



CIFI 2007 Annual Environmental Performance Report

Corporación Interamericana para el Financiamiento de
Infraestructura, S.A. (CIFI)

May 2008

Corporación Interamericana para el Financiamiento de Infraestructura, S.A.

CIFI 2007 Annual Environmental Performance Report

For and on behalf of
Environmental Resources Management

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Position: Partner

Date: May 30, 2008

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<i>ACRONYMS</i>	<i>NAME</i>
ABB	ASEA Brown Boveri
ASAZGUA	Asociación de Azucareros de Guatemala
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.
BT	Booker Tate, 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.
CEPM	Consortio 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
CPDB	Companhia Perfuradora Delba Baiana
CRR	Credit Risk Rating
CRRS	Credit Risk Rating System
DDI	Delba Drilling International ("Delba")
DEG	German Investment and Development Company
DEI	Duke Energy International
DoE	Department of the Environment
DPI	Delba Perfuradora Internacional, S.A.
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	Environment Management System
ENERSA	Energía Renovable, S.A de C.V.
EPC	Engineering, Construction, Procurement
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
FCCA	Ferrocarril Central Andino, S.A.
FINNFUND	Finnish Fund for Industrial Cooperation, Ltd.
FVCA	Ferrocarril Central Andino to Ferrovia 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
GSW	Grupo de Supermercados Wong
GTA	Gas Transportation Agreements
ha	Hectares
HET	Hidroelectrica del Teribe, S.A.
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.
ISIA	Initial Social Impact Assessment
KPI	Key Performance Indicators
kV	Kilovolt
LNG	liquefied natural gas
LPG	Liquefied petroleum gas (<i>is 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
NORFUND	Norwegian Investment Fund for Developing Countries
O&M	Operations and maintenance
PDD	Project Design Document
PPA	Power Purchase Agreement

PSs	Performance Standards
RAP	Resettlement action plan
RoW	Right of way
SBM	Single Buoy Moring, Inc.
SEMARNAT	Mexican Federal Environmental Authority
SERNA	Secretaria de Recursos Naturales y Ambiente
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

1.1**BACKGROUND**

This report, prepared for Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI) by Environmental Resources Management (ERM), represents the Annual Environmental Performance Report for CIFI's 2007 financial year (January through December). CIFI's 2007 portfolio retained 17 of 22 portfolio projects from 2006, and 16 new projects were added in fiscal year (FY) 2007.

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 EMS would be based on the Equator Principles, which incorporate the IFC Performance Standards on Social and Environmental Sustainability and applicable World Bank Group EHS Guidelines. These policies and guidelines address 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 EMS, all projects are categorized in accordance with the EPs project categorization scheme, which assigns all projects A, B, or C categories based on likely environmental and related effects (i.e., A's are larger projects in higher risk sectors and C's 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 oil and gas developments or mining projects) and the reality that a start-up project is inherently more risky than an existing operation. Conversely, a Category C asset purchase is considered the lowest risk (e.g., low risk sector and existing operation).

Figure 1 CIFI EMS Screen (red denotes highest risk, yellow intermediate, and green lowest)

CIFI EMS Screen				
Transaction Type		Project Category		
		A	B	C
		Relative E&S Risk		
Reputational Risk		High	Moderate	Low
<p>High</p> <p>Low</p>	CIFI Arranger/Originator			
	1. Greenfield*		Belcogen; Bonyic; Hidroabanico	
	2. Expansion*		Favorita; CEPM; Metro CC	
	3. Refinancing*		Ferrovias; SAE Towers	Wong
	Local Bank Syndicate			
	1. Greenfield		Desalcott	
	2. Expansion		Magdalena	
	3. Refinancing		EMCE;	
	Inter. bank Syndicate			
	1. Greenfield		Caucedo; Irradia	
	2. Expansion	BNE	Bahia Pulp	Digicel
	3. Refinancing		Duke Guatemala; Duke El Salvador; Monterio; Bahia Las Minas; IMPSA	
	Asset Purchase - Local Bank			
	1. Greenfield			
	2. Expansion			
	3. Refinancing			
	Asset Purchase - Inter. Bank			
	1. Greenfield			
	2. Expansion		Mexico Home	
	3. Refinancing		TGI; Clisa; Loma Negra	Telecom Personal
	MFI A/B Loan			
	1. Greenfield		Ecoelectric; Sinersa; Delba	
	2. Expansion		Soboce; Transredes, ENERSA	
	3. Refinancing			
Asset Purchase - MFI				
1. Greenfield				
2. Expansion				
3. Refinancing				

