



CIFI 2008 Annual Environmental Performance Report - (Executive Summary)

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

July 2009

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

CIFI 2008 Annual Environmental Performance Report

For and on behalf of
Environmental Resources Management

Approved by: Reed Huppman

Signed:



Position: Partner

Date: July 20, 2009

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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.
BTA	Boulevard Turistico del Atlantico
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

ACRONYM	NAME
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, 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 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
GTA	Gas Transportation Agreements
ha	Hectares
HR	Human Resources

ACRONYM	NAME	ACRONYM	NAME
HSES	Health and Safety and Environment and Social Management System	SBM	Single Buoy Mooring, Inc.
IBAMA	Instituto Brasileiro de Meio Ambiente	SEMARN	Environmental and Natural Resources Secretariat
IDB	Inter-American Development Bank	SEMARNAT	Mexican Federal Environmental Authority
IDB PRI	Inter-American Development Bank's Private Sector Department	SERNA	Secretaria de Recursos Naturales y Ambiente
IFC	International Finance Corporation	SFECO	China Shanghai (group) Corporation for Foreign Economic and Technological Cooperation
IIC	InterAmerican Investment Corporation	SINERSA	Sindicato Energético, S.A.
IMSA	Ingenio Magdalena, S.A.	TECO	Telecom Argentina, S.A.
kV	Kilovolt	TGI	Transportadora de Gas del Interior
LNG	Liquefied natural gas	TGP	Transportadora de Gas del Perú, S.A.
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>)	TP	Telecom Personal
m	Meters	tpy	Tons per year
m ³	Cubic meters	TSS	Total suspended solids
MARPOL	International Convention for the Prevention of Pollution from Ships	UAE	United Arab Emirates
Metro CC	Metro Country Club, S.A.	WASA	Water and Sewerage Authority of Trinidad and Tobago
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		
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		

EXECUTIVE SUMMARY

1.1

INTRODUCTION

This report, prepared for Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI) by Environmental Resources Management, Inc. (ERM), represents the Annual Environmental Performance Report for CIFI's 2008 financial year (January through December). CIFI's 2008 portfolio retained 29 of 33 portfolio projects from 2007, and 7 new projects were added in fiscal year (FY) 2008. 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 EMS 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 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 EP/IFC project categorization scheme, which assigns all projects A, B, or C categories based on likely environmental and related effects (i.e., Category A projects are larger 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 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
	CIFI Arranger/Originator			
	1. Greenfield*		Belcogen; Hidroabanico	
	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		Caucedo	
	2. Expansion	BNE	Bahia Pulp; BTA; PTP; CEMPRO	Digicel; Celtel; Columbus
	3. Refinancing		Duke Guatemala; Duke El Salvador; Bahia Las Minas; IMPSA	Ajover
	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; Cosan; ENERSA; YPFB Transporte (formerly Transredes)	
	3. Refinancing			
	Asset Purchase - MFI			
	1. Greenfield			
	2. Expansion			
3. Refinancing				

CIFI's 2008 portfolio consisted of 36 projects:

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

The 2008 portfolio (see *Tables 1* and *2* for a complete list of projects) was spread across various infrastructure sectors as follows:

- Energy (13);
- Oil & Gas (6);
- Transport (2);
- Infrastructure-Related Services and Social Infrastructure (5);
- Tourism Development (1);
- Telecommunications (4);
- Cement (3);
- Water Supply (1);
- Diversified Manufacturing (1); and
- Sugar (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;
- EHS questionnaires; and
- CIFI project supervision reports.

ERM also conducted an office visit/audit to assess effectiveness of implementation of CIFI's EMS. ERM staff familiar with CIFI's EMS and operations visited CIFI offices in March 2009 to assess CIFI's capacity to identify and manage critical social and environmental risks associated with its investments. This assessment consisted of an interview with CIFI staff and a discussion of the preliminary findings from the document reviews for the 2008 CIFI environmental performance report.

Overall effectiveness of the CIFI's EMS 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 2008, including conclusions and recommendations specific to every project, can be found in *Annex 1*.

