



Border Environment Cooperation Commission and
North American Development Bank



Public Meeting of the Board of Directors

March 27, 2007
San Antonio, Texas

ENGLISH VERSION

[TRANSLATED FROM SPANISH¹]

MR. RODRÍGUEZ: Good morning, good morning everyone. Thank you very much for attending. Welcome to this public meeting of the Board of the North American Development Bank and the BECC. On behalf of the Mexican Government, whose turn it is on this occasion to preside over the meeting, we welcome you, and I give the floor to Beth Costello, the Director of International Affairs for the city of San Antonio, so that she may also welcome us on behalf of the City.

MS. COSTELLO: Thank you. Good afternoon, Mr. Gerardo Rodríguez Regordosa, Head of the Public Credit Unit and Chairman of the Board of Directors; Mr. Jorge Garcés, Managing Director of the North American Development Bank; Mr. Daniel Chacón, General Manager of the BECC; Ambassador Martha Lara Alatorre; mayors; distinguished guests; friends all.

[IN ENGLISH]

My name is Elizabeth Costello, and I'm representing the City of San Antonio, Texas, this afternoon in welcoming you here to our city for this wonderful occasion. As we all live so close to the border, I think we're very sensitive in this region to the needs at the border. And, therefore, we're awfully pleased and comforted that you have sustained and fortified this wonderful undertaking of the North American Development Bank and the BECC. So on behalf our community, I wish you the best. And we're so grateful that you're here. Thank you very much.

(Applause.)

[TRANSLATED FROM SPANISH]

MR. RODRÍGUEZ: Thank you very much. I am joined here at the table by the institution's board members, whom I also welcome.

¹ Text shown in blue indicates that the original comments were made in Spanish and were translated into English.

We have with us Jacob Monty—Jacob is here on this side—who is the public representative on the U.S. side. We are also joined by Lorenzo ‘Larry’ Larranaga, a state representative on the U.S. side, a border state on the U.S. side. From the U.S. Federal Government we are joined by Lisa Almodovar, representing EPA, the Environmental Protection Agency. We are also joined by Daniel Darrach, representing the U.S. State Department, and from the U.S. Department of the Treasury we are joined by Liza Morris.

On the Mexican side, we have Roberto Zambrano—Roberto Zambrano is the public representative for the Mexican side. From a border state we also are joined by—he was with us at the meeting, Governor Eugenio Elorduy, who had to leave. Out there we are joined by Armando Arteaga, who is his finance secretary, who is sitting in the audience—thank you very much, Armando. From SEMARNAT we have Emilio Cedrún—Emilio Cedrún is here precisely from the Federal Government's Ministry of Natural Resources—and from Foreign Affairs we are joined, from the Ministry of Foreign Affairs, we are joined by Minister Alejandro Estivill Castro, and yours truly, from the Ministry of Finance and Public Credit. This is the makeup of the Board, both on the Mexican side and on the U.S. side, reflecting the capital structure of the institution.

For the Mexican government, participating in this institution is very important. This institution, both BECC and NADBank and the joint Board of the two institutions, has helped make investments to reduce the backlog of environmental infrastructure needs in the border region, both on the Mexican and the U.S. side. The Mexican Government recognizes the institution as a very important public policy tool, which, with the modifications that we have been making in it, has enhanced the vitality of the institution for extending both grants and loans. And I would like to take this opportunity to make some very general comments on the topics that were addressed during this meeting.

On one hand, with respect to the projects that were discussed and approved at this meeting and which will be formalized shortly, there is the water treatment improvement project in Lordsburg, New Mexico, at a cost of US\$2 million, which consists of constructing a new water treatment system to reduce the high concentration of fluoride in the groundwater supply. The certification that was issued today by the Board for this project makes it eligible to receive US\$700,000 in grants from the North American Development Bank's Border Environment Infrastructure Fund, which operates with funding from the U.S. Environmental Protection Agency.

In addition, a second project that was also approved at this Board meeting is that of Matamoros and Valle Hermoso, Tamaulipas, where a regional solid waste project was certified at an estimated total project cost of US\$8.5 million, which will allow them to comply with Mexican federal standards for solid waste disposal and at the same time reduce illegal dumping in the area.

The third and last project that I am going to mention is a very important project here in the city of Pharr, Texas. Its total cost is estimated at US\$44 million and it consists of various wastewater collection system improvements to meet the demand of a constantly growing population, as well as to rehabilitate infrastructure that is now showing signs of deterioration due to its age. Financing in the form of grants for up to US\$19 million from the BEIF is going to be provided for this project. And the project also includes constructing three new lift stations, dismantling nine existing lift stations that have also deteriorated significantly, and installing force mains and sewer lines.

With certification of these projects today, in its 11 years of existence, BECC has certified 118 infrastructure projects, with the total amount of all of these projects estimated at around US\$2.749 billion, benefiting a total population of more than 11 million residents in the border region. Of the 118 projects that BECC has certified to date, the North American Development Bank is participating in the financing of 101 of these projects with US\$866 million in the form of... of which US\$596 million is being provided in the form of grants and the remaining US\$269 million in loans, through the Bank's products.

So, as you can see, today we are simply taking a step forward in the Bank's agenda—a very complete agenda, full of results in these past few years in which the institution has been operating and, in particular, since the implementation of some changes, some reforms, made in both institutions, which a year and a half ago allowed us to meet jointly, as a single Board of Directors, in order to address the issues of both institutions.

To close my comments, another very important issue that was discussed and approved at the Board meeting today was the appointment of the new Deputy Managing Director, proposed by the Mexican Government: Héctor Camacho Calderón, who is with us in the audience, Héctor...

(Applause.)

Today Héctor was approved as the new Deputy Managing Director. He has had a long career in the Mexican public sector, mainly related to financial areas, areas that have to do with the economy, most recently serving at Mexico's *Banco Nacional de Comercio Exterior*, which is, in fact, a development bank that the Mexican government has to support foreign trade.

With that, I would like to end my comments on the agreements from the meeting and give the floor to Jorge Garcés and Daniel Chacón so that they may report on the status of each of the institutions, Daniel...

[IN ENGLISH]

MR. CHACÓN: I am going to speak in Spanish. So I hope that everybody has their translating devices ready. These slides are in both languages so I hope that we can have a good communication during this presentation. Thank you.

[TRANSLATED FROM SPANISH]

BECC, the Border Environment Cooperation Commission, thanks all of you on behalf of our institution for having accepted this invitation to join us for this important meeting, where every six months we report on the progress of our work and, above all, every six months we get together with you, who are the reason for our existence and with whom, for whom, we work each day. So, [we are] very grateful for your attendance.

To date—and this is outdated information, it was true a few hours ago—we had certified 115 projects. But as the Chairman of the Board reported, there are now 118 projects, fortunately, for an investment of more than US\$2.7 billion.

Likewise... likewise—I'm having have problems with the control... okay—we have provided technical assistance to 137 communities; we have formed 138 citizen committees—and many of you have witnessed the formation of these committees and how they work. Also, right now, at this time, we have 63 projects in our pipeline, which have a construction value of around US\$933 million—a lot of work ahead for us to carry out together in our communities.

I would like to stress the fact that all of the stakeholders on the border, all of us who live on either side of the border, we are constantly striving for progress in our region, each one in his/her city, community. But we all share a certain identity as residents of a vibrant region that in recent years has seen explosive development in all its manifestations, both in positive manifestations and in the inherent problems that development brings. And in that sense we must be aware of what is happening with our environment and one of the natural resources that is truly important in this aspect is, precisely, water.

And, speaking of water, we must be aware that this resource is at risk and that we must act, therefore, to be able to conserve it, to take care of it, to be able to make it accessible for the generations to come, and if we fail to take action now, we are going to jeopardize the sustainability of all of them. We must be aware of the objectives that we must set for ourselves in order to address the water problem. The objectives are detailed here on this slide. I am not going to spend time on them.

I would also like to mention that environmental health largely has to do with how we dispose of the waste that we generate, and in this aspect the certification of a solid waste project at this time is significant because we have to take into account that waste also pollutes other resources, particularly water. And, therefore, by addressing the problem of waste we are also taking care of the other resources in the environment.

And along the same line, air is a serious problem in our communities. We have two important sources of pollution in our cities: unpaved streets that generate a large amount of dust, and vehicles—often old vehicles—that also generate a large amount of polluting gases. At BECC and at the Bank, through the instructions of the Board, we are addressing the cities' paving problems, particularly in Mexico, where there have been great financing efforts and the communities themselves have made great sacrifices in order to increase the level of street paving and eliminate this particulate emission problem. So, in air we also have goals to meet, and—the presentation is available for you, in case anyone is interested in taking a closer look at it.

