



CIFI 2009 Annual Environmental & Social Performance Report

Prepared for:
CIFI
Corporación Interamericana
para el Financiamiento de
Infraestructura, S.A.
Arlington, Virginia

Prepared by:
ENVIRON International Corporation
Arlington, Virginia
Princeton, New Jersey

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Contents

	Page
1 Executive Summary	1
1.1 Introduction	1
1.2 Key Conclusions and Recommendations	3
1.3 Structure of the Report	3
2 Corporación Interamericana para el Financiamiento de Infraestructura	9
2.1 CIFI Background	9
2.2 Mission	9
2.3 Products and Services	9
2.4 Environmental Policies and Procedures	10
3 Compliance with Applicable Policies and Guidelines	11
3.1 Compliance with CIFI's Environmental Management System	11
3.1.1 CIFI's Environmental Policy and Environmental Management System	11
3.1.2 CIFI's Business Plan	14
3.1.3 Compliance with CIFI's Environmental and Social Management System	14
3.2 Compliance with the Equator Principles	16
3.2.1 Equator Principles	16
3.2.2 Compliance with the Equator Principles/Performance Standards	17
4 Conclusions and Recommendations	19
4.1 Main Conclusions and Recommendations	19
Annex A	
Annex B: Project Overview	1
1 Project Specific Conclusions and Recommendations	2
2 Portfolio Projects Carried Over from 2008	4
2.1 Ajovert, Colombia	4
2.2 Bahia Las Minas, Panamá	4
2.3 Bahia Pulp, Brazil	6
2.4 Belcogen, Belize	7
2.5 Belize Natural Energy (BNE), Belize	8
2.6 Caucedo Port, Dominican Republic	11
2.7 Celtel, Honduras	12
2.8 CEMPRO, Guatemala	14
2.9 CEPM, Dominican Republic	15
2.10 CLISA, Argentina	18
2.11 Delba, Brazil	19
2.12 Desalcott, Trinidad	21

Contents

	Page	
2.13	Digicel, Caribbean	22
2.14	Ecoelectric, Ecuador	23
2.15	EMCE, Honduras	25
2.16	ENERSA, Honduras	27
2.17	Favorita, Ecuador	28
2.18	Ferrovias Central Andino, S.A./Ferrocaril Central Andino, S.A., Perú	29
2.19	Hidroabanico, Ecuador	31
2.20	Loma Negra, Argentina & Brazil	32
2.21	Magdalena, Guatemala	33
2.22	Metro CC, Dominican Republic	33
2.23	Petroterminal de Panama, Panama	34
2.24	SAE Towers, Brazil & Mexico	36
2.25	SOBOCE, Bolivia	38
2.26	Telecom Personal, Argentina	41
2.27	TGI, Colombia	41
2.28	YPFB Transporte S.A. (formerly Transredes S.A.), Bolivia	41
3	New Portfolio Projects 2009	44
3.1	Aerodom, Dominican Republic	44
3.2	Columbus, Barbados	44
3.3	Dinasa, Haiti	45
3.4	PAE LLC, Argentina	49
3.5	Termoflores, Colombia	52

ACRONYM	NAME
ABB	ASEA Brown Boveri
ARCOS	Americas Region Caribbean Ring System
bbls/d	barrels per day
BELCOGEN	Belize Co-Generation Energy, Ltd.
BLM	Bahia Las Minas Corp.
BNE	Belize Natural Energy
BSI	Belize Sugar Industries, Ltd.
CABEI	Central American Bank for Economic Integration
CAF	Corporación Andina de Fomento
Caminosca	Caminos and Canales, Ltda
CAP	Corrective Action Plan
CDB	Caribbean Development Bank
CDM	Clean Development Mechanism
CEB	Compañía de Electricidad de Bayahibe, S.A.
CELTEL	Telefonica Celular, S.A. de C.V.
CEMPRO	Cementos Progreso, S.A.
CEPM	Consorcio Energético Punta Cana-Macao, S.A.
CHx	CHx Capital, LLC
CIFI	Corporación Interamericana para el Financiamiento de Infraestructura, S.A.
CII	Caucedo Investments, Inc.
Cliba	Cliba Ingeniería Ambiental, S.A.
CLISA	Compañía Latinoamericana de Infraestructura & Servicios S.A.
CNRH	Consejo Nacional de Recurso Hidricos
CO	Carbon Monoxide
CONAMA	Comisión Nacional de Medio Ambiente
CONELEC	Consejo Nacional de Electricidad, Ecuador's Electricity Authority
CRR	Credit Risk Rating
CRRS	Credit Risk Rating System
DD	Due Dilligence
DEG	German Investment and Development Company
DEI	Duke Energy International
DR	Dominican Republic
E&E	Environment and Ecology
E&S	Environmental and Social
EHS	Environmental, Health, and Safety
EIA	Environmental Impact Assessment
EMCE	La Empresa de Mantenimiento, Construcción y Electricidad
EMP	Environmental Management Plan
EMS	Environmental Management System
ESMS	Environmental and Social Management System

