

PROJECT ABSTRACT

Transaction Name:	Ituiutaba Bioenergy Project
Country:	Brazil
Sector:	Bioenergy
Transaction Type:	Project Financing
Borrower:	<i>Ituiutaba Bioenergia Ltda.</i>
Total Project Cost:	US\$225.0 million
IDB A-Loan:	Up to US\$12.5 million
IDB Local Currency Financing or PCG:	Up to US\$43.7 million

I. TRANSACTION DESCRIPTION

The project involves: (i) the construction and operation of an ethanol and sugar mill located in *Ituiutaba*, State of *Minas Gerais* with a sugarcane crushing capacity of 2.5 million tons per year (equivalent to a production capacity of 55 million gallons per year (“mmgy”) of ethanol, or 338,000 tons of sugar); (ii) the construction of a 35 Megawatt (“MW”) co-generation plant that will supply energy to the sugar and ethanol mill and sell the excess energy to the Brazilian electricity grid; and (iii) the development of sugarcane plantations of approximately 30,000 hectares (together the “Project”).

Ituiutaba Bioenergia Ltda. (the “Borrower”) is a fully owned subsidiary of *Companhia Nacional de Açúcar e Alcool* (“CNAA”), a holding company formed and managed by *Companhia Energética Santa Elisa* (“Santa Elisa”) and *Global Foods Holdings, N.V.* (“Global Foods” together with Santa Elisa, the “Sponsors”). *Ituiutaba* is a greenfield project company incorporated in Brazil in March 2006, to develop the Project.

II. DEVELOPMENTAL IMPACT

The proposed transaction is expected to: further improve the competitiveness of the sugar and ethanol industry in Brazil by having a low-cost vertically-integrated facility (i.e., fully mechanized harvesting system, lowest cost renewable electricity, and lower land costs) in a Region that concentrates more than 80 percent of Brazil’s sugar and ethanol industry (Center South) as well as satisfying part of the domestic and international demand; and (ii) create significant impact on the regional economy, by generating direct and indirect jobs (during construction and operation).

The following developmental indicators have been preliminary identified for the Project: (i) domestic and export sales of ethanol produced by the Project; (ii) domestic and export sales of sugar produced by the Project; and (iii) number of people employed (during construction and operation).

III. BANK’S ADDITIONALITY

Financial. IDB’s participation will provide longer tenors than currently available in the commercial market and will help to mobilize international banks to finance a sector in which their participation has been marginal.

Environmental, Health and Safety and Labor: The Bank will assist the Company in the development of the necessary mitigation and monitoring plans and procedures to ensure that all applicable environmental, social health and safety impacts and risks are adequately mitigated. Furthermore, the Bank will also assist the Company in exploring the potential for project participation in carbon emission reduction markets (e.g., integrated in the Clean Development Mechanism - CDM), through a 35 MW co-generation plant fueled by biomass, as a way of contributing to sustainable energy generation and energy efficiency.

VI. ENVIRONMENTAL AND SOCIAL

The Project's environmental impact assessment reports (Portuguese acronym - EIA/RIMA) have already been prepared and submitted, and the competent environmental authorities granted the respective Preliminary and Installation Licenses for the Project. As per the IDB OP 703 Environment and Safeguards Compliance Policy, the Project has been classified as a Category B operation.

IDB's Environmental and Social Strategy for this operation is presented in a separate document.