And in the area of energy, well, there is the dream of being able to do all of our work and daily tasks, with us as humans and as a society causing less harm to the environment. And we all know that energy is one of the key elements for achieving the sustainability of our regions and of the planet itself, as we have already seen in recent years through the global warming alert. Having access to renewable energy, using our traditional sources efficiently, should be an objective that as border residents we should set for ourselves in our every day activities.

Everything that we have been talking about concerning border objectives, in order to achieve them, there must be synchronization among all of us who are involved in this border. We have made efforts over the years, each person in one area or another, and quite often the results of these efforts have been scattered, disjointed, and

ineffective. To be effective we need to work together and, as demonstrated at this meeting, it is possible for governments and society to work together. And allow me to quickly show you here a small drawing, a simple diagram, showing how we are linking human health and the environment to a series of objectives that we should require ourselves to meet.

Border communities are not going to wait forever for a solution to environmental problems. We must set objectives and dates for solving them within a foreseeable timeframe and measure them through indicators. The activities of our institutions, the Bank and BECC, with the products that we generate, should be elements of this improvement in current border conditions.

But we also have a very large number of stakeholders involved. We have institutions, agencies, local governments, federal governments, programs such as Border 2012, where we must all participate and work in a coordinated manner. We must do this through actions, through synergies, through consensus in the government institutions themselves, through their regulations; and we as institutions—the Bank and BECC—have the overarching obligation to be efficient, to use the funding entrusted to us efficiently and to deliver results that help improve the border environment.

Therefore, we also make the commitment to perform our work much more effectively, but we need your help, as well; your help and observations, and also your criticism, to tell us where we are going, if we are going the right way or should turn back. All this, with an important evaluation of border objectives that we must perform on a regular basis in order to take the corrective actions needed to move forward in achieving these ends.

One issue that calls our attention right now and that should concern us all is the reduction in grant funds for executing water and wastewater infrastructure projects. This fund—the BEIF fund, as it's known by its English acronym—has been instrumental in achieving change in the border environment. Please note that through this fund it has been possible to treat about 300 million gallons of wastewater a day. That wastewater would go into rivers, it would go to the Colorado River, to the Rio Grande; it would go to the coasts, to the beaches of our border cities. Now that water is being treated and made use of differently. This has been a great step forward. While the rest—in the case of Mexico—the rest of Mexico continues to treat 36% of its wastewater; with the BEIF program it has been possible to raise that level to 80%.

Here we see the mayors of border cities where very important wastewater treatment projects have been executed that have made this great difference. And I see that the governors of our border states are also striving to treat 100% of the wastewater in their states so that we can make better use of it. That commitment is there and has been made possible to a great extent by this grant. However, the current difficult circumstances that we are all familiar with, that we all know about, have reduced this contribution.

I believe that becoming aware of the benefit, the value of this contribution from the U.S. environmental agency and the U.S. government through that agency, has been instrumental in achieving this change. By being aware of that importance, I believe that we can succeed in convincing, in moving and in encouraging people to convince and continue with this subsidy, which has been fundamental.

Here is a graph of how this subsidy has been applied and how, through you, through the agencies, we have been able to obtain and use every dollar given to this subsidy in projects.

Well, I would just like to emphasize here the results of the subsidy and, simply—this is a lot of text—to impress on you that the communities have done their share. Every dollar given in subsidy has historically been matched by US\$1.85 in funding from the communities themselves, from the local governments, and from the federal governments. In the new BEIF projects, the match has been higher: US\$2.11 per dollar.

But there are still many needs to be met. That is why it is important to be aware of this subsidy, of what it has come to mean. We still have close to one billion dollars in unmet needs in water, wastewater, that are contained in 204 projects. So, if we can raise our awareness of the importance of the BEIF, I think that we can, through the proper channels, make that voice heard by those who, at given time, have to make the decisions.

And, well, we will be able to see in some detail shortly—you yourselves have the information—the certification of the three projects that have now been approved by our Board and that are comprised of the solid waste project in Matamoros and Valle Hermoso, Tamaulipas; and also comprised of improvements in the wastewater collection system in Pharr, Texas; and also comprised of a very significant project, which is improving the quality of drinking water in the city of Lordsburg, New Mexico, where a fluoride problem can mean the difference between health and illness for its residents, and through this project we can say that the people of Lordsburg are going to have a better quality of life.

Well, for my part, I believe that is all that I have to say, given the shortness of time. We are available for any questions or to elaborate on any information, thank you.

(Applause.)

MR. GARCÉS: Welcome.

[IN ENGLISH]

Welcome to San Antonio. It's a pleasure for me to see so many familiar faces. Many of you have known me throughout my years serving as the Deputy Managing Director of the Bank and now as Managing Director of the Bank.

Hector, I'm very happy to see you in the audience. I'm looking forward to working with you. We can hardly wait until May 1st when you come on board to work and give us your advice and your expertise. Welcome.

Before I make a very brief presentation, I want to echo what my colleague Daniel Chacón said about the importance of the subsidies, the grant funds from EPA, from the U.S. Government. These are very important funds that without them, we would not—many of these projects would never become a reality.

I see mayors—like he said—mayors from Mexico, Pharr is here. Pharr is getting \$19 million in BEIF grants. And you understand the significance of these funds. So thank you to the U.S. Government. Thank you to EPA for allowing us to administer those funds. EPA is well-represented here with Lisa Almodovar.

But also I want to thank CNA because, although we do not administer their funds, we all know that they have some matching funds. For every dollar that we spend in Mexico on BEIF grants, CNA and the Mexican Government match that, so thanks to the Mexican Government also for making that possible.

What I want to do is a very brief presentation because I know this is your time. This is an opportunity for you to air your concerns and your appreciation or your complaints about whether this institution is working well—these two Institutions are doing what we're supposed to do. So I'm going to be very brief and what I want to do is just give you a very brief summary of what we have done—the Bank has done in the last few months, since the last Board Meeting.

All right. As you remember, we had the last Board meeting was held in Ciudad Juárez on October 26th. And since that time, the Bank has one loan approved, \$9 million for Nogales. We have four loan signings: Puerto Peñasco, Sonoyta, Nogales, and Monterrey, which I see that *Agua y Saneamiento de Monterrey* is well represented here.

We have three groundbreaking ceremonies: one in Nuevo Laredo attended by Tony Garza, the U.S. Ambassador to Mexico, and the Governor of Tamaulipas. And we have a groundbreaking of Nogales Water Supply and that was attended by Governor Bours; and the inauguration of the Ojinaga wastewater treatment plant that was also attended by the Governor of Chihuahua.

In the last calendar year—what you just saw there was what we have done since the last Board Meeting—in the last calendar year we have \$176 million in loans and \$5 million dollars in grants. And I think these grants represent what Daniel Chacón just mentioned, that unfortunately the sources of grants are diminishing, and we hope that in the future we'll be able to reach the levels of past years.

And in solid waste facilities we have half a million dollars for a Tijuana solid waste facility. Today, as has been mentioned, we approved certification for the Matamoros/Valle Hermoso solid waste project and the certification for the BEIF... the projects in Lordsburg and Pharr, Texas. I don't want to be repetitive because they've already been mentioned.

But this is a chart, table, that shows the Bank's performance. As of today, we have 101 projects that require financing—all those projects have been approved financing—total cost of almost \$2.6 billion dollars, with the Bank participating in the financing with grants and loans with approximately \$866 million dollars. And you can see the breakdown: loans, the BEIF grants, the SWEP, and the Water Conservation Infrastructure Fund, as you remember is gone for the water conversation program for irrigation districts in Mexico and the U.S. Total financing contracted is \$726 million dollars and disbursed, \$475 million dollars.

What I want to talk about briefly is the social impact of these projects, because we tend to get lost in the number of projects and the number of monies that have been

allocated or disbursed for those projects. But this is the bottom line. This is what I consider the most important table or information here in my presentation, which is how our residents on the border region benefiting from these two institutions, because if you remember these two institutions were created to improve the quality of life for residents of the border region.

So according to our estimates: 4.6 million residents are not exposed to air pollution anymore; two million residents have better services for collection and disposal of solid wastes; 6.7 million residents because of upgrades and rehabilitation of wastewater treatment plants, they have access to those services. Many of them are first-time water and wastewater services provided by some communities. And because of that, we're eliminating...we estimate we have eliminated discharges of 300 million gallons per day on the water of the Rio Bravo, the Rio Colorado, and some other areas, the coastal zones of the border region. Also we estimate that we have been able to conserve water, 199 acre-feet in Mexico and a similar amount in the U.S. So that was for the water conservation infrastructure fund.

