



INTERNATIONAL FINANCE CORPORATION
ENVIRONMENTAL REVIEW SUMMARY

Disclaimer

This Environmental Review Summary is prepared and distributed in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board of Director's decision. Board dates are estimates only. Any documentation which is attached to this Environmental Review Summary has been prepared by the project sponsor and authorization has been given for public release. IFC has reviewed this documentation and considers that it is of adequate quality to be released to the public but does not endorse the content.

Project Identification:

<i>Country:</i> Colombia	<i>Project Name:</i> Promigas Corp	<i>Project No.:</i> 24514
<i>Region:</i> LAC	<i>Environment Category:</i> B - Limited	
<i>Dept./Div.:</i> CININ - Infrastructure/Investments Division	<i>Company Name:</i> Promigas (579)	
<i>Project Business Sector:</i> C-CA - Natural Gas Distribution		<i>Project Status:</i> Active

Parent Project Identification:

Parent ID:	
Parent Short Name:	
Parent Relationship:	No Relationship

Document Status:

Date Sent For Approval	
Date ERS sent to InfoShop	
Local Disclosure Date	
Date revised ERS sent to InfoShop	
Local Disclosure Date of revised ERS	

Project Description:

Promigas ("the Company") was established in 1976 with the objective of constructing a gas pipeline to link natural gas fields on Colombia's Atlantic coast to the distribution networks in the cities of Barranquilla and Cartagena. Promigas is currently Colombia's largest private gas transmission and distribution Company, accounting for approximately 51% of the total gas transported in the country. The Company transports and operates gas pipelines of more than 2,286 kilometers with a transport capacity of 480 MMPCD. Promigas also operates 1,000 kilometers of gas pipelines owned by third parties. Through its pipelines, the company distributes gas to more than 1.3 million end users (approximately 7 million people) in 174 towns.

Promigas has requested IFC to consider providing a corporate loan facility that would support a number of initiatives for the 2005-2007 period. These include potential investments in additional gas transmission and distribution assets in Colombia as well as the acquisition of new assets throughout South America.



Project ID 24514
 Environmental Review Summary
 10/28/2005
 Version 0.1



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Environment Category B Disclosure Requirements:

IFC requires that this document is made available through the World Bank InfoShop and to the locally affected community no less than 30 days prior to project consideration by the IFC Board of Directors.

The Summary of Project Information (SPI) also provides details of where the ERS has been made available to the locally affected community. The SPI must be sent to World Bank InfoShop no less than 30 days prior to project consideration by the IFC Board of Directors.

Environmental and Social Issues:

This is a Category B project according to IFC's Procedure for Environmental and Social Review of Projects because a limited number of specific environmental and social impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria. The review of this project consisted of appraising technical and environmental/social information submitted by the project sponsor and a site visit by IFC staff.

In view of the fact that this proposed investment is a corporate loan as opposed to loan or investment in a specific project, the environmental and social review focused on the Sponsor's management systems and its corporate mission statement. A secondary goal was to evaluate the company's ability and determination to see that best management systems are adopted by the companies in which it has invested.

The following potential environmental, health and safety, and social impacts of the Company were analyzed:

- >> Company mission and vision in the sector;
- >> Systematic management of quality, environmental, occupational health and safety, and social affairs;
- >> Operational best practices;
- >> Environmental programs;
- >> Labor programs;
- >> Social development programs; and
- >> Appraisal protocols for new investments.

Proposed Mitigation for Environmental and Social Issues:

The sponsor has presented plans to address these impacts to ensure that the proposed project will upon implementation of the specific agreed measures, comply with the environmental and social requirements - host country laws and regulations and the World Bank/IFC environment and social policies and environmental, health and safety guidelines. The information about how these potential impacts will be addressed by the Company is summarized in the paragraphs that follow. Further information is provided in the attached documentation.

>> Company mission and vision in the sector:

Promigas has an integrated mission and vision statement. The Company's mission statement avows responsibility for the protection of the health and safety of the communities in which it operates and the conservation of the natural environment. It affirms Promigas's commitment to offer a safe and secure working environment to all company employees. The Company's vision is to consolidate its leadership in the transport of natural gas in Colombia over the next five years, as well as to maintain an active participation in the distribution business and generate new businesses according to their competencies. In order to evaluate its commitment to this modus operandi, the Company has devised a Balance Scorecard system whereby it evaluates its strategic objectives. According to the scorecard tracking, overall operations are run in a manner consistent with the Company mission and vision.