ACRONYM	NAME
ENERSA	Energía Renovable, S.A de C.V.
EPC	Engineering, Procurement Construction
EPs	Equator Principles
EPFIs	EP Financial Institutions
EPM	Empresas Publicas de Medellín
EPR	Environmental Performance Report
ERM	Environmental Resources Management
ESAP	Environmental and Social Action Plan
ESHSL	Environmental and Social, Health and Safety, and Labor
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
FINNFUND	Finnish Fund for Industrial Cooperation, Ltd.
FVCA	Ferrocarril Central Andino to Ferrovial Central Andina, S.A.
FY	fiscal year
FMO	The Netherlands Development Finance Company
gpd	Gallons per day
GSA	Gas Supply Agreements
GSM	Global System for Mobile Communications
GTA	Gas Transportation Agreements
ha	Hectares
HR	Human Resources
HSES	Health and Safety and Environment and Social Management System
IBAMA	Instituto Brasileiro de Meio Ambiente
IDB	Inter-American Development Bank
IDB PRI	Inter-American Development Bank's Private Sector Department
IFC	International Finance Corporation
IIC	InterAmerican Investment Corporation
IMSA	Ingenio Magdalena, S.A.
kV	Kilovolt
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas (<i>a mixture of hydrocarbon gases used as a fuel and heating appliances and vehicles, and increasingly replacing chlorofluorocarbons as an aerosol propellant and a refrigerant to reduce damage to the ozone layer</i>)
m	Meters
m ³	Cubic meters
MARPOL	International Convention for the Prevention of Pollution from Ships
Metro CC	Metro Country Club, S.A.
MTY	Million tons per year
MW	Megawatt
N/A	Not applicable
Nm ³	Normal cubic meters

ACRONYM	NAME
NORFUND	Norwegian Investment Fund for Developing Countries
O&M	Operations and maintenance
PDD	Project Design Document
PEMA	Plan of Environmental
PPA	Power Purchase Agreement
PPAH	World Bank Pollution Prevention and Abatement Handbook
PRC	People's Republic of China
PS	Performance Standard
PTP	Petroterminal de Panama, S.A.
RoW	Right of way
SBM	Single Buoy Mooring, Inc.
SEMARN	Environmental and Natural Resources Secretariat
SEMARNAT	Mexican Federal Environmental Authority
SERNA	Secretaria de Recursos Naturales y Ambiente
SFECO	China Shanghai (group) Corporation for Foreign Economic and Technological Cooperation
SINERSA	Sindicato Energético, S.A.
TECO	Telecom Argentina, S.A.
TGI	Transportadora de Gas del Interior
TGP	Transportadora de Gas del Perú, S.A.
TP	Telecom Personal
tpy	Tons per year
TSS	Total suspended solids
UAE	United Arab Emirates
WASA	Water and Sewerage Authority of Trinidad and Tobago

1 Executive Summary

1.1 Introduction


This report, prepared for Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI) by ENVIRON International Corporation (ENVIRON), represents the Annual Environmental Performance Report for CIFI's 2009 financial year (January through December). CIFI's 2009 portfolio retained 28 of 36 portfolio projects from 2008, and 5 new projects were added in fiscal year (FY) 2009. The portfolio is presented in *Table 1* below.