Table 1 *CIFI 2008 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)/ Inter- American 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	Thermal Power	Consortio Energético Punta Cana-Macao, S.A. (CEPM) y Compañía de Electricidad de Bayahibe, S.A. (CEB)	N/A	Corporate Finance	B
5	Desalcott	Trinidad	Desalination Plant	Desalination Company of T&T, Ltd.	N/A	Project Finance	B
6	Duke Guatemala	Guatemala	Thermal Power	Duke Energy International Guatemala, S.A. (DEI Guatemala)	N/A	Corporate Finance Partners: Banistmo/ Citigroup	B
7	Duke El Salvador	El Salvador	Thermal 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

	Company	Country	Sector	Borrower	MFI, Bilateral Syndicate members	Structure	CIFI Environmental Category
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	Thermal Power	Energia Renovable, S.A. de C.V.	Central American Bank for Economic Integration (CABEL)	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)	CABEL	Corporate Finance	B
14	Sinersa	Peru	Energy	Sinersa	IIC and DEG	Project Finance	B
15	Soboce	Bolivia	Cement	Soboce	CAF	Corporate Finance	B
16	YPFB Transporte (formerly Transredes)	Bolivia	Gas/Transport	YPFB Transporte (formerly Transredes)	CAF-IDB	Corporate Finance	B
17	Bahia Las Minas	Panama	Thermal Power	Bahia Las Minas Corp. (BLM)	N/A	Purchase of Bonds	B
18	Belize Natural Energy (BNE)	Belize	Oil & Gas Production & Transportation	CHx Belize	N/A	Corporate Finance	A
19	CLISA	Argentina	Infrastructure-Related Services	Compañía Latinoamericana de Infraestructura & Servicios, S.A.	N/A	Purchase of bonds	B
20	Delba	Brazil	Oil & Gas	Delba Drilling International Coöperatie,	IDB	Project Finance	B

	Company	Country	Sector	Borrower	MFI, Bilateral Syndicate members	Structure	CIFI Environmental Category
				U.A.			
21	Digicel	Caribbean	Telecom	Digicel International Finance, Ltd.	N/A	Corporate Finance	C
22	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. Rey Banano del Pacifico, C.A. Aerovic, C.A	IFC/DEG	Corporate Finance	B
23	IMPESA	Argentina	Hydropower	IMPESA International, Inc.	N/A	Corporate Finance	B
24	Loma Negra	Argentina	Cement	Loma Negra Compañía Industrial Argentina, S.A.	N/A	Purchase of Bonds	B
25	Mexico Home	Mexico	Social Infrastructure	Promotora Tarimbaro, S.A. de C.V. and certain additional borrowers	N/A	Purchase of Assets	B
26	SAE Towers	Mexico	Other Renewable Energy	SAE Towers Panama, S.A. de R.L.	N/A	Corporate Finance	B
27	Telecom Personal	Argentina	Telecom	Telecom Personal, S.A.	N/A	Purchase of bonds	C
28	Transportadora de Gas del Interior (TGI)	Colombia	Oil & Gas	TGI International, Ltd.	N/A	Purchase of bonds	B
29	Metro Country Club	Dominican Republic	Tourism Development	Metro Country Club, S.A.	N/A	Corporate Finance	B

Note: N/A: Not applicable

Table 2 *CIFI 2008 Portfolio - New Projects*

	Company	Country	Sector	Borrower	MFI, Bilateral Syndicate members	Structure	CIFI Environmental Category
1	Ajover	Colombia	Construction Material / Diversified Manufacturing	Ajover, S. A.	N/A	Corporate Finance	C
2	BTA	Dominican Republic	Construction / Roads	Boulevard Turistico del Atlantico, C. por A.	N / A	Project Finance	B
3	CELTEL	Honduras	Telecommunica- tions	Telefonica Celular, S.A. de C.V.	N/A	Corporate Finance	C
4	CEMPRO	Guatemala	Construction Material / Cement	Cementos Progreso, S.A.	N / A	Corporate Finance	B
5	Columbus	Barbados	Telecommunica- tions	NWN (Barbados) Limited, Columbus Networks Limited, and ARCOS-1 USA, INC.	N/A	Corporate Finance	C
6	Cosan	Brazil	Sugar	Cosan S.A. - Industria e Comercio	IFC	Corporate Finance	B
7	PTP	Panama	Gas & Oil	Petroterminal de Panama, S.A.	N/A	Corporate Finance	B

Note: N/A: Not applicable