We talk about results. We are going to be judged by results. These are the results. These are the photos that I want you to see. These are the results. This is what shows whether or not we're doing a good job.

Thank you very much.

(Applause.)

[TRANSLATED FROM SPANISH]

MR. RODRÍGUEZ: Okay, we will now go to the signing ceremony of some grant agreements.

[IN ENGLISH]

MR. FLORES: Thank you, Mr. Chairman. Good afternoon, everyone. My name is Juan Antonio Flores, with the North American Development Bank. I'll be the master of ceremonies for the rest of this meeting.

Just a quick reminder to everyone that we have interpretation services. If anybody would like to use the little apparatuses for interpretation, we have them out in the front. Raise your hand and we can have one brought to you.

[TRANSLATED FROM SPANISH]

Just to remind you that we have interpretation services. If anyone would like to use the interpreting devices, raise your hand and we can help you.

[IN ENGLISH]

Very good. At this time, I would like to recognize my colleague, Dr. Armando Pérez-Gea from the NADBank, Director of Project Development at the NADBank, who is

going to tell us about the four projects that we will sign financing agreements for today, and then proceed with those signings. Armando.

[TRANSLATED FROM SPANISH]

MR. PÉREZ-GEA: Thank you. Good afternoon to all of you. Members of the Board, with your permission.

The projects themselves have already been presented, both by the Chairman of the Board and by the managers of BECC and NADBank. We are going to sign BEIF agreements for the cities of Pharr, Texas, and Lordsburg, New Mexico. And we are also going to sign the SWEP agreement for the cities of Matamoros and Valle Hermoso.

These three projects, as already mentioned, were approved today, and in addition, we are also going to sign the trust agreement with the city of Reynosa, Tamaulipas. This project was certified some time ago. It is a project that complements previously provided BEIF funding. The funding that will be signed in a few minutes is for a loan, a project certified and approved some years ago.

Well we are going to begin with the Pharr project. It is a project that intended to avoid prevent... We are going to invite Mayor Leo 'Polo' Palacios to sign the US\$19 million BEIF agreement. This is a US\$44 million project, and we are now going to sign US\$19 million with the city of Pharr, Texas. Mayor Leo Polo Palacios. The Pharr project is benefiting 55,000 residents; reduces sewage overflows in the city of Pharr, Texas.

We are also going to present, in addition to signing the contract, we are going to give the city of Pharr a certificate from the BECC.

(Signing of grant agreement.)

(Applause.)

Thank you very much.

Okay, the mayors of the communities that are signing the agreements are going to say a few words after the signing ceremonies.

The second agreement that we are going to sign between the Bank and the city is with the City of Lordsburg.

[IN ENGLISH]

We invite Mayor Arthur Clark to sign this contract with the Bank, and he's going to be receiving also a recognition from BECC.

This is a water project. The City of Pharr, we are funding...BECC and NADBank are funding a wastewater project with Pharr. In the case of Lordsburg, we are funding a water project in order to reduce the level of fluoride. This is a grant for \$700,000 that we are signing. And BECC is giving a recognition to the City of Lordsburg. Total cost of the project, \$2 million.

(Signing of grant agreement.)

(Applause.)

[TRANSLATED FROM SPANISH]

We have, as a third signing, a signing with two mayors. This is a regional project, both with the city of Valle Hermoso, Tamaulipas, which is represented by its mayor, Dr. Alberto Alanis Villarreal, and the mayor of the city of Matamoros, Tamaulipas, Mr. Baltazar Hinojosa Ochoa. Both will sign this US\$2 million SWEF agreement. The project is going to benefit more than 500,000 people in the Matamoros and Valle Hermoso area. With this project, two dumpsites in the city of Matamoros are going to be closed that were polluting the environment in the area of Brownsville, Harlingen, San Benito, and northern Tamaulipas.

A certificate also from BECC

(Signing of grant agreement.)

(Applause.)

Lastly, we have the mayor of the city of Reynosa. This project was certified many years ago. It was given US\$33.5 million at the beginning and now an US\$8 million trust agreement is being signed with Mr. Francisco García Cabeza de Vaca, mayor of the city of Reynosa. This project benefits 450,000 people in the city of Reynosa.

(Signing of grant agreement.)

(Applause.)

I would like to briefly note that in the case of Reynosa, with this, all the raw sewage discharges into the Rio Grande are going to be prevented.

I want to take perhaps just 30 seconds of your time to acknowledge the U.S. Environmental Protection Agency, EPA, whose support in the projects that we are seeing... three of the projects that are being signed today have been made possible, as mentioned previously by Mr. Jorge Garcés, Managing Director of the Bank; in particular, Mr. Marvin Waters of Region 6, who should be out there somewhere. Thank you, Marvin, for your help, thank you very much.

(Applause.)

Thank you very much, and congratulations to all four communities.

[IN ENGLISH]

MR. FLORES: Thank you, Armando. We now, Mr. Chairman, begin the public comment period of the Public Meeting for the Board of Directors. And we'd like to start by inviting representatives from the four communities that just had agreements signed to please come and address the Board. There are microphones at either side of the room here for

your use. And I would first like to recognize Mr. Leo 'Polo' Palacios, mayor of the City of Pharr, please.

MAYOR PALACIOS: Thank you and good afternoon. Mr. Chairman; Mr. Daniel Chacón, Director of BECC; Board members; Mr. Garcés, Director of the NADBank; and Board members. On behalf of the City of Pharr, the 'All America City', we'd like to thank all of you for the assistance that you've given us throughout the years on this \$19 million grant towards a \$90 million project that is going to change the quality of life of a lot of our people in our area.

I'd like to give special thanks to Arkelao López from the BECC, our Congressman Ruben Hinojosa, Congressman Lloyd Doggett, Congressman Cuellar, Senator Hutchinson, and Senator Cornyn, for their support throughout the years in support of the All-America City of Pharr as we continue to change the quality of life of our people.

[TRANSLATED FROM SPANISH]

I want to thank all those members of various chambers, BECC, the North American Development Bank, for the support that they have always given us over the years, for continuing to help the City, one of the most outstanding cities in the United States, the "2006 All America City," in continuing to work with the community to continue changing our people's quality of life.

Thank you very much. The city of Pharr is personally grateful for all of this, all the gestures of generosity that you have given us. Today has been a very exciting day for me—there are times when I cannot find the words to express my gratitude to all of you.

Thank you very much. To all the visitors from Mexico, brothers and sisters from Mexico, from the United States, may you have a good trip home; god bless you; and may we continue working together for continued success. Have a very good afternoon.

(Applause.)

[IN ENGLISH]

MR. FLORES: Thank you, Mayor. Now I'd like to recognize Mr. Arthur Clark Smith, Mayor of the City of Lordsburg.

MAYOR SMITH: Thank you very much, Mr. Chairman, Board of Directors. It's a great pleasure to be here today. We're at the... City of Lordsburg is at this end of our chapter of getting the financial part of our program to provide clean water to the citizens of our community, and we appreciate it very much.

I've been in public office for 26 years, the last 15 years as mayor, and this has been the most challenging, educational program that I've ever worked with. Fernando and Javier have been great on this program. They've kept us in line. I appreciate all they've done for us. But it's been very, very educational.

And Janos, Mexico, is Lordsburg's sister city. So we're really closely involved in environmental and educational and cultural with Mexico. And this is just... went right along in the lines of our work.

You picked a beautiful city to have this meeting. San Antonio is beautiful. I needed some great R & R. My wife loves it—and she loves it so much she said I could run for reelection, so I'm going to take her up on that.

But I want to thank you very, very much. We'll make everybody proud. We'll continue to lobby our senators and our congressmen to continue to fund the BEIF project 'cause there're many other communities out there, such as ours, that need assistance. We'll do our part to keep the funding coming.

Thank you very much.

(Applause.)

MR. FLORES: Thank you, Mayor.

[TRANSLATED FROM SPANISH]

I am now very pleased to recognize Mayor Baltazar Hinojosa from Matamoros. If you would like to speak, please.

MAYOR HINOJOSA: Good afternoon. I think that this is a very special day for many of the mayors who find ourselves at this meeting. First of all, I would like to greet the Mexican government representatives; the Board members; the director of the Bank; the director of BECC; and all our friends who are joining us today.