In 2005, CIFI adopted and implemented an Environmental Management System (EMS) for review, categorization and supervision of prospective and approved loans. Under this EMS, CIFI applied the policies and procedures of the Inter-American Investment Corporation (IIC). On April 6, 2007, CIFI adopted the Equator Principles (EPs). Going forward (e.g., post the adoption date), CIFI's ESMS (Environmental & Social Management System) would be based on the Equator Principles, which incorporate the International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability and applicable IFC Environmental, Health and Safety (EHS) Guidelines. These policies and guidelines cover environmental, social, health and safety, and labor aspects (which will be referred to as 'E&S' throughout this report). In addition, all CIFI projects should also meet the E&S requirements of the host country.

Under CIFI's ESMS, all projects are categorized in accordance with the EP/IFC project categorization scheme, which assigns all projects an A, B, or C category based on likely, potential E&S impacts (i.e., Category A projects are generally larger in scale and in higher risk sectors while Category C projects are generally smaller and in low risk sectors). All current CIFI loans can be mapped using CIFI's E&S risk categorization matrix, which is based on sector risk (e.g., A, B or C) and the concept of relative transaction risk (See *Figure 1*).

The transaction risk concept is that not all transactions carry the same degree of risk for CIFI. For example, a Category A greenfield (e.g., new development) project for which CIFI is the arranger is the highest risk type of transaction given associated sector risk (e.g., Category A projects are often extractive industry projects) and the reality that new projects typically involve significant construction phase impacts (e.g., site clearance, earthworks, roads and associated infrastructure, workers camps) and therefore present greater potential risks than existing operations. Conversely, a Category C asset purchase is considered the lowest risk (e.g., low risk sector and an existing operation with no construction phase).

Figure 1: CIFI ESMS Screen

Transaction Type		Project Category		
		A	B	C
Reputational Risk		Relative E&S Risk		
		High	Moderate	Low
	High	CIFI Arranger/Originator		
	1. Greenfield*		Belcogen; Ecoelectric; Hidroabánico	
	2. Expansion*		Favorita; CEPM; Metro CC	
	3. Refinancing*		Ferrovias; SAE Towers	
	Local Bank Syndicate			
	1. Greenfield		Desalcott	
	2. Expansion		Magdalena	
	3. Refinancing		EMCE	
	Inter. bank Syndicate			
	1. Greenfield	CEMPRO	Caucedo	
	2. Expansion	BNE	Bahia Pulp; PTP ; Aerodom; Digicel; Celtel	
	3. Refinancing		Ajover	
	Asset Purchase – Local Bank			
	1. Greenfield			
	2. Expansion			
	3. Refinancing			
	Asset Purchase – Inter. Bank			
	1. Greenfield			
	2. Expansion		Columbus; Bahia Las Minas	
	3. Refinancing		TGI; CLISA; Loma Negra; Telecom Personal	
	MFI A/B Loan			
	1. Greenfield		Delba	
	2. Expansion		Soboce; ENERSA; PAE; Termoflores; Dinasa; YPFB Transporte (formerly Transredes)	
	3. Refinancing			
Asset Purchase - MFI				
1. Greenfield				
2. Expansion				
3. Refinancing				
Low				

CIFI's 2009 portfolio consisted of 33 projects:

- 25 originated with commercial banks (most of whom have adopted the Equator Principles) or involved multilateral or bilateral institution participation; and
- 8 were directly originated by CIFI.

The 2009 portfolio (see Tables 1 and 2 for a complete list of projects) was spread across various infrastructure sectors as follows:

- Gas & Oil (7);
- Thermo and Hydro Power (6);
- Telecommunications (4);
- Construction Materials (4);
- Co-Generation (Biomass) (3);
- Airports and Seaports (2)
- Water and Sanitation (2);
- Roads, Railroads and Others (1);
- Power Generating Equipment (1);
- Infrastructure Conglomerates (1);
- Construction and Engineering (1); and
- Tourism (1).

