" by IADB, 2006, <http://enet.iadb.org/idbdocswebservices/idbdocsInternet/IADBPUBLICDOC.aspx?docnum=665902>, pages 9

Management Plan (ESMP).

- Category “C” - Operations that are likely to cause minimal or no negative environmental and associated social impacts. These operations do not require an environmental or social analysis beyond the screening and scoping analysis for determining the classification. However, where relevant, these operations will establish safeguard, or monitoring requirements.³⁸⁹



A new treatment plant in Southern Quito³⁹⁰



A small reservoir in the shadow of Mt. Antisana³⁹¹

³⁸⁹ Referenced to the “Environment and Safeguards Compliance Policy” by IADB, 2006, <http://enet.iadb.org/idbdocswebservices/idbdocsInternet/IADBPUBLICDOC.aspx?docnum=665902>, pages 8

³⁹⁰ Source: <http://www.iadb.org/idbamerica/index.cfm?thisid=2505>

³⁹¹ Source: <http://www.iadb.org/idbamerica/viewimage.cfm?thisid=2517&artid=27976&>

24.3 Environmental Evaluation/SEA on Water Resources Management in IADB

According to the Environment and Safeguards Compliance Policy approved by the IADB in January 2006 which is part of the implementation of the Bank's Environment Strategy in 2003, it is an administrative requirement that the Bank's financial operations which will cause significant negative environmental and associated social impacts should conduct an environmental assessment, normally an EIA for investment operations, or SEA for programmes and other financial operations that involve plans and policies, that related to water resources management. Details can be referred to Section 24.2.

As mentioned above sections, IADB aims to provide support to the environmental projects in the LAC region. One of its mandates is to promote sustainable management of natural resources with specific references to environmentally sustainable practices for water resources.³⁹²

A summary table for the water resources management policies and Actions and SEA status in IADB is presented in **Exhibit IADB-1:**

Exhibit IADB-1 Summary of Water Resources Management (WRM) Policies and Actions and SEA status in IADB	
(a) WRM Policies and Actions	
WRM Policies and Actions	Policies <ul style="list-style-type: none"> ● Strategy for Integrated Water Resources Management ● Basic Environmental Sanitation Actions <ul style="list-style-type: none"> ● Provide financing and technical cooperation for basic environmental sanitation projects
Guidance/Legislations in WRM	N/A
(b) Environmental Evaluations / SEA Status in WRM Policies and Actions	
Type of Assessment	SEA
Requirement Mechanisms	Administrative
Legislation for Environmental Evaluation / SEA	Environment and Safeguards Compliance Policy 2006
Applications	Policies, Plans and Programmes

³⁹² Referenced to the "Environment and Safeguards Compliance Policy" by IADB, 2006, <http://enet.iadb.org/idbdocswebservices/idbdocsInternet/IADBPUBLICDOC.aspx?docnum=665902>, pages 1 & 5

24.4 Analysis and Conclusions

WRM Policies

The IADB has published the “Strategy for Integrated Water Resources Management”, which provides assistance to the borrowing member countries to develop viable fresh water sources and systems through a variety of initiatives. The Bank also focuses in providing financing and/or technical cooperation for basic environmental sanitation projects in rural and urban potable water supply, sewage treatment, water runoff, drainage for both the installation and proper operation of the water supply and sewerage systems, wastewater treatment and removal of pollutants.

Unlike a country or city, the IADB is an institution providing loans for borrowers to improve their water resources according to their own WRM policies. No direct comparison is made between Hong Kong’s WRM policies with that of the IADB.

EE/SEA

According to the Environment and Safeguards Compliance Policy approved by the IADB in January 2006, it is administratively required to conduct an environmental assessment, including EIA for projects and SEA for financial operations, that involve polices, plans and programmes, to assistant countries.

Currently in Hong Kong, there are both statutory and administrative systems for PPP projects. While the statutory requirements govern primarily large scale development projects (i.e. over 20 ha of area or population over 100,000), the administrative counterpart has been applied to land use planning, transportation and sectoral PPP. Referenced to IADB, categorisation on significance of environmental impacts caused is recommended.