CIFI's 2007 portfolio consisted of 33 projects:

- 15 involved multilateral or bilateral institutional participation;
- 15 originated with commercial banks, most of whom were Equator Principle financial institutions (EPFIs); and
- 3 directly originated by CIFI.

The 2007 portfolio (see *Tables 1* and *2* for a complete list of projects) was spread across various infrastructure sectors as follows:

- Energy (14);
- Oil & Gas (5)
- Transport (2);
- Infrastructure-Related Services (5);
- Tourism Development (1);
- Telecommunications (2);
- Cement (2);
- Water Supply (1); and
- Social Infrastructure (1).

1.2 KEY CONCLUSIONS AND RECOMMENDATIONS

Based on CIFI's experience over the last several years, ERM agrees with the use of CIFI's risk screen (see *Figure 1*) as an appropriate approach for EMS 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, mining, 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 EMS 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).

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;
- Environmental, Health, and Safety (EHS) questionnaires; and
- CIFI project supervision reports.

ERM also conducted an office visit/audit to assess effectiveness of implementation of CIFI's EMS. An ERM specialist familiar with CIFI's EMS and operations visited CIFI offices in March 2008 to review project files, interview the environmental coordinator, portfolio officers and transaction managers, and assess CIFI's capacity to identify and manage critical social and environmental risks associated with its investments.

In this year's report, effectiveness of the EMS is assessed on the basis of this one-day audit as well as project documentation review, including the project appraisal and supervision phases. The main report has been kept shorter than in prior years to make it more reader friendly. A detailed review of CIFI's portfolio for FY 2007, including conclusions and recommendations specific to every project, can be found in *Annex 1*.

Table 1 CIFI 2007 Portfolio – Carryover Projects

	Company	Country	Sector	Borrower	MFI, Bilateral Syndicate members	Structure	CIFI Environmental Category
1	Bahia Pulp	Brazil	Infrastructure-Related Services	DP Marketing International, Ltd.	N/A	Corporate Finance	B
2	Belcogen	Belize	Other Renewable Energy	Belize Co-Generation Energy, Ltd. (BELCOGEN)	The Netherlands Development Finance Company (FMO)/ Caribbean Development Bank (CDB)/ InterAmerican Investment Corporation (IIC)	Project Finance	B
3	Caucedo	Dominican Republic	Transport (Port)	Caucedo Investments, Inc. (CII)	IFC/ German Investment and Development Company (DEG)	Project Finance with Political Risk Insurance	B
4	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)	Corporación Andina de Fomento (CAF)/ Inter-American Development Bank (IDB) (lender of record)	Corporate Finance	B
5	Desalcott	Trinidad	Desalination Plant	Desalination Company of T&T, Ltd.	N/A	Project Finance	B
6	Duke Guatemala	Guatemala	Thermo Power	Duke Energy International Guatemala, S.A. (DEI Guatemala)	N/A	Corporate Finance Partners: Banistmo/ Citigroup	B