1.2 Key Conclusions and Recommendations

Based on CIFI's experience over the last several years, ENVIRON agrees with the use of CIFI's risk screen (see *Figure 1*) as an appropriate approach for ESMS application and recommends focusing attention on those projects where CIFI is the arranger or originator as well as on higher risk projects (e.g., As and Bs in higher risk sectors or "big Bs"). Higher risk sectors would include oil and gas, power generation including hydro, large industrial projects, and major new infrastructure projects with a significant footprint (e.g., new ports or major expansions, high voltage electrical transmission lines, pipelines, roads, airports). Simultaneously and in keeping with its business model, CIFI should expend less effort on the application of the ESMS to those transactions where risk is relatively low and experience has shown the likelihood of influencing outcomes and/or obtaining sufficient monitoring information is low (e.g., corporate and asset/bonds purchases).

The overall quality of E&S reporting has improved in the past few years across CIFI's portfolio, presumably a result of CIFI's diligence as well as the increasing application of E&S requirements in international infrastructure financing.

1.3 Structure of the Report

This report is based on a review of CIFI project files including:

- Loan agreements;
- CIFI's credit proposals(pre-approval project analysis documents);
- Associated environmental background information (e.g., environmental impact assessments/audits and/or environmental management plans, where available);
- Annual monitoring reports and compliance-related data supplied by projects;
- EHS questionnaires; and
- CIFI project supervision reports.

Overall effectiveness of the CIFI's ESMS performance was assessed on the basis of project documentation review. The Executive Summary presents the main findings, and a detailed review of CIFI's portfolio for FY 2009, including conclusions and recommendations specific to each project in the portfolio, can be found in *Annex B*.

Table 1: CIFI 2009 Portfolio / Carryover Projects

	Company	Country	Sector	Borrower	MFI, Bilateral, or EP Banks Participants	Structure	CIFI Environmental Category
1	Ajover	Colombia	Construction Materials	Ajover, S. A.	Standard Bank/ Bancolombia	Corporate Finance	B
2	Bahia Las Minas	Panama	Thermo Power	Bahia Las Minas Corp. (BLM)	WestLB / HSBC	Purchase of Bonds	B
3	Bahia Pulp	Brazil	Water and Sanitation	DP Marketing International, Ltd.	West LB	Corporate Finance	B
4	Belcogen	Belize	Co-generation (Biomass)	Belize Co-Generation Energy, Ltd. (BELCOGEN)	FMO/ CDB/ IIC	Project Finance	B
5	Belize Natural Energy	Belize	Gas & Oil	CHx Belize	FMO	Corporate Finance	A
6	Caucedo	Dominican Republic	Airports & Seaports	Caucedo Investments, Inc. (CII)	IFC/ DEG / Scotiabank	Project Finance with Political Risk Insurance	B
7	CELTEL	Honduras	Telecommunications	Telefonica Celular, S.A. de C.V.	N/A	Corporate Finance	B
8	CLISA	Argentina	Infrastructure Conglomerates	Compañía Latinoamericana de Infraestructura & Servicios, S.A.	N/A	Purchase of bonds	B
9	CEMPRO	Guatemala	Construction Materials	Cementos Progreso, S.A.	Citibank	Corporate Finance	A
10	Consortio Energético Punta Cana-Macao, S.A. (CEPM)	Dominican Republic	Thermo Power	Consortio Energético Punta Cana-Macao, S.A. (CEPM) y Compañía de Electricidad de Bayahibe, S.A. (CEB)	IFC / Scotiabank	Corporate Finance	B
11	Delba	Brazil	Gas & Oil	Delba Drilling international Coöperatie, U.A.	IDB / Dexia / KfW / WestLB / Itau	Project Finance	B