24.5 Examples of Water Resources Management Policies / Actions or their Environmental Evaluation/SEA

Example IADB-1	Goiânia Water and Sanitation Programme ³⁹³
Description of the Programme	<p>The general objective is to improve sanitation conditions for residents of Goiânia and contiguous urban areas by upgrading water supply and sewerage services. The specific objectives are to:</p> <ul style="list-style-type: none"> ● Enhance the continuity and reliability of the drinking water supply in Goiânia and contiguous urban areas ● Improve the water quality of rivers flowing through Goiânia ● Make service delivery more efficient <p>The Programme aims at guaranteeing the continuity and reliability of drinking water supply. The programme seeks to achieve 24-hour continuous service 365 days a year for 90% of users in Goiânia by the end of 2007. It also seeks to improve efficiency in service delivery by the end of 2007.</p>
Mechanism of the Programme	<p>The Programme was organised into three components, namely:</p> <p>(i) Water supply improvement Service continuity and reliability will be enhanced by increasing capacity to produce drinking water and regulating supply sources. It will be enhanced through conveying the additional volume of water produced to the distribution system, and operational upgrades so the distribution system can assimilate the additional volume of water. The component also includes measures to mitigate the associated environmental impacts.</p> <p>(ii) Improvement in river water quality Goiânia's wastewater collection and treatment services will be expanded by building collector sewers and sewerage networks in the area of Caveirinha, São Domingos and a sewage treatment plant in the area of Terezópolis.</p> <p>(iii) Efficiency enhancements in service delivery Support will be provided to enhance the efficiency of SANEAGO's service delivery by implementing a new management model for the company, with emphasis on modernisation of the systems and methods currently in use in the operational, commercial, financial, and administrative areas.</p>
Benefits of the Programme	<p>The Programme's main benefit will be the improved drinking water supply and basic sanitation in the city of Goiânia. This means better coverage of the water and sewerage systems as the result of their expansion under the programme, and better disposal of wastewater due to the construction of treatment plants. The end impact of these direct benefits on the population of Goiânia is expected to be lower incidence of water-borne diseases.</p>

³⁹³ Extracted from "Brazil - Goiania Water and Sanitation Programme", <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=387890>, Pages 11, 12, 24, 25

Example IADB-2	Haiti Potable Water And Sanitation Sector Reform and Investment Programme ³⁹⁴
Description of the Programme	<p>The goal of the Programme is to improve and sustain potable water service across Haiti while establishing an institutional framework for the gradual development of wastewater service.</p> <p>The specific objectives of the proposed Programme are as follows:</p> <ul style="list-style-type: none"> ● To support the establishment of the independent Potable Water and Sanitation (PWS) regulatory agency and the privatisation of service provision in Port-au-Prince and other urban centers ● To enhance and sustain the quality and coverage of potable water service in approximately ten urban centers and fifty rural and peri-urban communities
Mechanism of the Programme	<p>The Programme is a 5-year multiple works operation consisting of 3 components:</p> <ul style="list-style-type: none"> ● An institutional component to support the implementation of the sector reform ● An investment component to finance the rehabilitation and expansion of water systems ● A private sector participation component to finance part of the transaction costs involved in fostering private participation in the management of rehabilitated systems
Expected Benefits of the Programme	<p>Through the followings, the potable water sector reform is expected to produce greater benefits than the investments in physical works:</p> <ul style="list-style-type: none"> ● To increase pricing and management efficiencies ● To reform will create momentum for further expansion ● To bring the proper structure so as to reduce physical losses, wasteful consumption and commercial losses <p>The result will generate the necessary revenue stream to finance maintenance, causing the present water losses to be converted into surplus water for new consumers, defer investments for rehabilitation and expansion due to premature deterioration and excess demand, and release funds to expand coverage to new consumers.</p> <p>On the other hand, loan repayment by users to the Government will allow public funds to be absorbed by sector subsidies that are released to meet other needs. Physical works will improve access to potable water for about 400,000 people in urban areas and 75,000 in rural areas. This will translate into increased consumption benefits for groups with house connections and resource savings for low income groups whose consumption remains low but for whom the price of water drops significantly.</p> <p>From an environmental standpoint, the systematic introduction of micro-metering will be a significant first step towards a global strategy for water resources preservation.</p>

³⁹⁴ Extracted from "Haiti Potable Water And Sanitation Sector Reform and Investment Programme", <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=454841>, Pages 1, 4