BR-L1173 TECSIS DEBT RESTRUCTURING
BRAZIL
ENVIRONMENTAL AND SOCIAL STRATEGY[1]

1. TECSIS Tecnologia e Sistemas Avançados Ltda. ("TECSIS" or the "Company") is a leading manufacturer of wind turbine blades, delivering to its clients in the current year blades for an energy production capacity of 4350 MW. To maintain its position as one of the world's key blade suppliers to the wind power industry, TECSIS has expanded its operations by more than six times its fixed assets between December 2004 and June 2007. This brisk growth was financed primarily by short and medium-term debt.

2. In order to achieve a debt structure more consistent with its asset growth, TECSIS wishes to restructure debt that will become due in 2008 and 2009. The operation will free-up cash flows that are currently utilized for debt service in order that they may be used for funding the company's capital investment needs. The latter include projects to boost TECSIS' production of new blade product lines for the current and new customers in order to supply the growing market for custom-made blades and includes investments to maintain the Company's position as one of the most efficient and competitive producers in the wind power blade industry. The proposed US$ 65 million refinancing will replace TECSIS' short and medium-term obligations due in 2008 and 2009.

3. The Project under consideration is a debt-restructuring operation that does not involve construction or implementation of any infrastructure or civil works and is expected to have minimal environmental and social impacts. Therefore, as per IDB's OP 703 Environment and Safeguards Compliance Policy, the Project has been classified as a Category C operation.

4. Nevertheless, there may exist some limited environmental risks associated with Company's existing facilities and operations, which go beyond the Project that is being considered for financing by IDB. These risks are expected to be of limited magnitude, as, based upon information provided, the Company procedures and systems to manage these risks include: (i) apparent adequate capacity and commitment to address and manage environmental matters; (ii) the Company has in place an environmental policy and have specific procedures and resources to address environmental, social and health and safety impacts and risks; and (iii) the Company has equipment and units to treat air emissions and liquid effluents, and procedures to handle and dispose adequately the wastes generated. Also, the Company has stated that they have in place and valid environmental operating licenses and permits required by law, or are in the process of obtaining for some more recent facilities.

5. The Company's nine industrial facilities are located in Sorocaba, State of São Paulo, away from any conservation or indigenous areas, and the land acquisition and preparation process did not require or involve relocation of people. Thus, it appears that TECSIS's facilities and operations do not: (i) convert or degrade critical natural habitats or damage critical cultural sites; (ii) significantly convert or degrade natural habitats; (iii) raise any significantly negative indigenous issues; and (iv) generate any resettlement issues.

[1] *This Environmental and Social Strategy (ESS) is being made available to the public in accordance with the Bank's Policy on Disclosure of Information. The ESS has been prepared based primarily upon information provided by the project sponsors and does not represent either the Bank's approval of the project or verification of the completeness or accuracy of the information. The Bank, as part of its due diligence on the feasibility of the project, will assess the environmental and social aspects.*

6. In fact, the Company's activities are related to a sector that presents significant environmental benefits. Wind power is a renewable source of energy, and exploiting renewable sources of energy avoids environmental impacts, risks and hazards associated with other sources, such as fossil fuels. Strategically, the use of wind power as an alternative or complementing source of energy contributes to diversification of fuel sources and lessens the dependency on oil.

7. IDB's analysis is being partially supported by the Sustainable Energy and Climate Change Initiative ("SECCI"). The Technical Cooperation ("TC") will finance a market study on the global wind power sector, the trends of the industry, the competitiveness of the Company relative to other players in the wind power sector and an evaluation of environmental and social impacts and risks associated with Company's existing operations and facilities.

8. The Team proposes to perform an Environmental and Social Due Diligence ("ESDD") to assess the potential environmental and social viability of the Project in terms of Bank policies and requirements. Since there are limited impacts related to the Project, the ESDD will focus significantly on potential risks related to possible impacts associated with the Company's activities and existing facilities, which are not part of the IDB financing. The ESDD will include: (i) review Company's main activities and relevant existing facilities to identify possible liabilities associated with environmental and social, health and safety, and labor impacts and risks; (ii) assess the Company's commitment, capacity, and systems to adequately address these matters, applicable licenses, and environmental, social and health and safety management procedures, to manage both present and future impacts and risks; and (iii) as applicable, develop an environmental, health and safety action plan to implement any recommended actions identified as part of the ESDD.