For Matamoros, this great mechanism of combining NADBank funding with international government funding and federal government funding has been very important.

This project that we have just signed, for us it is going to allow us to implement a very ambitious project, which is the clean up of an area that was used for many years as an open-air garbage dump.

Last year we did a project that had to do with creating a new sanitary landfill, which was funded with participation of the federal government, the state government, the municipal government through the Habitat program, which was recognized by the previous President of the Republic as one of the important national projects to serve as an example, including for other regions.

Well, that was not the big challenge, building the new sanitary landfill; the big challenge is to eliminate the previous one, which has been an open-air garbage dump for many years. This funding that you have just authorized for us is going to be used to eliminate that open-air garbage dump, as well as to clean up more than 76 open dumpsites that we had within the city itself, which at this time, well, have been resolved and, in addition, the transfer station that we are going to share it with the municipality of Valle Hermoso.

For us it is exciting to be here with you, but it is more exciting to acknowledge the effort of all these institutions that are seeing a great future for the border.

Matamoros has been one of the cities that has meant the most and that has been supported the most, by both the NADBank and BECC, as well as by the federal government, in the sense that a US\$76 million comprehensive water and wastewater project has been executed in less than three years. Right now, we have US\$10 million in loan funds from NADBank and we are building our plant, modernizing our water treatment plant. We are building our first water treatment plant with other, similar funding. But, in any event, of this US\$76 million, we are receiving US\$43 million through this institution.

I think that if the federal government continues to promote this mechanism and, at the same time, allows us to match funds with the other agencies or pots that we have for obtaining funding from the federal, state, or municipal government, it is going to allow the border cities—at least the ones in our country—to have better prospects for their development.

On behalf of the people of Matamoros, thank you very much in advance for all of your support.

(Applause.)

MR. FLORES: Now, Mayor Francisco García Cabeza de Vaca of Reynosa will speak.

MAYOR GARCÍA CABEZA DE VACA: Thank you and good afternoon to all of you. First, well, thank you for the invitation. I am pleased to greet Mr. Gerardo Rodríguez, Chairman of the Board, as well as all the members of this Board, your President of the Bank, our good friend Jorge Garcés, and I want, well, to congratulate... we are very pleased to learn that we now have a new deputy director from the Mexican government, Mr. Héctor Camacho, congratulations and welcome. We hope to work very closely with you.

The project that we just signed is an extremely important project for the city of Reynosa. It consists of creating two wastewater processing plants, the construction of two wastewater processing plants. One of these is for 1,000 liters per second and the other for 500 liters per second. It is an investment of close to US\$30 million, of which US\$21 million of this has been a grant supported by EPA and the rest has been a loan that we have obtained through this Bank, and this is where I want to express appreciation for the support and the backing we have received from the North American Development Bank.

And, at the same time ask you—we have the same concern as everyone else here—that each day that goes by without these plants, well, we will continue sending contaminated water to the Rio Grande. This is a project that has been underway for close to a decade and, fortunately, we are now in the final stage, specifically bidding out these plants and ensuring that we can solve a problem that has been dragging on for so many years. Here we want to ask for full support and backing. We are now making the last push to move this project forward and thus be able to improve the living conditions, not only of the people living in this city, but also in the entire region.

Once again, thank you for your support, thank you for your backing, and we will continue working hand in hand with all of you. On behalf of the municipality of Reynosa, thank you.

(Applause.)

MR. FLORES: Thank you, Mr. Mayor. We now have with us Mayor Fernando De las Fuentes, mayor of Saltillo, who will address us, please.

MAYOR DE LAS FUENTES: Thank you. First of all, good afternoon to all of you. Thank you for inviting us to this meeting. I want to thank the Chairman of NADBank's Board, Gerardo Rodríguez, Mr. Jorge Garcés, and Mr. Daniel Chacón and each member of the Board of this agency that is so important to all of us.

I would like to say hello to the mayors. All of you, receive a greeting from our state governor, Humberto Moreira Valdés, of Coahuila. I am the mayor of the state capital of Coahuila, in Saltillo, where you will always be welcome.

I want to tell you that in Saltillo we are a city with an annual growth rate of approximately 3.5%. This means that within the next four years we will have 100,000 more residents. Even now we have 650,000 residents. We are the most populous city in the state of Coahuila.

Here we make an effort for the environment, since our water system is the most efficient system in Mexico in its distribution and, in addition, it reports earnings in the black. I also want to say that we are about to inaugurate in November of this year the water treatment plant with a treatment capacity of 1,200 liters per second.

The trash collection service, which serves 100% of the urban area, currently receives very high marks from the population and covers 100% of this urban area and is operated 100% by the city of Saltillo and the population gives us a score of between 8.9 and 9.

Among the activities that are carried out, in addition to the sanitation crews that we have and the very important clean up of streams, we maintain the roadways with automated collection vehicles. We have more than 500 employees and 43 trash collection trucks. We invest around \$50 million pesos annually to keep our city clean.

But the problem lies in where we deposit the garbage that is collected—which is around 600 tons a day—where we have a 60-hectare sanitary landfill, in which 16 are impacted. Here we have a deficiency in infrastructure, such as areas that are overflowing, places without perimeter fences, no biogas pipes, machinery that is showing wear and tear for trash compacting, inadequate treatment of plant waste and leachates. Because of these deficiencies we do not fully comply with standard 83-SEMARNAT-2003, and this could cause Saltillo to pose a danger to our environment in coming years, and we are working so that this does not happen.

For this reason, we resort to this committee in order to rehabilitate the sanitary landfill that requires a very considerable investment and that, well, we cannot afford. Thus, our application to this Border Environment Cooperation Commission and the North American Development Bank to obtain the certification and financing for the code-compliance plan and to be considered in what is SWEP for the execution of this project.

Our purpose is to achieve reliable operations, proper closure, and the construction of new cells, monitoring and control that will allow for final waste disposal in compliance with the applicable standards, all by rehabilitating the site. Likewise, to prevent any environmental risk, always with the efficient management of resources, as the community deserves.

And I hope that in a few months I may be on the other side of the auditorium, giving thanks as the mayors were, thanking you for that support that you always provide...

(Laughter and applause)

God bless you. Thank you very much

(Applause.)

MR. FLORES: We now have with us Mayor Daniel Peña Treviño of Nuevo Laredo.

MAYOR PEÑA TREVIÑO: Good afternoon, all of you. On behalf of Nuevo Laredo we want to express gratitude for the invitation to this public meeting and we also want to participate in order to attest to the fact that the objectives that are set by both BECC and NADBank, are helping to contribute to great improvements in our environment in Nuevo Laredo.

In the case of Nuevo Laredo, two projects have been certified. The first one for US\$58 million, a comprehensive water and wastewater project for Nuevo Laredo, and the second for US\$42 million for the city's storm drainage system.

Thanks to the first one, which is currently 70% complete, we are succeeding in meeting very important goals for our city. The goals that we have set are to have 100% wastewater treatment, which by the end of this year we hope to be able to achieve, and to eliminate 100% of the untreated water discharges into the Rio Grande, in addition to greatly improving water distribution in our city and ensuring that the growth Nuevo Laredo is experiencing can count on having water service with sufficient quantity and quality in our city. For this reason I want to thank you for the great support that we have found and the sign of great progress that Nuevo Laredo is making.

But I also want to take the opportunity to make two requests. One of them is that you provide support so that the BEIF program may continue, that it may have more funding, because, thanks to it, as the mayors of other cities have stated, they are practically obligating the governments of Mexico, at all three levels of government, to invest in infrastructure and thus be able to make up for the underdevelopment that existed along the entire border. And secondly, that the LIRF program be continued so that we may have subsidized loans and thus also be able to continue with ambitious projects that will help us to improve our environment.

That is what we want to tell you on behalf of Nuevo Laredo and to thank you and congratulate you for the work that you are performing. Thank you very much.

(Applause.)

MR. FLORES: Thank you. We recognize Mr. Raúl Vela, representing the City Council of Piedras Negras.

MR. VELA: Thank you very much. Esteemed and distinguished members of the BECC-NADBank Board; distinguished attendees, I want to use this forum to request that you continue the BEIF program, which is funding provided by the U.S. Environmental Protection Agency, EPA; that you continue the successful soft loan program, LIRF; and that you continue the SWEP program for solid waste treatment, so that Piedras Negras, Coahuila, may continue cleaning up the environment, so that we may continue to grow in infrastructure, and thereby achieve a clean and healthy environment, not only for its residents but also for those in the entire region, thus improving their quality of life.