Table 1: CIFI 2009 Portfolio / Carryover Projects

	Company	Country	Sector	Borrower	MFI, Bilateral, or EP Banks Participants	Structure	CIFI Environmental Category
12	Desalcott	Trinidad	Water and Sanitation	Desalination Company of T&T, Ltd.	N/A	Project Finance	B
13	Digicel	Caribbean	Telecommunications	Digicel International Finance, Ltd.	Citibank	Corporate Finance	B
14	Ecoelectric	Ecuador	Co-generation (Biomass)	Ecoelectric, S.A. and Compañía Azucarera Valdez, S.A.	CAF/ DEG	Project Finance	B
15	La Empresa de Mantenimiento, Construcción y Electricidad (EMCE)	Honduras	Thermo Power	Empresa de Mnt Const y Electricidad (EMCE)	N/A	Corporate Finance	B
16	Enersa	Honduras	Thermo Power	Energia Renovable, S.A. de C.V.	CABEI / FMO / DEG / Citibank	Corporate Finance	B
17	Favorita	Ecuador	Construction & Engineering	Favorita Fruit Company, Reysahiwal, S.A. Fertisa Fertilizantes Terminales I Servicios, S.A. Cartonera Andina S.A. Plasticos de Exportacion Expoplast, C.A. Rey Banano del Pacífico, C.A. Aerovic, C.A	IFC/DEG	Corporate Finance	B

Table 1: CIFI 2009 Portfolio / Carryover Projects

	Company	Country	Sector	Borrower	MFI, Bilateral, or EP Banks Participants	Structure	CIFI Environmental Category
18	Ferrovias	Peru	Roads, Railroads and Others	Ferrovias Central Andina, S.A and Ferrocarril Central Andino, S.A	DEG	Expansion & Debt Refinancing	B
19	Hidroabanico	Ecuador	Hydro Power (mini)	Hidroabanico, a special-purpose company (Ecuador)	IIC	Project Finance	B
20	Loma Negra	Argentina	Construction Materials	Loma Negra Compañía Industrial Argentina, S.A.	N/A	Purchase of Bonds	B
21	Magdalena	Guatemala	Co-generation (Biomass)	Ingenio Magdalena, S.A. (IMSA, Guatemala)	CABEI / Citibank / Scotiabank / Societe Generale	Corporate Finance	B
22	Metro Country Club	Dominican Republic	Tourism	Metro Country Club, S.A.	N/A	Corporate Finance	B
23	PTP	Panama	Gas & Oil	Petroterminal de Panama, S.A.	HSBC / BNP Paribas / Bancolombia / Scotiabank / Export Development Canada	Corporate Finance	B
24	SAE Towers	Mexico	Power Generating Equipment	SAE Towers Panama, S.A. de R.L.	N/A	Corporate Finance	B
25	Soboce	Bolivia	Construction Materials	Soboce	CAF	Corporate Finance	B
26	Telecom Personal	Argentina	Telecommunications	Telecom Personal, S.A.	N/A	Purchase of bonds	B
27	Transportadora de Gas del Interior (TGI)	Colombia	Gas & Oil	TGI International, Ltd.	N/A	Purchase of bonds	B

Table 1: CIFI 2009 Portfolio / Carryover Projects

	Company	Country	Sector	Borrower	MFI, Bilateral, or EP Banks Participants	Structure	CIFI Environmental Category
28	YPFB Transportes (Transredes)	Bolivia	Gas & Oil	Transredes Bolivia	CAF / IDB	Corporate Finance	B

Note: N/A: Not applicable

Table 2: CIFI 2009 Portfolio / New Projects

	Company	Country	Sector	Borrower	MFI, Bilateral, or EP Banks Participants	Structure	CIFI Environmental Category
1	Aerodom	Dominican Republic	Airports and Seaports	Aeropuertos Dominicanos Siglo XXI, S.A.	Scotiabank / ING / Export Development Canada	Corporate Finance	B
2	Columbus	Barbados	Telecommunications	COLUMBUS INTERNATIONAL INC.	N/A	Purchase of bonds	B
3	Dinasa	Haiti	Gas & Oil	Distributeurs Nationaux S.A. ("Dinasa")	IIC	Corporate Finance	B
4	PAE LLC	Argentina	Gas & Oil	Panamerican Energy LLC	IFC / Korea Development Bank / BNP Paribas / Banco do Brasil	Corporate Finance	B
5	Termoflores	Colombia	Thermo Power	Termoflores S.A. E.S.P.	IFC / CAF / DEG	Corporate Finance	B

Note: N/A: Not applicable