	Company	Country	Sector	Borrower	MFI, Bilateral Syndicate members	Structure	CIFI Environment al Category
7	Duke El Salvador	El Salvador	Thermo Power	Duke Energy International El Salvador, S.A. (DEI El Salvador)	N/A	Corporate Finance Partners: Banistmo/ Citigroup	B
8	Ecoelectric	Ecuador	Other Renewable Energy	Ecoelectric, S.A. and Compañía Azucarera Valdez, S.A.	CAF/ DEG	Project Finance	B
9	La Empresa de Mantenimiento, Construcción y Electricidad (EMCE)	Honduras	Energy	Empresa de Mnt Const y Electricidad (EMCE)	N/A	Corporate Finance	B
10	Enersa	Honduras	Thermo Power	Energia Renovable, S.A. de C.V.	CABEI	Corporate Finance	B
11	Ferrovias	Peru	Transport Railway	Ferrovias Central Andina, S.A and Ferrocarril Central Andino, S.A	DEG	Expansion & Debt Refinancing	B
12	Hidroabanico	Ecuador	Hydro Energy	Hidroabanico, a special-purpose company (Ecuador)	N/A	Project Finance	B
13	Magdalena	Guatemala	Renewable Energy	Ingenio Magdalena, S.A. (IMSA, Guatemala)	N/A	Corporate Finance	B
14	Monterio	Dominican Republic	Thermo Power	Monterio Power Corporation, Ltd.	N/A	Corporate Finance	B
15	Sinersa	Peru	Energy	Sinersa	IIC and DEG	Project Finance	B
16	Soboce	Bolivia	Cement	Soboce	CAF	Corporate Finance	B

	Company	Country	Sector	Borrower	MFI, Bilateral Syndicate members	Structure	CIFI Environment al Category
17	Transredes	Bolivia	Gas/Transport	Transredes Bolivia	CAF-IDB	Corporate Finance	B

Note: N/A: Not applicable

Table 2 CIFI 2007 Portfolio - New Projects

	Company	Country	Sector	Borrower	MFI or Bilateral Syndicate Members	Structure	CIFI Environmental Category
18	Bahia Las Minas	Panama	Thermo Power	Bahia Las Minas Corp. (BLM)	N/A	Purchase of Bonds	B
19	Belize Natural Energy	Belize	Oil & Gas Production & Transportation	CHx Belize	N/A	Corporate Finance	A
20	Bonyic	Panama	Hydropower	Hidroelectrica del Teribe, S.A. (HET)	CABEI	Project Finance	B
21	CLISA	Argentina	Infrastructure- Related Services	Compañía Latinoamericana de Infraestructura & Servicios, S.A.	N/A	Purchase of bonds	B
22	Delba	Brazil	Oil & Gas	Delba Drilling international Coöperatie, U.A.	IDB	Project Finance	B
23	Digicel	Caribbean	Telecom	Digicel International Finance, Ltd.	N/A	Corporate Finance	C
24	Favorita	Ecuador	Infrastructure- Related Services	Favorita Fruit Company, Reysahiwal, S.A. Fertisa Fertilizantes Terminales I Servicios, S.A. Cartonera Andina S.A. Plasticos de Exportacion Expoplast, C.A.	IFC/DEG	Corporate Finance	B

	Company	Country	Sector	Borrower	MFI or Bilateral Syndicate Members	Structure	CIFI Environmental Category
				Rey Banano del Pacifico, C.A. Aerovic, C.A			
25	IMPISA	Argentina	Hydropower	IMPISA International, Inc.	N/A	Corporate Finance	B
26	Irradia	Peru	Oil & Gas	Irradia S.R.L.	N/A	Project Finance	B
27	Loma Negra	Argentina	Cement	Loma Negra Compañía Industrial Argentina, S.A.	N/A	Purchase of Bonds	B
28	Mexico Home	Mexico	Social Infrastructure	Promotora Tarimbaro, S.A. de C.V. and certain additional borrowers	N/A	Purchase of Assets	B
29	SAE Towers	Mexico	Other Renewable Energy	SAE Towers Panama, S.A. de R.L.	N/A	Corporate Finance	B
30	Telecom Personal	Argentina	Telecom	Telecom Personal, S.A.	N/A	Purchase of bonds	C
31	Transportadora de Gas del Interior (TGI)	Colombia	Oil & Gas	TGI International, Ltd.	N/A	Purchase of bonds	B
21	Wong*	Peru	Infrastructure- Related Services	Grupo de Supermercados Wong (GSW), S.A., E. Wong, S.A. and Hipermercados Metro, S.A.	N/A	Corporate Finance	C
33	Metro Country Club	Dominican Republic	Tourism Development	Metro Country Club, S.A.	N/A	Corporate Finance	B

Note: N/A: Not applicable

*A bridge loan has been disbursed while waiting for final agreement.