Fortunately, there is economic growth stemming from the Free Trade Agreement, but a very high cost has been paid by its adverse impact on the environment, which is why the support provided by both governments in these regions is needed.

On September 17, 2006, we had the honor of receiving Mr. Andrew Rushing in our city, an international economist at the Office of Multilateral Development Banks of the U.S. Department of the Treasury, who visited us along with senior officers from NADBank. They verified what Piedras Negras has developed and the progress made with the NADBank loan programs, but at the same time they were also able to confirm that much still remains to be done. There are still underdeveloped areas that we have not been able to reach in order to improve the standard of living of our residents.

For that very reason, we are urging the municipal government, the state government, and their agencies that are present here to continue to work together as one in order to improve not only the environment, but also the quality of life of the border region. Let us continue to apply one of NADBank's key mottos: 'transboundary problems, bilateral solutions.' Thank you very much on behalf of Piedras Negras.

(Applause.)

MR. FLORES: Now Mr. Alfonso Ramírez Rodríguez, mayor of Miguel Alemán, will address us.

MAYOR RAMÍREZ RODRÍGUEZ: A very good afternoon to all of you, distinguished members of the Board, Mr. Daniel Chacón of the Border Environment Cooperation Commission, Mr. Jorge Garcés of the North American Development Bank, Isabel Costello from the City of San Antonio, friends all.

I come on behalf of five border municipalities on the Tamaulipas border: Nueva Ciudad Guerrero, Ciudad Mier, Miguel Alemán, Tamaulipas, Camargo, and Gustavo Díaz Ordaz, with a sanitary landfill project.

First of all, we want to congratulate these agencies for the work they have been performing, as we saw in the report presented by Daniel and Jorge—a very detailed report, regarding which we want to be on the record as having acknowledged the work that is being carried out.

In addition, we want to express our gratitude, on behalf of the five municipalities, for all the technical assistance that we have already received for a regional sanitary landfill project that includes five municipalities.

In addition to technical assistance, we have received funding for the final design. We now have the final design, developed thanks to the efforts and the various friends of the Border Environment Cooperation Commission and the North American Development Bank.

We also want to mention that we five municipalities have also contributed our little grain of salt to this project, and we now have the land for the sanitary landfill project.

We are also working to contribute our little grain of salt by not polluting the environment, taking all the tires to Nuevo Laredo, since our friend Daniel Peña is doing us the favor of receiving them for us there. So, well, then... we are no longer polluting the "Frontera Chica" area and we are sending them over there to Nuevo Laredo.

(Laughter.)

So, as you can see, we are making an effort as a region to preserve the quality of life and, well, the border environment, the trash collection system and all of that, we have made a great effort along with the state government, with our governor, Mr. Eugenio Hernández Flores.

And to be very brief, well, we want to tell you that we also want to be on that side at the next meeting and to thank you for whatever you are able to do for us.

(Laughter.)

We know that in the 11 years you have been working, you have supported many projects and this is a very important project. Moreover, in these municipalities we also bring very important projects for comprehensive wastewater treatment that we are confident will soon let us stop polluting the great river, the Rio Grande. Thank you very much and congratulations once again.

(Applause.)

MR. FLORES: Thank you, Mr. Mayor. Now Mr. Rodolfo Gómez Acosta, chief financial officer of *Servicios de Agua y Drenaje de Monterrey*, will speak.

MR. GÓMEZ ACOSTA: Thank you very much. With your permission, members of the Board, I want to take this moment to thank you on behalf of the chairman of the board of directors of *Servicios de Agua y Drenaje de Monterrey*; of the state governor, Mr. José Natividad González Parás, and its general manager, Emilio Rangel Woodyard, for all of the support that you have given us, to Daniel Chacón and the people from BECC and all of its administrative staff and, naturally, to Jorge Garcés, Armando Pérez-Gea, and all of his team, for their commitment and professionalism in order to make our project a reality for the extension, the expansion of our treated wastewater system, which is very important.

With this project we now have a reality that is practically at its beginning. This is a project that went from the realm of the "noes" to the realm of the "yeses," and I think that right now we are already practically generating greater expectations than even those we predicted a year ago regarding this high environmental impact project.

Thank you very much, and before ending, I would like only to make two very specific requests. In the case of Nuevo León, the utility, *Servicios de Agua y Drenaje de Monterrey*, provides water and sewer services to all 51 municipalities in the state and this places a great operating burden on us and a great need for funding in order to provide an efficient and quality service, as I think we have succeeded in doing, to more than 35,000 users who year after year are incorporated into our system.

In this regard, what I wanted to request from you on behalf of Mr. Emilio Rangel and myself, naturally, is that you could review the rule regarding relaxing the US\$48 million lending limit since in a state in which there is only one utility, I think that you put us at a bit of a disadvantage.

In addition, I would also like to see if, by chance, the policy could be revised a bit, the policy regarding the possibility of being able to obtain grant funding in cities located in the 300-km., expanded region. I think this would be very important for states such as Nuevo León—I am sure for other border cities in the southern border area.

Once again, thank you for all of the support that you have given us for this high environmental impact project. Thank you very much.

(Applause.)

MR. FLORES: We now recognize Mr. Sergio Duarte Escoboza, General Director of Credit Management and Public Debt for the Ministry of Finance of the State of Sonora.

MR. DUARTE ESCOBOZA: Good afternoon and thank you for this invitation. On behalf of Governor Eduardo Bours, I would like read to you a letter that he is sending to Board of Directors.

'Dear Board of Directors, I am pleased to write in reference to the additional \$50 million dollars in funding that, provisionally, your institution plans to earmark as grants to finance environmental infrastructure projects along the U.S.-Mexico border.

With respect to this issue, allow me to say that we are pleased by the decision of the North American Development Bank to increase the accessibility of loans and reduce financing costs, as well as to expand the array of support programs for states and municipalities, with priority given to drinking water and wastewater projects that are not eligible for funding from the U.S. Environmental Protection Agency.

Nevertheless, according to the preliminary information available, the aforesaid program will only be available within 100 kilometers of the border, even though the Bank's area of operation on the Mexican side is currently defined as up to 300 kilometers in order to benefit a greater number of communities.

In this context, I most respectfully request your help in submitting for the consideration of the Board members at its next meeting in the city of San Antonio,

Texas, a request that the implementation criteria of this new program, and any other program that may be approved in the future, cover the Bank's entire operational jurisdiction.

We border states are convinced that reducing the financing costs of projects and increasing their coverage, will benefit a greater number of cities dealing with outdated and inadequate infrastructure and significant needs, and, thus, the Bank will be making progress in recouping its original mission of establishing itself as a regional development bank.

I appreciate your..., excuse me your... good will and the valuable support you have always given us and with a cordial salute I reiterate my highest and most distinguished consideration.

Governor of the State of Sonora, Eduardo Bours Castelo'. Thank you.

(Applause.)

MR. FLORES: Mr. Luis Manuel Navarro Galindo, general manager of SIMAS, in Acuña, Coahuila.

Is Mr. Navarro present? No?

[IN ENGLISH]

I would now like to recognize Ms. Yolanda Garcia, Director of Federal and State Programs for Rio Grande City, Texas, in Starr County.

MS. GARCIA: Good afternoon everyone.

[TRANSLATED FROM SPANISH]

Good afternoon everyone.

[IN ENGLISH]

On behalf of Starr County, the Honorable Eloy Vera, Starr County Judge, our project name: Starr County Solid Waste Transfer Station. It would benefit a population of 67,943 residents. Our project estimated cost would be \$1.5 million. Our project type would be the solid waste transfer station. The project location: Starr County is located in the Lower Rio Grande Valley, the state of Texas, and is border to Zapata County to the west, Jim Hogg County to the north and Hidalgo County to the east. To the south across the Rio Grande is the state of Tamaulipas, Mexico. The county is located within the zone of Rio Grande City. And the county seat is located adjacent to Rio Grande City just across from Camargo, Tamaulipas.

The job description: Starr County landfill is expected to run out of space in approximately less than one year. The County urgently needs to maintain its landfill open until the new transfer station system is built to avoid violations of state solid waste regulations and negative impacts to the environment and the public health.

Within a year, the current landfill will no longer have disposal capacity. Without a transfer station, the effect would be a dramatic increase in illegal dumping because the private companies who do curbside collection will increase their rates due to the distance that they would have to travel to properly dispose of the household waste.

Starr County conforms to international treaty agreements. The project is in compliance with the agreement between the U.S. and the Mexican Governments relating to improve in the environmental and health conditions of border residents including La Paz Agreement, the Comprehensive Border Environmental Plan, and the Border 2012 Program, and the North American Trade Agreement.

This Starr County transfer station project does not have any negative cross-border environmental impact. All the operations will be monitored and approved by the Texas Commission of Environmental Quality.

Again, I would like to thank Mr. Javier Francisco Torres in helping work with Starr County to get our project certified with BECC. Again, thank you very much on behalf of Starr County, Honorable Eloy Vera, Starr County Judge. Thank you very much.

(Applause.)

MR. FLORES: Thank you, Ms. Garcia. I would now recognize Mr. Tomas Cantu in representation of Starr County, as well.

MR. CANTU: Thank you. I had retired from working for an environmental. And I was called back by Judge Eloy Vera to come and help Starr County with the problem they had on their solid waste. And by doing that, we've been working for five years. And we managed to extend the lifespan of the landfill for about three more years by recycling. And we managed to recycle in about 30 to 32 percent of what waste coming in.

And by doing that, I'd like to tell you that I do work for the whole valley. I'm a Board of Director for environmental awareness programs in the valley, which is Valley Proud. I work for the state, TCEQ—no salaries at all—on the Advisory Committee for Solid Waste. So I know what I'm talking about when Mrs. Garcia said about illegal dumping. I have a public awareness program in environmental that I work on both sides of the country. And I work with Mexico. I go along the river teaching people about the problem with illegal dumping and on the American side, too.

So, we do have a problem with illegal dumping. Everybody has a problem with illegal dumping. By letting our landfill go out of existence and not having a transfer station, we will have a bigger problem. And by doing that, we're the only county in the whole valley that accepts tires free of charge. We managed to collect a little over 34,000 tires. And we bring them over to San Antonio where they're being recycled.

So, I come before you and just letting you know that I have worked with EPA, I've been in Matamoros, and I know the problem they had in Matamoros with their trash and all that and their tire problems, too. I've been in Reynosa, too. I've been in Camargo. I've been in Miguel Alemán. And this problem with Miguel Alemán started about six, seven years ago, and they haven't done anything about it—a solid waste disposal system where they can get rid of their waste. And I live just across from Miguel Aleman. And every day I get all the smoke right in my face too just like the people in San Benito from

Matamoros. So by doing that, I'm asking to please help us with Starr County in the transfer station. Thank you.

(Applause.)

MR. FLORES: Mr. Con Mims of the Nueces River Authority.

MR. MIMS: Good afternoon, ladies and gentlemen. I'm Con Mims. I'm the Executive Director of the Nueces River Authority in Uvalde, about 90 miles west of here.

We've been working with the Cities of Leakey and Camp Wood, and the Counties of Uvalde and Real, to develop a regional municipal solid waste transfer station. These communities are hauling municipal waste in their small collection vehicles over 200 miles, three to four times per week, to a landfill in San Antonio, causing a significant financial burden for their residents. And I'll get into that detail when I read to you, in a minute, a letter from the City of Leakey.

The Border 2012 initiative has identified the disposal of solid waste as one of the priority areas to be addressed within the international border. Acknowledging these concerns, the Environmental Protection Agency awarded the Nueces River Authority grant funding to study the feasibility of regional solid waste transfer stations.

This study was completed in May 2006 and concluded that constructing transfer stations located outside Leakey and Camp Wood will effectively serve all of Real County and Northern Uvalde County. Real County and Camp Wood have agreed to donate property for the construction of the transfer stations, which will reduce their transport distance from over 200 miles per trip to under 10 miles per trip.

Since completion of the study, the City of Sabinal also has expressed interest in participating in a regional transfer station. While the regional transfer stations can be operated through user fees, grant assistance is needed for the design and construction of the facilities and for operating equipment. The estimated capital cost for these improvements is \$1.8 million dollars and will address the 20-year needs of the affected communities.

A major problem facing communities in obtaining funding to solve their solid waste problems is that, with the exception of your Solid Waste Environmental Program, SWEP, solid waste is not a priority for funding. Additionally, the SWEP provides the only source of grant funds targeted for solid waste projects.

These funds provide the seed money for local communities to provide cost-effective, long-term solutions through development of regional projects such as ours. Since funding for the SWEP program has been from funds generated by the Bank, it gives the Bank the flexibility to move quickly to help local communities.

Let me quickly read to you a letter from the City of Leakey, from the mayor, and then I also have a similar letter from the county judge of Real County.

This is addressed to you: 'This letter is in support of the North American Development Bank continuing its Solid Waste Environment Program. We hope to

convince the Board of the urgency of our particular solid waste needs and illustrate how the SWEF is best suited to address these needs for our communities.

The City of Leakey currently provides solid waste management services for customers both within and outside the city limits. In 2005, the city transported and disposed of over 800 tons of municipal solid waste, about 80 percent of which was generated by city residents. We currently haul this waste over 200 miles roundtrip to the Coval Gardens Landfill operated by Waste Management in San Antonio.

The greatest problem the city faces in its solid waste management service is in the ever increasing cost for transportation and disposal.

The city's most recent solid waste management budget was estimated at \$210,140. This represents 58 percent of our total recurrent budget for all city services.

Without the help of the SWEF funding for the Nueces River Authority Transfer Station Project, the city would have no long-term plan to address our growing solid waste needs.'

So we urge the North American Development Bank to recognize the solid waste crisis that our communities face and provide the resources necessary to make the SWEF a viable program.

We thank you for your consideration of this request and please feel free to contact me if I can answer any questions. Appreciate it.

(Applause.)

MR. FLORES: Thank you. Is there anyone else present who would like to make any comments before the Board of Directors?

[TRANSLATED FROM SPANISH]

If anyone else would like to speak before the Board, I invite you to do so now. Please.

MAYOR PÉREZ TREVIÑO: Yes, good afternoon. My name is Jesús Pérez Treviño. I am the mayor of the municipality of Villa Unión. And, well, as a small municipality in our state of Coahuila, a municipality whose residents number 6,150, but which at the time of its founding, the infrastructure was planned for a population of 500 residents, which was not expected to grow anymore.

I want to say that last year, at the beginning of the year, we began sewer works for the first time in our municipality and, well, to tell you that we began them precisely because it is becoming a very serious pollution and infection problem for our town's residents.

The fact is that not even with all the investment for the term that I represent Villa Unión will we have enough to construct the entire sewer system in our town. That is why, as part of the border region, well, we would like to be considered for this NADBank support. Thank you.

(Applause.)

MR. FLORES: ¿Anyone else?

[IN ENGLISH]

Anyone else?

[TRANSLATED FROM SPANISH]

MR. FRANCO LÓPEZ: Good morning, everyone. My name is Héctor Franco López. I don't know if you can hear?

AUDIENCE: Yes.

My name is Héctor Franco López. I am Secretary of Environment and Natural Resources for the State of Coahuila. And we are very interested, as a state, in making a request.

We are following the compliance procedures based on standard 083, which sets forth for us the regulations for all solid waste disposal sites and, in particular, we are interested in municipal solid waste.

Within the problems that we have in Coahuila, we have approximately 18 small municipalities that are unable to comply with the regulations of standard 083 due to a lack of funds. And this is the case for the municipalities, such as the one we just heard about a second ago, that of Villa Unión, and our purpose is to respectfully request more funding from you for the SWEP, so that we can continue our compliance work as a state—as an environmentally responsible state—the work of complying with standard 083.

The support from NADBank, well, NADBank has been, in times of crisis, has been strongly supported by the state of Coahuila and we want to continue doing so and in some way to contribute viable projects.

We are very grateful to BECC, to Mr. Chacón. At the moment we have the results ready on the inter-local sanitary landfills of Musquiz, San Juan de Sabinas, and Sabinas, and of the region of Cinco Manantiales. We are very grateful for that assistance, but to carry out these projects we wish to enhance, we wish to ask you to enhance the SWEP program. Thank you very much.

(Applause.)

MAYOR ALANIS: Good afternoon. My name is Alberto Alanis, mayor of the municipality of Valle Hermoso, Tamaulipas.

Basically to very sincerely and wholehearted thank the North American Development Bank, the Border Environment Cooperation Commission and our sister municipality of Matamoros, Tamaulipas, for including us in this solid waste project of the

municipalities, a regional solid waste project of the municipalities of Valle Hermoso and Matamoros, in which Valle Hermoso is included with a transfer station.

However, at the same time, I do want to tell you that we still have much to do or to plan in our municipality. Our municipality, the truth is that we have environmental wastewater problems; our neighborhoods—many of our neighborhoods and our rural communities— do not have sanitary sewer works. We have a great deficit in street paving projects and, well, we know what this means with respect to air pollution, the pollution of our environment, right? Which is why, I would be very grateful to you if in the future we were considered and if you helped us to meet these needs here for our municipalities. We know that by meeting, with your help, by largely meeting these needs, we will be contributing to a better quality of life, of well-being and progress, for our families in Valle Hermoso.

On behalf of my municipality, from the bottom of our hearts, thank you very much, North American Development Bank and Border Environment Cooperation Commission, thank you very much on behalf of all our families in Valle Hermoso. Thank you.

(Applause.)

[IN ENGLISH]

MR. FLORES: Anyone else?

MR. SANDOVAL: Good afternoon. I'm Fred Sandoval. I'm the City Manger for Pharr, Texas. I'd like to thank all of y'all for your time today. On behalf of the Mayor and the rest of the Commissioners who couldn't be here, we'd like to express our gratitude.

But listening to both Directors talk today about the 11-year history of the BECC and the NADBank, I kind of feel a little proud, a little bit associated with that because we've been dealing with both of these organizations for like the last almost ten years, nine-and-a-half, almost ten. So, I guess for everybody that's here, everybody that's listening, the programs work. They just take a little while, but they work. We finally got our project certified. Back in '98 we actually got our first TA agreement to do our first ever master water and sewer plan. And it works. I mean, we're here today and this is the proof.

I'd like to thank all the staff, Mr. Garcés, Mr. Chacón, I'd like to thank all of y'all and your staff, but also I'd like to thank your predecessors—Mr. Miramontes, Mr. Rodríguez—I dealt with them a lot, dealt with a lot of your staffers. And I'm just lucky that I've stayed around long enough to see this through fruition and I really appreciate that. I don't mean that facetiously. I really do.

There is a big need out there. I've heard a lot of solid waste requests, you know, but the water and sewer are still there. As the mayor told you all earlier, we've got a big project coming. It's well over \$100 million, and this is going to help us get started on that. But, you know, we do need more money so you can count on us, from our end to lobby our congressmen and our senators to try to get you all some more money because this program works, and it's much, much needed.

Thank you so much.

(Applause.)

MR. FLORES: Thank you.

[TRANSLATED FROM SPANISH]

MAYOR GARZA RODRÍGUEZ: Good afternoon everyone. My name is José Concepción Garza Rodríguez. I am the mayor of General Bravo, Nuevo León, a municipality that has benefited from a sanitary landfill through NADBank, for which I have come to thank you and which I know that you support and that is why we are here.

For us it is very important to have the benefits of a sanitary sewage system. We are taking it in phases; we are in the fifth phase. Hopefully with your help we can conclude this sanitary sewer system.

At the same time, we have a problem in our municipality. A canal goes through us, an irrigation system that extends 2 kilometers. We would like, with your help, to replace the canal with pipeline and construct a road to serve as an alternative to the toll-free Reynosa highway.

At the same time, this would help us to discharge the storm drainage, which would serve to prevent the flooding of forty blocks in that area and a problem that always affects us with respect to rain. At the same time, then, because of this, our pavements, our streets, are damaged by the rain. Hopefully, with your help, you will help us to complete or to make this project a reality.

And I also want to thank you for the help on the sanitary landfill that was created there in our municipality, which is SIMARE.

Thank you very much on behalf of my town, and thank you for listening to me.

(Applause.)

MR. FLORES: Is there anyone else who wants to speak?

[IN ENGLISH]

Mr. Chairman? Let me, if I can, turn the microphone back over to the Chairman to conclude and then...

[TRANSLATED FROM SPANISH]

MR. RODRÍGUEZ: Do you want to comment?

MS. ALMODOVAR: Yes. Good afternoon. As you know, I'm with the Environmental Protection Agency, and I wanted to thank you all for your concerns and your attention to the issue of the budget. And it is unfortunate that the BEIF resources are decreasing with the years and also the Border 2012 Program resources have also started to decrease. The '08 budget from the president's proposed has cut the Border 2012

Program for a third of it, so it will become harder to fund projects such as tires, such as removal of the tire piles, the air projects that we've had for monitoring. But be sure that EPA and SEMARNAT are... we are very committed to continuing the progress and finding resources to continue the program. And it is very important for us since it's the health and the environment of our border communities.

(Applause.)

[TRANSLATED FROM SPANISH]

MR. RODRÍGUEZ: Very well, I would like to end this public meeting with just a couple of thoughts. For the Mexican government, the lack of growth in lending from the Bank has been a concern in recent years and various initiatives have been undertaken precisely aimed at improving the conditions in which the Bank can participate in different projects on the border.

Steps were taken, together with the U.S. Government and both Congresses, to expand the Bank's mandate in 2001, which took some years to take effect and which today enables us to now meet, for example, in a joint session of the Bank-BECC Board.

Nonetheless, what we are seeing is that the Bank has enormous lending potential and what is lacking are projects capable of taking loans from the institution. There are two issues related to this. On the one hand, the nature of these environmental infrastructure projects, as you know, requires grant funding, grants, to make the projects bankable, and in that sense we are concerned to see that the Bank and the BECC have less and less funding to ensure that these projects can be implemented and can be supported.

I say this because it is something that is out of the institution's control, out of the Bank's control. At the Bank, as you know, management is always more than willing to work with utilities, the city governments, the states, in developing projects, but there is a limited capacity to support these projects with grant funding.

So, that is something where we have to find—if the Bank was designed to support the public represented by state governments, municipal governments, utilities—we have to work together to find vehicles, funding sources, that allow this type of support to continue to be channeled through the Bank and the BECC for the entire implementation of projects.

Lisa already noted, well, the restrictions they are facing at EPA in order to fund the BEIF. And, well, this is a reality with which we have to live. We also have to work on the side of drafting the budget in the United States concerning EPA, to see what can be done to get back to the pace of funding contributions that they had a few years ago, because it benefits all of you.

So, that is one issue, the part on grant funding, but the other part is projects capable of being supported by loans. As I was saying, the Bank has enormous potential. It has not been possible, not even to spend, to approve loans for the Bank's entire capital when it is assumed that a banking institution, a financial institution, has certain capital to leverage and be able to support, through debt, an even greater quantity of loans. And there, I would ask all of you to work even more with the institution in

developing ideas, projects, in short, in designing structures that will allow the needs that each one of you has in your communities, in your region, in your field, to be turned into projects capable of being supported by loans. Why? Because today what the Bank has is an excess of lending capacity; what we don't have is sufficient ideas, projects, alternatives for spending them.

So, as always, especially on the Mexican side, we have lived with this idea that things don't happen because there is no money and because there is no funding and there is no financing and no one supports us. Well, I could tell you that here we have another problem, which perhaps is a problem of higher quality. And for this reason, perhaps it's more difficult to solve. But what there is, is a significant amount of funding that can be used to support bankable projects with loans, that is, projects that because of their structure may have the capacity to repay the institution at very reasonable interest rates.

So, I will leave you with these two thoughts: the need to develop projects, to work with the Bank and with the BECC, and, on the other hand, to explore alternative sources of grant funding that will make it possible to move forward in putting these projects together.

I would not add anything else except to thank the city of San Antonio for its hospitality, not only for this meeting, but for the hospitality that it has given the Bank from its inception. This has been the headquarters and the Bank has benefited from the opportunity of being established on this side of the border and, in particular, in the city of San Antonio.

Thanks to the Instituto México for making these very modern facilities available to us. Thanks to the Board members for their participation, to management, Jorge, Daniel, and to all those in attendance, mayors, representatives of state governments, of non-governmental organizations, and of sanitation, water utilities in the states and municipalities. Thank you very much.

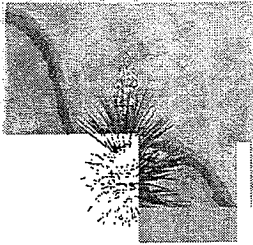
(Applause.)

[IN ENGLISH]

MR. FLORES: Are we adjourned? Okay.

Everyone is invited to a reception here at the Institute right across the hall. Please join us.

[MEETING ADJOURNED]



Nueces River Authority

GENERAL OFFICE

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200 E. Nopal • P.O. Box 349
Uvalde, Texas 78802-0349
Tel: (830) 278-6810 • Fax: (830) 278-2025

COASTAL BEND DIVISION

Natural Resources Center, Suite 3100
6300 Ocean Drive, Unit 5865
Corpus Christi, Texas 78412-5865
Tel: (361) 825-3193 • Fax: (361) 825-3195

March 23, 2007

Members of the Board
North American Development Bank
203 South St. Mary's
Suite 300
San Antonio, Texas 78205

Members of the Board:

The Nueces River Authority has been working with the cities of Leakey and Camp Wood and the counties of Uvalde and Real to develop regional municipal solid waste transfer stations. These communities are hauling municipal waste in their small collection vehicles over 200 miles, three to four times per week, to a landfill in San Antonio, causing a significant financial burden for their residents. For example, the City of Leakey, with a population of about 600, is spending over \$100,000 per year to dispose of their municipal waste.

The Border 2012 Initiative has identified the disposal of solid waste as one of the priority areas to be addressed within the international border. Acknowledging these concerns, the Environmental Protection Agency (EPA) awarded the Authority grant funding to study the feasibility of regional solid waste transfer stations. This study was completed in May 2006 and concluded that constructing transfer stations located outside Leakey and Camp Wood will effectively serve all of Real County and northern Uvalde County. Real County and Camp Wood have agreed to donate property for the construction of the transfer stations which will reduce their transport distance from over 200 miles per trip to under 10 miles per trip. Since completion of the study, the City of Sabinal also has expressed interest in participating in a regional transfer station.

While the regional transfer stations can be operated through user fees, grant assistance is needed for the design and construction of the facilities and for operating equipment. The estimated capital cost for these improvements is \$1.8 million and will address the 20 year needs of the affected communities.

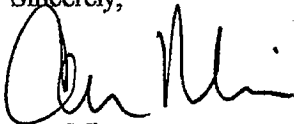
A major problem facing communities in obtaining funding to solve their solid waste problems is that, with the exception of your Solid Waste Environmental Program (SWEP), solid waste is not a priority for funding. Additionally, the SWEP provides the only source of

grant funds targeted for solid waste projects. These funds provide the seed money for local communities to provide cost effective, long term solutions through development of regional projects such as ours. Since funding for the SWEP program has been from funds generated by the bank, it gives the bank the flexibility to move quickly to help local communities.

We urge that the North American Development Bank recognize the solid waste crisis that our communities face and provide the resources necessary to make the SWEP a viable program.

Thank you for your consideration of this request and please feel free to contact me if I can answer any questions or provide any additional information.

Sincerely,



Con Mims
Executive Director

Cc:

Honorable Kay Bailey Hutchison, U. S. Senate
Honorable John Cornyn, U. S. Senate
Honorable Lamar Smith, U. S. House of Representatives
Honorable Ciro Rodriguez, U. S. House of Representatives
Honorable W. B. Sansom, County Judge, Real County
Honorable William R. Mitchell, County Judge, Uvalde County
Honorable Jerry Bates, County Commissioner, Uvalde County
Honorable Jesse Pendley, Mayor, City of Leakey
Honorable Emma Dean, Mayor, City of Camp Wood

CITY OF LEAKEY

P.O. Box 219
Leakey, Texas 78873
(830) 232-6757

March 27, 2007

Board of Directors
North American Development Bank
203 South St. Mary's
Suite 300
San Antonio, Texas 78205

Subject: Letter in Support of the North American Development Bank (NADB) Solid Waste Environment Program (SWEP)

Members of the Board:

This letter is in support of the North American Development Bank (NADB) continuing its Solid Waste Environment Program (SWEP). We hope to convince the Board of the urgency of our particular solid waste needs and illustrate how the SWEP is best suited to address these needs for our communities.

The City of Leakey currently provides solid waste management services for customers both within and outside the city limits. In 2005 the City transported and disposed of over 800 tons of municipal solid waste; approximately 80% of which was generated by City residents. We currently haul this waste over 200 miles roundtrip to the Coval Gardens landfill operated by Waste Management, Inc. in San Antonio.

The greatest problem the City faces in its solid waste management service is the ever increasing cost for transportation and disposal. We currently operate two collection trucks that each must make the five hour roundtrip to San Antonio once a week. During summer months, it is not uncommon for each truck to make two or three hauls.

The City's most recent solid waste management budget was estimated as \$210,140. This represents 58% of our total recurrent budget for all City services; however, only 26% of this total budget is covered by user charges for solid waste services. We anticipate even greater future expenses as fuel costs and tipping fees increase. Our tipping fees alone have increased 16% from \$23.75 in 2004 to \$27.50 in 2006.

Without the help of the SWEP funding of the Nueces River Authority Transfer Station Project, the City would have no long-term plan to address our growing solid waste needs. We feel that our need is immediate and could most expediently be addressed if funding were to be made from the SWEP. Our City Council has passed a resolution in support of the Nueces River Authority's efforts.

Thank you for your time and consideration and we look forward to working with the NADB to develop a mutually beneficial program for our community.

Sincerely,

Jesse Pendley
Mayor
City of Leakey



W. B. SANSOM, JR.
REAL COUNTY JUDGE

P. O. Box 446
Leakey, Texas 78873

OFFICE (830) 232-5304
FAX (830) 232-6040

March 27, 2007

Board of Directors
North American Development Bank
203 South St. Mary's
Suite 300
San Antonio, Texas 78205

Subject: Letter in Support of the North American Development Bank (NADB) Solid Waste Environment Program (SWEP)

Members of the Board:

Please let this letter show Real County's support for the North American Development Bank's (NADB) Solid Waste Environment Program (SWEP). We hope to convince the Board of the urgency of our particular solid waste needs and illustrate how the SWEP is best suited to address these needs for our communities.

The County relies upon the Cities of Leakey and Camp Wood to provide solid waste services for our residents. Without this continued level of service the County would have no means of providing a feasible solid waste service.

Our Commissioner Court has pledged by resolution our support of the Nueces River Authority's proposed regional solid waste transfer stations project. The County has also agreed to donate County-owned land for siting of a transfer station near the City of Leakey.

Without the help of the SWEP funding of the Nueces River Authority Transfer Station Project, the County would have no long-term plan to address our growing solid waste needs. We feel that our need is immediate and could most expediently be addressed if funding were to be made from the SWEP.

Thank you for your time and consideration and we look forward to working with the NADB to develop a mutually beneficial program for our community.

Sincerely,

W. B. Sansom, Jr.

County Judge
Real County



Free Trade Alliance San Antonio

203 S. St. Mary's • Suite 130 • San Antonio, Texas 78205 • Phone: (210) 229-9036 • Fax: (210) 229-9724 • www.freetradealliance.org

March 27, 2007

North American Development Bank
Board of Directors
203 S. St. Mary's Street, Suite 300
San Antonio, TX 78205



City of San Antonio



The Greater San Antonio
Chamber of Commerce



San Antonio Economic
Development Foundation, Inc.



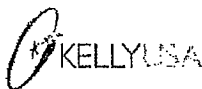
Bexar County



San Antonio
Water System



San Antonio Hispanic
Chamber of Commerce



Greater Kelly
Development Authority


Dear Board of Directors,

On behalf of Free Trade Alliance San Antonio, a non-profit organization dedicated to promoting international trade in San Antonio and South Texas, I would like to recognize the Board of Directors of the North American Development Bank (NADBank) and the Border Environmental Cooperation Commission for their continued commitment to meet regularly and address the various issues regarding the NADBank's effectiveness in serving the communities of the U.S.-Mexico border region.

Free Trade Alliance San Antonio, through the NADBank Liaison Committee which includes 23 businesses and key civic leaders of our community, supports the NADBank's operation in San Antonio (see attached list of committee members). The NADBank is the only U.S.-Mexico institution that is addressing the financial needs of border communities for basic environmental infrastructure. As such, the Bank's Border Environmental Infrastructure Fund has been instrumental in helping border communities afford basic water and wastewater treatment services. This program that receives funding from the U.S. Environmental Protection Agency (EPA) has provided over \$493 million in funding for needed projects. Despite the continued needs, the proposed fiscal year 2008 EPA budget only calls for \$10 million in funding for U.S.-Mexico border water and wastewater projects. The needs of our border communities are much greater than what \$10 million will provide. Therefore, we stress that it is incumbent for the Board of Directors to advocate Congress for increased funding for this program for fiscal year 2008.

We encourage the Board of Directors to continue to explore ways in which the North American Development Bank can better utilize its capital for the benefit of the U.S.-Mexico border region. The governments of U.S. and Mexico should continue evaluating opportunities for the Bank to apply its expertise and resources in new and innovate ways to finance infrastructure projects along the U.S.-Mexico border.

Sincerely,


Tom C. Frost

Chairman, NADBank Liaison Committee

Attachment