>> Systematic management of quality, environmental, occupational health and safety, and social affairs:

Promigas has implemented a systematic management approach that addresses quality, environment, health and safety, and social affairs. This approach has achieved the desired performance without strict reliance upon key personalities. In this effort, the



Company has developed a corporate environmental, occupational health and safety, and social affairs integrated policy; an integrated management system; comprehensive monitoring programs and required corrective measures needed to close compliance gaps; a consolidated operational manual; conduct integrated audits by trained health and safety, environment and quality (HSEQ) staff; and have a continuous integrated improvement program. Promigas will integrate World Bank/IFC environmental and social policies and guidelines into its HSEQ program as a condition of IFC's investment. In the event that any existing Promigas operation does not comply with World Bank/IFC policies and guidelines, the Company will implement corrective measures to bring its operations into compliance. The Company currently holds ISO 9001-2000 (quality) and will obtain ISO 14000 (environmental management) and OHSAS 18000 (occupational health and safety) certifications in February 2006.

>> Operational Best Practice Procedures:

Promigas strives to follow international best practice procedures in order to achieve operational excellence. In 2003 Promigas established a Corporate Governance policy, which included a vertically integrated organizational structure. The Board of Directors of Promigas has adopted these corporate governance practices to promote the effective functioning of the Board, its committees, and the Company. A benchmarking exercise conducted in 2005 (against local Colombian companies) demonstrated that its operational practices met most related international standards, such as ANSI ASME B31.8 for the design, construction, and operation of gas pipelines or National Fire Protection Association (NFPA) standards. Promigas utilizes commercially available software as well as internally developed systems to run their operations. These include: SAS software used to track complaints; SAPW software (an enterprise integration software) for scorecard tracking; the Process Hazard Analysis Software Tool (PHASt) for assessing situations which represent potential hazards to life, property and the environment, and to quantify their severity; and have developed a Geographic Information System (GIS) used for a variety of things, including emergency response plans. Promigas has also conducted internationally recognized hazard and operability studies (HAZOP) of high-risk operations and follow the United Nations Environmental Program APELL system, designed to help workers to prevent, prepare and respond. Promigas is helping its portfolio companies conduct a "Best Management Practices Exchange Program". Promigas's goal is to build on company synergies and to convince other shareholders of the portfolio companies to develop and implement an integrated action plan to close environmental, health and safety, and social management system gaps.

Promigas will complete the "Best Management Practices Exchange Program" and implement the action plan consistent with the attached CAP. Where Promigas is a minority investor, the Company will use its best commercial efforts to convince other shareholders to adopt best management practices. Also, Promigas will formalize HSEQ meetings between portfolio company staff according to the attached CAP.

>> Environmental Programs:

Promigas's core business is gas transmission and distribution. Impacts from routine operations would be relatively minor. Exceptions to this would be new construction and/or major rehabilitation/maintenance works or major accidents. For routine operations the Company has sophisticated monitoring protocols. The protocols include collection of quantitative data to characterize ambient noise levels, wastewater discharges (from hydrostatic pipeline tests), and workplace quality (e.g., noise levels, illumination intensity). The Company's pipeline right-of-ways (ROW) are properly maintained and regularly patrolled; there have been no resettlements conducted recently throughout their existing pipelines. No harmful agrochemicals are used in the ROWs. Some compressor station noise levels exceed World Bank/IFC standards; however, these facilities are located away from any residential areas. Hazardous materials are properly managed; using certified waste companies. Promigas HSEQ team has a permanent seat in the Company's executive committee; therefore any important issues are communicated to the upper management. The HSEQ team consists of a director, an environmental manager, a doctor, and a health and safety manager. In addition, there are 18 full-time monitoring personnel throughout operations. Promigas has identified all significant, potential operational impacts and has devised adequate contingency plans to abate these. The Company holds up-to-date environmental licenses for all of its operations. In addition, Promigas follow international environmental regulations which are integrated with Colombian regulations. Overall, Company housekeeping is adequate; operation sites have proper signaling and fire suppression systems, including fire brigades. The Company has a thorough emergency plan in place. In recent history, Promigas has had three significant accidents, one in 1998 related to an operation explosion and two in 2002 related to terrorist attacks. The Company has taken all necessary corrective measures to prevent future occurrences, including improvement in pipeline maintenance and security for company facilities. As a result of the 1998 explosion, Promigas has created community response program and has increased third party insurance policies. The Company works closely with the red cross, police, and fire stations. In addition, since 1988, Promigas has been working closely with communities along the main pipeline ROW. As of December 2004, the Company conducted 73 workshops in 62 towns throughout its area of influence. In addition, the Company has conducted 54 coordination meeting with the pertinent rescue organizations. Regarding new construction, construction contractors are required to adhere to Promigas HESQ standards and follow industry best practices, as well as Colombian



requirements. Third party supervisors are hired to monitor construction projects to assure compliance with all requirements.

