



CIFI 2006 Annual Environmental Performance Report

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

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Delivering sustainable solutions in a more competitive world



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

CIFI 2006 Annual Environmental Performance Report

For and on behalf of
Environmental Resources Management

Approved by: Reed Huppman

Signed:



Position: Partner

Date: April 27, 2006

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TABLE OF ACRONYMS

ACRONYMS	NAME
CABEI	Central American Bank for Economic Integration
CAF	Corporación Andina de Fomentos
CAP	Corrective Action Plan
CDB	Caribbean Development Bank
CIFI	Corporación Interamericana para el Financiamiento de Infraestructura, S.A.
CO	Carbon Monoxide
DEG	German Investment and Development Company
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EMS	Environment Management System
ERM	Environmental Resources Management
ESHSL	Environmental and Social, Health and Safety and Labor
FMO	The Netherlands Development Finance Company
IDB	Inter-American Development Bank's
IDB PRI	Inter-American Development Bank's Private Sector Department
IFC	International Finance Corporation
IIC	InterAmerican Investment Corporation
ILO	International Labor Organization
IPM	Integrated Pest Management
PPA	Power Purchase Agreement

EXECUTIVE SUMMARY

BACKGROUND

This report, prepared for Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI) by Environmental Resources Management (ERM), represents the Annual Environmental Report for CIFI's 2006 financial year (January through December). CIFI's 2006 portfolio retained twelve of fourteen portfolio projects from 2005. Nine new projects were added to the portfolio in FY 2006, and there are three projects prepared in 2006 but for which the final loan documents have not yet been signed.

CIFI is a regional non-bank financial institution incorporated in Costa Rica with its operating headquarters located in Arlington, VA (as of January 1, 2007). CIFI was organized on August 10th, 2001, and began operation in July 2002. CIFI's paid-in capital is US \$54.0 million, and is funded through international bank borrowings, currently US\$ 150 million.

All projects must comply with CIFI's environmental management system (EMS) which incorporates the environmental, social, health and safety and labor (ESHSL) policies and guidelines of the Inter-American Investment Corporation (IIC) and the Inter-American Development Bank (IDB) as well as those of the host country. These are generally in agreement with those of the Equator Principles and the IFC. Under the CIFI EMS, all projects are categorized in accordance with the IIC's project categorization scheme, which assigns all projects one of four categories based on likely environmental and related effects. IIC sits on the CIFI board and is involved in all investment decisions, and the IIC environment unit provides project review support. IIC must clear any Category IV (potentially high risk) projects under consideration by CIFI.

CIFI's business plan calls for CIFI to act as either an arranger of financing or as a participant in transactions arranged by others. Within this range, CIFI expects to be involved in a limited number of transaction types, which can be integrated with CIFI's environmental risk categorization of projects to produce a relative risk screening of potential project types (CIFI's Environmental Management System or EMS).

As noted in prior years, CIFI's investment strategy incorporates an environmental, social, health and safety, and labor risk management screen based on transaction type, the IIC risk category, and the policies of its co-investors. When not acting as an arranger, CIFI can reduce its reputational and environmental risk by:

- Participating in transactions arranged by multilateral or bilateral development institutions or major private sector banks (e.g., Equator Principle financial institutions or EPFIs); or
- Investing in local bank-originated projects which are fully constructed or fully operational; and
- To the extent necessary and feasible, directly or indirectly undertake reviews, site visits, and/or studies to confirm and manage ESHSL issues as necessary.

CIFI believes that there is relatively lower risk, in both financial and ESHSL terms, in a fully constructed and operating project versus a greenfield development project during the construction phase, as construction impacts generally have the potential to greatly exceed operational impacts. Therefore, CIFI preferentially seeks projects in the operational stage.

CIFI's 2006 portfolio consists of 24 projects of which 11 involve multilateral or bilateral institutional participation and 13 which originated with commercial banks, most having adopted the Equator Principles.

- Energy (12);
- Transport (5);
- Infrastructure Related Services (3);
- Telecommunications (2);
- Pipeline (1);
- Water Supply (1); and
- Social/Educational Infrastructure (1).

Table 1 CIFI 2006 Portfolio – Carry-over Projects

	Company	Country	Infrast. Sector	Borrower	MFI, Bilateral Syndicate members or Equator Banks	Arranger	Structure	CIFI Environmental Category
1	Caucedo	Dom. Republic	Transport (Port)	Caucedo Investments (CII)	IFC/DEG Scotiabank	ScotiaBank	Project Finance with Political Risk Insurance	IV
2	Sinersa	Peru	Energy	Sinersa	IIC and DEG	IIC	Corporate Finance (IIC A/B Loan)	III
3	La Romana	Dom. Republic	Airport	Airport Management Systems	N/A	BanInter	Purchase of Loan	III
4	EMCE	Honduras	Energy	Empresa de Mnt y Const y Electricidad	N/A FMO and DEG are lenders to a large EMCE subsidiary	Banistmo	Corporate Finance	III
5	Desalcott	Trinidad	Desalination Plant	Desalination Company of T&T, Ltd.	N/A	Republic Bank Limited of Trinidad/Republic Finance and Merchant Bank Limited of Trinidad	Project Finance	III
6	Ferrovias	Peru	Transport Railway	Ferrovias Central Andina S.A. and Ferrocarril Central Andino, S.A.	DEG (lender of record)	CIFI	Expansion & Debt Refinancing	III
7	Transredes	Bolivia	Gas/ Transport	Transredes Bolivia	CAF-IDB (lenders of record), BBVA and ABN AMRO	CAF- IDB/BBVA/ABN AMRO	Corporate Finance	III

	Company	Country	Infrast. Sector	Borrower	MFI, Bilateral Syndicate members or Equator Banks	Arranger	Structure	CIFI Environmental Category
8	Univ. Latina	Panama	Social Infrastructure / Private University	Univ. Latina de Panama	N/A	Banistmo	Corporate Finance	II
9	Duke El Salvador	El Salvador	Thermal Energy	Duke Energy International El Salvador, S.A.	Citigroup	Citigroup	Corporate Finance	III (Project Re-categorized)
10	Duke Guatemala	Guatemala	Thermal Energy	Duke Energy International Guatemala S.A.	Citigroup	Citigroup	Corporate Finance	III (Project Re-categorized)
11	Hidroabánico	Ecuador	Hydro. Energy	Hidroabánico, a special purpose company (Ecuador)	IIC Parallel Lender	IIC	Project Finance	III
12	Magdalena	Guatemala	Renewable Energy	Ingenio Magdalena, S.A. (IMSA, Guatemala)	N/A	Banco Industrial	Corporate Finance	III

Note: N/A: Not applicable

Table 2 CIFI 2006 Portfolio - New Projects

	Company	Country	Infrast. Sector	Borrower	MFI or Bilateral Syndicate members or Equator Banks	Arranger	Structure	CIFI Environmental Category
13	Digicel	St. Lucia	Telecommunications - Telephone Services	DIGICEL International Finance Limited	Citigroup/ABN AMRO	Citigroup	Corporate Finance	II
14	Soboce	Bolivia	Infrastructure Related Services - Cement	Sociedad Boliviana de Cementos S.A. (SOBOCE)	CAF	CAF	Corporate Finance	III
15	VTR	Chile	Telecommunications - Other IT Services	VTR Global Com., S.A.	Citigroup	Citigroup	Corporate Finance	II
16	Monterio	Dom. Republic	Thermal Energy	Monterio Power Corporation, Ltd.	Citigroup/FMO	Citigroup	Corporate Finance	III
17	Bahia Pulp	Brazil	Pulp and Paper	DP Marketing International, Ltd.	West LB	West LB	Corporate Finance	III
18	Alta Homes	Mexico	Social Infrastructure	Alta Homes S.A.	West LB	West LB	Purchase of Assets	II
19	ENERSA	Honduras	Thermal Energy	Energia Renovable S.A.	Citigroup	Citigroup	Purchase of Assets	III
20	CEPM	Dom. Republic	Thermal Energy	Consorcio Energetico Punta Cana-Macao S.A.	DEG/FMO	Bulltick Capital Markets LP	Corporate Finance	III
21	Ecoelectric	Ecuador	Renewable Energy	Ecoelectric S.A., Compañía Azucarera Valdez S.A.	CAF/ DEG	CAF/DEG	Project Finance	III

Note: N/A: Not applicable