>> Labor Programs:

The Company has a work force of 310 full-time staff. Promigas average worker longevity is of 10 years, a notable accomplishment. Promigas holds a Human Resources Department, with well-established management procedures. All employees receive full work benefits, including private medical insurance, social security, paid vacations, etc. In 2004, Promigas hired 190 goods providers and 223 service providers; 59 of these providers possessed quality management certification. All employed contractors are affiliated to companies that have signed working contracts with Promigas. Contracts include health and safety specifications for third party contracted services. The Company does not hire minors; the minimum age to work for the Company is 18. The Company has mapped all the potential risks associated to its operations and provide necessary training and protective equipment to its employees according to their assigned tasks. In 2004, the Company reported 20 non life-threatening accidents amongst full time staff (9 related to operation activities) and 1 accident amongst contractors. Accidents are analyzed and corrective measures are established to prevent reoccurrences. Promigas minimum wage is 43% higher than the national minimum wage. The Company has established a comprehensive training program. In 2004 Promigas trained 224 people, totaling 2,709 man-hours of training. Promigas offers employee school scholarships, house and car loans, and economic hardship loans, amongst other benefits. The HSEQ team also works with employees, providing workshops on alcoholism and drug use.

>> Social Development Programs:

The Company has extensive, direct relations with neighboring communities. Promigas takes its social responsibility seriously and makes efforts to coexist with local stakeholders as harmoniously as possible. In 2004, the Company consolidated and generated new methodologies and intervention models in education, business development, and complementary programs. Promigas involves three different Company units in this effort, Promigas Foundation, HSEQ team, and External Relations and Communication office. The HSEQ and External Relations and Communication teams work with the communities located on or near the ROWs of Promigas' pipelines. They provide workshops of potential risks, educate them of how to safely coexist with the pipelines, support them in developing emergency response plans. The Promigas Foundation ("the Foundation"), founded in 1997, has been an important player in the Company's social efforts, putting special emphasis on education as a precursor of opportunity, inclusion, and social justice. This foundation has worked together with the Colombian Government to strengthen the quality of primary school curricula, embarking in medium and long-term processes to generate sustainable transformations in their communities. In 2004 the Foundation worked with 287 institutions, trained 1,581 people, including teachers, students, and heads of household, and over 200,000 students benefited from these efforts. Promigas contributed with approximately US\$1 million in educational programs, and managed additional funding from other private companies and organizations. The Foundation has conducted post-evaluation assessments on its educational programs; results are encouraging. Collected data show substantial improvements in the pedagogic management processes and in the Colombian Institute for the Promotion of Superior Education (ICFES) test results. The Foundation is also working with the Colombian Institute for Family Welfare (ICBF). Through this collaboration 2,091 children in 169 households have benefited, mainly in health quality and better learning environment. In 2005 the Dutch Embassy in Colombia has given Promigas Foundation Euro 1 million towards its programs. In addition, in 2004 the Foundation worked with 403 micro businesses, which generated 787 direct jobs and benefited over 4,092 people. Promigas contributed with approximately US\$150,000 in this effort.

>> Appraisal protocols for new investments:

Promigas does not have an established Appraisal Protocol for assessment of new projects. There is, however, an informal system in place. A multidisciplinary group is put-in-to-place for all new projects, which includes an environmental specialist. This group analyzes the conditions of the project. They assess each project as if they were looking at their own operation, including issues such as environmental and social liabilities, affected areas, high-risk areas, management systems, and local regulatory compliance. When necessary, HSEQ staff conducts site visits to verify the projects conditions. For expansion projects or for new development projects in companies where Promigas has or will have controlling ownership, it will carry out all operations according to its established principles and those from the World Bank/IFC. For those project for which it will have a minority interest, it will assess expected variances from its established principles and those from the World Bank/IFC and the potential significance of those variance as part of its investment decisions.

Promigas will develop a comprehensive Appraisal Protocol to assess all potential projects (both greenfield and existing) in accordance with the attached CAP. This protocol will include a detail roll of Promigas HSEQ team and a detailed checklist listing all potential issues one would expect from the construction and/or operation of a natural gas transmission or distribution project, which would subsequently need to be thoroughly completed. If deemed necessary, Promigas will hire external consulting firms to aid in its assessment.



Conclusion:

Accordingly, IFC concludes that the proposed project will meet the applicable World Bank/IFC environment and social policies and the environmental, health and safety guidelines upon successful implementation of the agreed mitigation measures.

Monitoring and Compliance:

IFC will evaluate the project's compliance with the applicable environmental and social requirements during the lifetime of the project by reviewing the annual monitoring reports (AMRs) prepared for the project covering the status of implementation of measures contained in the Corrective Action Plan (CAP) and ongoing performance of project-specific environmental, health and safety and social activities. Periodic site supervision visits will also be conducted.

Environmental and Social Documentation:

The attached supporting document (Corrective Action Plan) provides further details of environmental and social issues.

Approval Status:

