

Public Meeting of the Board of Directors

July 21, 2009
San Antonio, Texas

ENGLISH VERSION

MR. FLORES: Let us get started on the first part of this afternoon's events, which is the press conference. First of all, welcome everyone to these very nice, spacious, elegant accommodations that our friend the Honorable Armando Ortiz Rocha, Consul General of Mexico in San Antonio, has offered us. Thank you very much.

I am going to quickly introduce to you the members of the Board of Directors present with us today: Chairman of the Board at this time, Ricardo Ernesto Ochoa Rodríguez, Head of the International Affairs Unit at the Ministry of Finance in Mexico; Alejandro Estivill Castro, General Director for North America, at the Ministry of Foreign Affairs in Mexico; Armando Yáñez Sandoval, Deputy General Director for Border Affairs; representing the U.S. Department of Treasury and co-chair of the Board of Directors, Karen Mathiasen, who is Director of the Office of Multilateral Development Banks; Roberta S. Jacobson is Deputy Assistant Secretary for Canada, Mexico & NAFTA Affairs at the Bureau of Western Hemisphere Affairs at the U.S. Department of State; Michael Stahl, Director of the Office of Regional and Bilateral Affairs at the EPA Office of International Affairs; Lorenzo 'Larry' Larranaga, who is a member of the New Mexico House of Representatives and is the U.S. State Border Representative to the Board of Directors; and last, certainly not least, I want to recognize and introduce the General Manager of the Border Environment Cooperation Commission, Daniel Chacón; and Jorge Garcés, the Managing Director of the North American Development Bank.

With that, Mr. Chairman, I will hand it over to you and feel free to make your comments with regard to this morning's activities at the Board of Directors meeting and then we'll entertain questions from the press. Thank you.

MR. OCHOA: Well, thank you very much. Welcome to everyone here. I think that I want to start by saying that I feel really honored to be here in the Mexican consulate for I think this is my first time being here after participating in so many meetings of NADBank and BECC here in San Antonio, so I really feel really honored for this opportunity here in the consulate of Mexico.

Now also I want just to apologize for the delay in starting this press conference and public session. I can assure you that the delay is because of good reasons and those good reasons are because we had a very long agenda of issues for discussion, in particular a good list of projects to be certified and financed. And as the outcomes of this

meeting, I think it is important to underline that the Board has reviewed and certified six projects in the sectors of water and wastewater treatment systems, particularly in Tijuana and Rosarito in Baja California. The amounts involved in financing are around US\$30 million in both lending and grants, and this will provide benefits to a population of around 725,000 people in the border region in this area.

I also want to mention that one project in Tijuana was also reviewed by the Board. The general view of the Board is favorable towards the project. This project is still in the regular process of certification. The public consultation process is still not completed yet. But I can advance that this process is going to be completed really soon and then the Board will be in a position to provide the formal notification on its resolution of this project. But I want to stress that the general view is really positive on the project. Well, I think that I will leave some space for Michael and Karen Mathiasen from the U.S. Treasury Department that co-chaired this session with me to make a few comments.

MS. MATHIASSEN: Thank you very much. I don't have much to add. I think this is a very important time for us to be able to hear from those of you in the audience, so we want to get to that as quickly as possible. I just did want to state that both the Mexican Government and the United States Government fulfilled its final commitment to fully capitalizing the NADBank. So it is now in a position to further increase its lending at a time that I think we can all agree is especially critical for financial access. So there's just I think a sense of the Board that the NADBank is more relevant than ever today. Thank you.

MR. FLORES: Thank you very much Ricardo and Karen. At this time the Board of Directors will entertain any questions from members of the media that may be present. David.

If you don't mind speaking from the microphone, that would be helpful so that we can record it.

MR. HENDRICKS: Hello, my name is David Hendricks. I'm with the *San Antonio Express-News*. I have questions on two areas: first, the effort to increase the mandate for NADBank and also on BEIF funding. So my first question on the mandate is there's now a proposal before Congress, the U.S. Congress, to expand the mandate for the Bank, but what I don't understand is whether or not there is reciprocating legislation in Mexico and who specifically in Mexico must approve that, and what the prospects of passage are.

MR. OCHOA: Well, the answer to the question is that any change to the formal mandate of both BECC and NADBank has to be authorized and approved by the Mexican Congress. As of today, I'm not aware of any piece of legislation in these terms. I think that... that is the answer to the question.

Now I want to expand a little bit my comments by saying that, as Karen has already mentioned, the Bank is now fully capitalized, and its potential is much larger than what we used to have in previous years. So one of the questions or topics that we need to analyze is: what is the medium-term strategy for NADBank and BECC? And obviously this is related to all the possibilities of priorities that we can incorporate in their mandate. So, it is interesting this piece of legislation in the U.S. We are really putting full attention on the outcome of the analysis and consideration in the U.S. Congress.

MR. HENDRICKS: The press release that went out on the legislation that has been filed in the U.S. Congress talks about expanding the mandate to areas such as economic development, transportation, telecommunications... I'm wondering if the areas of health care and education are also possibilities for an expanded mandate for the NADBank and BECC.

MS. MATHIASSEN: Let me just jump in because I want to stress that the Administration has not taken a position on the legislation. So we're really not... I'm not able to comment on that directly. What I will say is that we talked at some length today in the Board about the NADBank and where it's going, and I think in that discussion what we were focused on is a little bit more on the idea of sort of 'greening' of the Bank and perhaps turning its attention a little bit more to climate change, which I think we all see now as such a fundamentally important component of any kind of environmental mandate. So, but any other discussion is a little bit premature for us.

MR. HENDRICKS: Thank you. On the BEIF, I'm hoping that there's an EPA representative on the Board?

MS. MATHIASSEN: Hmm mmm.

MR. HENDRICKS: Thank you. It appears...I mean I think everyone understands the role of BEIF in making loans more affordable for border communities. It appears the BEIF might be funded at only US\$10-20 million this year. Is there a strategy or move afoot to restore historical levels of this funding or is it likely to remain at this level for the foreseeable future?

MR. STAHL: I think the good news is that there is going to be at least some effort to maintain a level of BEIF funds in the U.S. budget and that there is considerable support for that at EPA and within the Administration. You're right that that level is going to be somewhere usually now between \$10 to \$20 million dollars and it's very hard to say that the amount every year is going to be predictable. I think the safe thing to say is that I think there will be an attempt to keep funds in the budget; it's probably going to be closer to the amount that we're currently getting, but the total amount is really unpredictable and it's subject to the appropriations process and any number of changes that might occur until the bills are passed and they're signed by the president.

MR. HENDRICKS: Thank you everyone.

[TRANSLATED FROM SPANISH¹]

MR. FLORES: Please. Yes, go ahead.

[IN ENGLISH]

MR. GUILLÉN: I'm going to do my question, I'm going to make it in English, and then—I'm with Univision—and then I would like somebody to answer it in Spanish so we can get it in Spanish.

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

You mentioned right now that the organization wants to go 'greener.' Taking into account that the environment on the Mexican side sometimes is a lot worse, or more impacted on the Mexican side, what is the compromise that you have from the Mexican Government to give monies in trying to help with this issue? And somebody could answer in Spanish then?

[TRANSLATED FROM SPANISH]

MR. OCHOA: I can try to reply in Spanish.

MR. GUILLÉN: Thank you.

MR. OCHOA: I don't know if the question was intended for me precisely, well, in the terms in which it was made. I want to state that the Mexican Government is making very considerable efforts to address the environment. The environment is one of the highest priorities of President Calderón's Administration. As a result of that high priority, today we are completing one phase in the long process of consolidating the establishment and consolidation of NADBank. Remember that NADBank originated 14 or 15 years ago, and today one of the things that we are saying is that today it is fully capitalized. This obviously demonstrates... is part of that high priority that President Calderón's Administration is putting behind the entire environmental agenda. We are aware that we have much to improve in this area; we also think that NADBank and BECC are mechanisms that already exist and that have to be strengthened and that they are very appropriate vehicles for fulfilling the objectives that we are setting for ourselves on this issue. Part of the results we are seeing from activating NADBank and BECC is precisely in the coverage—for example, if we look at just a single indicator—in terms of water coverage, water treatment, provided on the northern border of the country, it has increased considerably, largely thanks to the participation of NADBank and BECC.

And in the Bank, well, we are equal shareholders with the United States. The capital that we are putting into the Bank is considerable, it's significant given other needs, other social demands, from other existing sectors in the country, also very legitimate demands, but which can be addressed precisely because of the importance that we are giving to caring for the environment, to improving air quality, to improving living conditions, to improving all of those activities that might have a negative external effect on the northern border. So, the commitment, I think is clear. We are allocating resources both in terms of capital to the Bank as a mechanism, and many of these projects are also being financed with complementary funds that come from public budget sources, both federal and state, or even municipal. So this, I think, is a very clear demonstration of the commitment of the Mexican government and people on this issue.

MR. GUILLÉN: Just one more question. Not a lot of people know about what is NADBank and what is its main purpose. And taking into account that it is a cooperation between two governments and monies that come from Mexico and from the U.S., who or how... who decides, let's say we have a project in Ciudad Juárez and El Paso, in Eagle Pass and Piedras Negras, and how do you go about deciding, okay this year it's going to be El Paso and next year it's going to be Ciudad Juárez, or this year it's going to be Eagle Pass and maybe the next year it's going to be Piedras Negras. Is there a criteria or a procedure that determines who's getting what at these specific times or how do you go about that?

MR. GARCÉS: Ricardo, I would like to... [taps microphone] Do I need to answer in Spanish? I will.

[TRANSLATED FROM SPANISH]

MR. GUILLÉN: Please.

MR. GARCÉS: Okay. My name is Jorge Garcés. There is no formula that says that some projects that are in Mexico have to be financed before the projects in the United States. However, for water and treatment projects, those projects are determined based on a prioritization list that is carried out both by the EPA with our sister institution, which is BECC. Those projects are determined based on the needs, the health impact that exists, that they demonstrate and the financial need of those cities or utilities. Then, the grant amount that can be given for these projects is determined.

However, for projects that don't involve water or wastewater treatment, in those projects, we, the Bank and BECC, work in a way... those projects for which the designs are already advanced, the master plans are already advanced... that is, those that are ready first, are the ones that we try to finance and certify first. And so far this has worked very well. Up until now there has been an almost exact division of projects in Mexico and projects in the United States.

MR. GUILLÉN: Thank you. Thank you.

MR. FLORES: Daniel, ¿were you wanting to add some comments on that?

MR. CHACÓN: No, just, I think, to confirm what Jorge is saying. Depending on the nature of the funds, if the funds are a grant, then yes there is a project selection process based on a merit scale, and those communities, regardless of whether they are Mexican or American, with the greatest need, and especially if there is an adverse health impact or a health risk to the people, these projects receive the funds first. And it is a transparent process that is carried out and that is published and that is defined in that way.

When the funding comes from loans, then what we have is that... whoever applies first and has the best qualifications from a credit standpoint are the ones to receive the projects, provided that those projects meet six certification criteria that we have established since the founding of the institutions. So, both processes, grant and loan funds, follow very transparent procedures for their selection. Up to now we have not had people lined up outside the Bank or BECC seeking a loan. I think that if the time comes when loans are sought to that degree, well, we would have to design some prioritization procedure, but so far funds have been sufficient for loan applications. That is not the case with grants, where there is a line of people waiting outside the doors of the institutions to be financed and that is where we have to apply a fair and transparent procedure to allocate the funding.

MR. GUILLÉN: Thank you.

[IN ENGLISH]

MR. FLORES: Let me just point out to those of you present, if you desire to hear a translation of the comments being made, either from English to Spanish or vice versa, we have the interpretation devices in the back.

[TRANSLATED FROM SPANISH]

For the persons who wish to hear a translation of the comments being made, we have the interpretation devices here, if you need them.

Mr. Chairman, this press conference, as well as the public meeting, are being watched via Internet, and so we have received a question from Manuel Ocaño from Notimex in San Diego.

[IN ENGLISH]

The question is in English. 'I wonder if there is a new project or plan to clean the New River at Mexicali and Imperial Valleys? This will probably be a question for the EPA representative. Thank you.' So the question is with regard to work done or work planned to be done in the New River in Imperial Valley.

Perhaps, the question being of a technical matter, maybe someone from our project departments might have some information on hand to help in response to the question.

Daniel.

MR. CHACÓN: I don't know if I have to speak in English.

MR. FLORES: We have done a lot in those areas, so...

MR. CHACÓN: Yeah, we have there a wastewater treatment plant, a big one that is also continuously being improved. And certainly the condition of the river has been improved significantly. And still could be some issues that we have to address, but certainly in a great extension this river has been cleaned, and the wastewater treatment plant that is feeding this river is working properly and getting better every year, every day.

MR. FLORES: Thank you. For Mr. Ocaño who is listening and watching over the Internet, we will get back to you with detailed information on our work in that area.

With that, if there are no other questions from the media, we will close the press conference, and Mr. Chairman, I think that most of the people here were present for your introductory comments for the press conference, I don't think we need to ask you to do those again. But if there are other members of the Board of Directors that—as we begin this meeting—want to make any welcoming remarks on behalf of your agency, now would be the time.

With that then, what I would like to do is ask our friend, the Honorable Armando Ortiz Rocha, who so graciously is hosting us here today, to please come to the podium and offer his welcoming remarks to the group, please Armando.

[TRANSLATED FROM SPANISH]

MR. ROCHA: Thank you. With your permission, I am going to speak in Spanish briefly. Good afternoon everyone and welcome. It is an honor for the Mexican Consulate to have this extremely important meeting in this historic building that was built in the 1920's by the United States Federal Reserve and in 1957 was acquired by the Mexican Government and has been the site of this office ever since. In fact, it is one of the oldest in the United States; after New Orleans, San Antonio was opened around 1861, the first consulate office.

Two very respectable institutions, they are strategic to the bilateral relationship between our two nations. And, well, very especially, their activities have to do with the well-being of our communities on both sides of the border. So we want to say to the audience that we appreciate your attendance, to the media, to the NADBank and BECC teams, and, especially, a warm welcome to the individuals representing our federal governments who have traveled from Mexico City and from Washington to be here. We wish you much success, may this meeting be very productive. Thank you very much.

MR. FLORES: Thank you very much, Consul.

[IN ENGLISH]

At this time I would like to invite the Honorable Mary Alice Cisneros, San Antonio City Councilwoman, to make welcoming remarks on behalf of the City of San Antonio.

[TRANSLATED FROM SPANISH]

MS. CISNEROS: Thank you very much. Good afternoon. On behalf of Mayor Julián Castro here in San Antonio, welcome everyone. As an assistant or member of the City Council of San Antonio, I've been given the task of welcoming you all. Many congratulations to Messrs. Jorge Garcés and Mr. Héctor Camacho for having this meeting here and many thanks to Consul General Armando Rocha, for the opportunity to be here with you and welcome all of you here to San Antonio.

[IN ENGLISH]

On behalf of the city of San Antonio, it is my privilege to bring you just a brief word of welcome on behalf of the Mayor, our Mayor Julian Castro, who has recently been appointed, as of this May, to our City Council, and I also serve as one of the few women on the 11-member City Council that we have here in San Antonio. We welcome the Board of Directors of the Border Environment Cooperation Commission and, of course, the North American Development Bank.

San Antonio has been a supporter of your efforts to address the infrastructure needs along the U.S. and the Mexican border. As you probably know, the City considers itself a hub of the NAFTA activities and we are proud to host you here in San Antonio, as well as the Consul General Armando Rocha, who has given us the privilege of allowing us to use this facility and this office today. So I want to thank him, in particular. 'Thank you very much,' Consul General Armando Rocha, for this opportunity.

It is clear from the list of projects that you have funded and recently authorized for funding, that the Bank is growing to a new level. San Antonio is pleased to play a role in

that development. And from some of the questions that have been asked, we are continuing to pursue and will have interest here, as well as other parts of the state of Texas.

Once again, I welcome each and every one of you to San Antonio. Thank you very much.

MR. FLORES: Thank you, Councilwoman. At this time I believe that we can proceed with the status reports, beginning with el Maestro Daniel Chacón Anaya, representing the BECC.

MR. CHACÓN: Good afternoon and welcome to our Board Meeting. I'm going to speak in Spanish, so if you need a translation device, I think we have several of them available. The presentation is in English, so we can play together both languages.

[TRANSLATED FROM SPANISH]

The Border Environment Cooperation Commission, as you know, was an institution created 15 years ago. We are having our '*quinceañera*' party.² We haven't prepared a cake or the customary dance, but we don't want to let the date go uncelebrated. So, throughout the year we are celebrating those 15 years, and we would like the festivities for these fifteen years to culminate with the next Board meeting that would be sometime around the month of November, because I think that this period of life, well, just as for humans, it is important in forming, learning, determining what will come next. And based on the capitalization of the Bank and its great funding potential, well, it is likely that these 15 years are the preamble for another 100, probably, in these geographic places, right? Next, please.

A basic, fundamental issue demanding our attention is the issue of climate change. In the coming, probably, decades, the next 100 years, we think the Bank is going to be very busy financing projects to mitigate climate change, and we will be certifying them. We believe that the foundations have to be laid now, and our federal governments are proof of this. Recently, President Obama and President Calderón met in Mexico City and in a press release stated that the issue of climate change is a priority for both countries, as we already know; but also that they want to develop a regional initiative, a border initiative where, through a mechanism that will serve as a pilot for other initiatives, we can meet the challenges of climate change together, the border states of both countries, and we can establish initiatives under the Border 2012 plan, the Border 2012 Program, where we could then try out, test and implement a cooperative plan that will help us do two things concerning climate change: mitigate its effects and adapt ourselves to the consequences that we know will inevitably occur due to our alteration of atmospheric conditions.

So, the first part of this is to develop an inventory of greenhouse gases in all the states in order to know how much we are generating in each of the border states, and then based on that, to identify opportunities to reduce or offset those emissions through various mechanisms. Right now we know, for example, that the Waxman-Markey bill has already been approved by the House of Representatives. It will make its way to the Senate, but that bill includes some very interesting parts, such as, for example, the investment of

² Mexican celebration of a girl's fifteenth birthday, comparable to a 'sweet sixteen party' in the U.S.

nearly one billion dollars to offset carbon dioxide emissions outside the territory of the United States. So, here's an opportunity for cooperation, such as our Presidents discussed at their last meeting. And everything that you see here are the possibilities that we have to work on in both institutions. The items marked with checks, with checkmarks, are the topics we are already working on, but that form part of an overall vision. A click, please.

We also have to do emissions inventories, right? So,... What happened with the click? Okay. Another of the fundamental issues in the climate change strategy is what we call mitigating the changes of climate change. This mitigation has to do with reducing our emissions and performing activities that currently produce greenhouse gases, perform them in a another way, so that we will not have this effect on the atmosphere and so this is where we have the topic of renewable energy.

And, well, speaking of renewable energy, even the cows can cooperate with that because on a dairy farm that produces a large amount of manure, that manure, when it decomposes naturally gives off methane gas in an uncontrolled manner. If we put all the cow manure in a reactor, a plastic container where first all that methane is fermented and its production is accelerated, and second it is contained and then it is fed into an electric generator because of its high calorific value, then we would be eliminating two problems: the methane itself and second, taking advantage of its calorific value to generate electricity.

We can say the same thing about photovoltaic solar panels, which can be a fundamental element in the generation of clean energy. We can say the same thing about windmills, which soon, and we must congratulate the State of Texas because it is the state generating the most wind energy in the United States. We also have the topic of biodiesels and of biofuels. Then we have the topic of the places where we can capture carbon; where we can fix carbon, and those places are forests. Forests are going to be a mechanism for removing carbon dioxide from the atmosphere and thus clean it and create and restore ecosystems that for many years we have been destroying due to human activity, to population growth, etc. So, everything you see here is part of the challenge that we, as institutions, the Bank and BECC, must also deal with in coming years. If you can give a click, please.

There we can see that—only half of it came up, okay—within this we have a list of projects—I don't know what's going on with the presentation, but it appears that the computer here is no longer communicating very well with the software—Here we can see some of the projects and once again the checkmarks that appear here indicate the projects where we are already working, both institutions. We are working on wind farms. We are working on photovoltaic solar energy projects; on energy efficiency, as well; what we call 'methane to market,' which is a joint program with EPA and SEMARNAT; biofuels. We still have some areas to cover, which we will surely be taking in time. Next, please... one click, that's it.

And then another fundamental part of climate change is adaptation. We humans have caused our mischief, we have altered carbon dioxide concentrations in the air to levels not seen in the last 650,001 million years, and temperature records from that entire period tell us that whenever carbon dioxide rises, the temperature rises. But, I'm telling you, we've never had the levels that we have now. So, there is surely going to be a consequence. It's not immediate. There is a great deal of inertia. The Earth is a very

large, complex system that takes time to show the changes that are going to occur. But they are surely going to come and we are now beginning to see them. The coastal regions are going to be more exposed to stronger hurricanes, and the dry subtropical regions, we will face greater drought conditions. So, starting right now, we have to be planning the infrastructure needed to adapt ourselves to these changing circumstances.

And, what does this infrastructure mean? Here I'm showing an example of a system to control floods caused by the torrential rains that we are likely to see. But at the same time we see how the water that is right now being used directly for agriculture; first, we use it in the cities to supply the cities and then we treat it properly at a treatment plant and then we use it in technically advanced agriculture, so that we can give the same water, at least, two uses. But at the same time, we are also focusing on technical improvements in agriculture so as not to waste so much water. Let's not forget that agriculture uses close to 80% of water; the rest is used by cities and industry, and that any significant savings that we can achieve in agriculture will probably mean a great savings in water itself. This is going to be necessary, essential... the way to live in cities and in arid and semiarid regions.

Here we can see what we, BECC and the Bank, have to do as institutions. Work hard on adaptation plans for cities; this generates projects. What kind of projects? Well, these, for example—flood control and protection; water conservation; water reuse; the transfer of water between sectors, that is, from the agricultural to cities; and the part of technical improvements in agriculture. Again, where we have the mark are projects we are already working on. So, you can see that we, the Cooperation Commission and the North American Development Bank, are already interacting with these new climate change realities, and we only want to develop a plan with all the border states in order to be able to work together on a strategy that makes sense. Next, please.

This is not publicity for the convenience store that you know so well; it is a memory device, so probably the next time that we are here everyone is going to know that BECC has seven programs. Each one of them is coming up there. So, these seven programs, the most important, and it is the basic objective of our mission, it is the largest, project certification and technical assistance. If you could move the cursor for me, to the middle square, the orange square, that one, please. And click there for me. A click on that part, yes, please. And then click again.

To date at BECC we have certified 153 projects for a total cost of US\$3.2 billion. At the same time, we have 105 projects in our pipeline. You can see that this is quite a large workload. Next, please. And that 149 communities have benefitted from technical assistance funds in more than 250 initiatives, studies, projects, etc.

And we also have a prioritization process, which we were just talking about, regarding grant funds contributed by the U.S. environmental agency and which have been fundamental, but, also matched by the Mexican water commission, the utility themselves or local governments, precisely to make it possible for the border, as noted in the fact cited by our Board Chair, that we currently have wastewater coverage of 80% and higher. Whereas in the case of Mexico and south of the border we still have less than 40% coverage. In other words, then, our two institutions, plus the grant funds, plus obviously our Board which directs these efforts, have been fundamental in improving environmental quality on the border. And that benefits both countries. A very great effort

has also been made with those same funds on the U.S. side, particularly in small communities with long-standing infrastructure needs. A click, please.

Okay, this is a statistic of our own Board. We are measuring the productivity of our Board. I say that it is also beneficial for the children to see how their parents are doing. We can see that our Board has been quite an efficient Board because it has been certifying a project every 2.7 weeks. This is an improvement. When we began keeping these records, we were getting close to 3.2 projects, and this rate has been showing a favorable decline. Next, please.

This is our project pipeline. You can see the breakdown between Mexico and the United States. In the United States we have a total of 36 projects. In Mexico, we have 69 projects. The funds are more or less similar. That is what Jorge was referring to with the distribution of the projects. And, in general, when we add them all up, somehow the needs have led to an equitable distribution of projects. This is what we are working on at this time. Also we must keep in mind that projects in Mexico are cheaper since labor, construction is cheaper than in the United States.

These are the technical assistance that has been provided to develop projects. You know that the blueprints for a facility cannot be pulled out of a hat. There are a lot of things that must be resolved before deciding to spend the first dollar on a brick or on a little concrete. Before that, we have to work really hard on planning and solving many problems. That costs money; it takes time. This is the money that is being invested, precisely, in developing the projects. To date we are close to US\$37 million invested in everything to do with the project planning phase. We, as an institution, as BECC, we have contributed nearly US\$5 million of our own operating funds to this effort; the rest—we must recognize the U.S. environmental agency, EPA—which has put up the funding necessary to make all the technical assistance that we have provided a reality. Next, please.

And this is the prioritization process that we have carried out during the 2009-2010 year; the last three bars. The first bar refers to the 2005-2006 period, and the one in the middle to 2007-2008, and in all three cases you can see that there is still a great deal of need on the border. The blue bar represents project applications. And in the first period we received 149—if I'm not misreading it from here—in the second period, 222 applications, and in the third period, 219 applications. Not all of them are eligible. That is, some of them do not pass and do not go through our prioritization requirements, excuse me, our certification requirements. That is, they have to meet a series of conditions to be eligible. But the eligible amount has continued to rise; if you look at the red bar, 135 in the first case, 140 in the next, and 154 in the third. However, the funds have been insufficient. Even though we have all those projects that would be eligible to receive funding, the funding has only gone as far as what we are showing here in green. Therefore, there has to be a process for prioritizing needs, and what we have basically been addressing are what we call category 1, first category, where there is an unavoidable need to solve a public health problem, and those are the projects that have been addressed. So, you can see that, well, hopefully we might be able get more resources. And I believe that, well, that will be in any future plans in the United States Congress and in the agencies. If you would click on the BECC logo, please.

The next line, the red one—that represents the Border 2012 Program—we can give a quick click there, please. This is a very interesting program that we are working on, both

countries, the two federal agencies, and so as not to make the presentation too long, I just want to tell you that we have 126 projects that have been funded, of which we are working with the U.S. environmental agency in their management. Of these 126 projects, we have now completed 40 and we have 72 in our pipeline. A click, please, there on the BECC logo. Let's look at public participation.

We are generating information. One of the things needed anywhere, but perhaps especially on the border, is information. How much is there? How much is still needed? How well we are doing things? Based on good information we can make reasonable decisions and focus funding and efforts there where they are needed. One of them is a diagnosis of the financial capacities of the municipalities, taking into account, on the Mexican side, the funding they receive, their own resources, and also how their finances stand, so that we can see if they have the capacity to assume new commitments. And we match that to a needs assessment that we have already performed. And what we try to see is where funds are required, who needs help, and who, perhaps, has not been directing funds to the priorities. So, this is going to allow us to watch a great movie of what is happening at the municipal level within the strategic planning effort.

We also have a handbook for sustainable residential development where we are taking into account the criteria, in the case of Mexico, of several Mexican and even international agencies; we are taking into account all those criteria that have been published and we are trying to see their applicability in residential developments and what the applicable and effective minimums would be from the standpoint of sustainable development in light of climate change, in light of resource conservation and in light of the degree of well-being that should be enjoyed by those residing in such residential developments. So, all of that put together in a manual would serve as a guide for residential developers. A click, please.

Also, through satellite photos we can determine, in a very short time, the need for paving in cities to prevent the emission of dust, of the famous PM₁₀ particles. Through this system, in six weeks we can know where paving is needed, whereas if we want to do it manually, this process can take months for us to be able find out, and it also quickly tells us how much it would cost to be paved. The Bank has been lending quite a lot of money for this issue, and we believe that this tool can be helpful so that the municipalities may know and can decide quickly what they need to pave. Next, please.

In this one, we are going to have cities compete. I know that there are several mayors here. The news is that we are going to have a competition regarding their sustainability. This process is going to tell us which municipalities, what is the degree of sustainability in each municipality, so that the mayors themselves can see where they have to target their efforts and thus be giving the population the best living conditions. We are going to do this for both sides of the border because this is a system that can be applied equally and that is going to give us information for decision-making. If you could click on the BECC logo.

Let's go to strategic planning, please. This is also more information. We have here—we even have some samples for, in case you're interested, where we have already performed a needs assessment of energy infrastructure in northern Mexico, so that we can recognize the opportunities there for renewable energy and for issues related to climate change. This is very valuable information that will likely be very useful for

everything coming forward in the future. And regarding this, excuse me... yes, the next, please. Another click. Another. Okay. One more.

Let me tell you about this—and now things have gotten a bit mixed up—but, in the case of all the information that we are generating at BECC, we are putting it all in a geographic information system platform, so that it is cross-referenced geographically. If we want to perform a territorial analysis, with this tool we can do so. Another click, please.

And, well, you can find on the BECC page, through Google Earth, how they are being developed and where they are located, the completed projects, the projects underway and their information; anyone who is interested in that. In addition, Google Earth allows you to tour the border without having to spend money, right? A click there on the BECC logo, please.

At the bottom, Continuous Improvement. This is a graph of the institution's productivity. Quickly, I just want to tell you that in 2004 we were doing 75 projects with 47 people. In 2009 we are doing 181 projects with 39 people. This has been possible thanks to a lot, to a very great effort by the entire staff of the institution and the support of our Board in streamlining our processes. We are a semi-governmental, international agency that is demonstrating good way of management. Next, please.

Here is a pie where you can tell where we are directing our funds. The red and yellow are the productive areas; the purple, the one there that is support for 13%, is the administrative area. We require little administrative effort to do our work, and we are spending your money on productive things. If you could click there at the top.

I think that we will stop here and with this I conclude my presentation. Thank you.

MR. FLORES: Thank you, Daniel.

[IN ENGLISH]

MR. GARCÉS: Okay. I'm going to try to be as brief as possible because we are running out of time. But I'm happy to see the gentleman from UNIVISIÓN in the back, because I'd like to try to answer the question you asked regarding why the NADBank is not as well known as it should be. Perhaps, I may not have the right answer, but we're very well known in the border region. The border region, the area where we work, as you see, most of these people who are here present today, are people that come from communities in the border region where we are financing projects. It's not from lack of trying...we have gone to Mexico City; we have gone to Washington; we send press releases all over the nation in both countries. We have met with committees, congressional committees in Mexico. We have met with congressional committees in the U.S. But I guess that you can say that good news doesn't sell; only bad news is what sells. And as you'll be able to see from my report, this is good news. But I would like to invite you to come along with us, with Daniel and I and Héctor and Maria Elena, and visit some of these projects, visit some of these communities. Perhaps you can help us; you might be able to help us spread the word on the kind of work that we're doing. So that goes for you and for NOTIMEX and for any other press organization that is here present.

I'm going to make a very brief presentation, like I said. And this presentation that I'm going to make is going to show you the type of degree of activity that we have been doing at the Bank. As you can see in the report, we are showing a great deal of activity in project financing in the border region, which means residents are benefiting from improved services and a better quality of life. This also means the Bank is lending more and contributing to the region's economic development. Next one.

Since the last Board meeting, we have contracted or signed, to use a different word, three market-rate loans for \$66.6 million dollars: one in Nuevo Laredo, air quality in Nuevo Laredo; one in the commercial port-of-entry in San Luis Río Colorado, Sonora; and one Metropolitan Road Improvement for Playas de Rosarito in Baja California. In addition to that, we have signed two SWEP grants: one in Frontera Ribereña in Tamaulipas and other one in Nuevo León; and one water conservation grant contracted for almost a million dollars in Cameron County. And, as you recall, several years ago, the Board, the two governments decided to set aside \$80 million dollars of U.S. capital, \$40 million dollars for Mexico, \$40 million dollars for the U.S., to address water conservation projects, and with this final disbursement, we have disbursed the full amount of those \$80 million dollars. Next one, please.

In this table, we see the overall construction financing provided by the NADBank on the various loan and grant programs. As you can see, the Bank has signed \$311 million dollars in loans and \$621 million in grants, for a total of \$932 million in financing. We're quickly approaching the one-billion-dollar mark for approved financing and shortly thereafter, we will have \$1 billion dollars in contracted or signed funds. There are only \$23.5 million dollars in approved funds not yet contracted, meaning that 97 percent of approved funds have been contracted or signed. As a point of reference, this amount was \$90 million dollars at the end of 2008.

Looking specifically at our loan portfolio, to date NADBank has contracted a total of 49 loans, for an estimated \$311 million dollars, which represents a 30 percent increase over the total amount of loans contracted a year ago. Of that amount, approximately 75 percent has been totally or partially disbursed—which is quite high an amount—and six loans have been repaid in full.

For 2009, NADBank has contracted, like I said, three loans, and at the end of July, the amount will be \$95.3 million dollars, with the addition of the recently approved Nuevo Laredo air quality and Tijuana wastewater project approved last December. With the addition of CEMEX, Tijuana's paving, which was one of the projects that was considered today by the Board, and as Ricardo already addressed; the Tijuana wastewater, and the new storm water project in El Paso that we plan to implement toward the end of this year, we anticipate contracting a total of \$221 million dollars by the end of this year. With all these projects, we're estimating disbursements to reach \$100 million dollars by the end of this year. By the end of this month, July, we will be halfway there.

And like I said earlier today, just a while ago, there were two loans that were considered today: the \$28 million dollar water/wastewater project in Tijuana and the \$45 million dollar for the city of Tijuana for roadway rehabilitation, and the Chairperson already addressed the Board decision on that. The next one.

Before the end of the year, we expect to submit to the Board's approval, seven additional..., well five additional loans, totaling, with the two that were presented today,

\$192 million dollars. The first two on the list are the ones, you know, that I just mentioned, and the next ones are two wind energy projects, whose representative from Portugal is here today visiting us. And the other ones are the FronteraFirst in San Diego and the Nogales, are other projects that are coming down the pipeline.

As you're also aware, a significant part of the Bank's activities, since inception, have related to its Border Environmental Infrastructure Fund, better known as BEIF. NADBank administrates these funds for high priority water and wastewater projects. This program is funded, as Daniel mentioned before, from the U.S. EPA, U.S.-Mexico Border program. The detail, well that was for the Board, never mind. The next one, please.

We also today presented two BEIF projects for Board certification: Playas de Rosarito and the Colonia Esperanza in Chihuahua. The Colonia Esperanza in Chihuahua is very important, because half of the population in Colonia Esperanza don't have access to potable water, so with this funding, they will be able to supply potable water to 100 percent of the population. The next one.

We have now, for those of you that are familiar with the Bank, we used to have IDP and PDP programs that was to provide technical assistance to these communities to bring along the development of the projects, but now we have decided to go ahead and merge these two programs, so from now on they're going to be known as Technical Assistance Program, instead of the old division that we used to have. Under this program, which is, like I said, is there to help communities determine their needs and help along the projects, and for creating credit capacity for the communities, et cetera.

We have set aside \$30 million dollars since the beginning of the Bank. We have funded 231 studies for 119 communities, and we have trained, under the UMI program, over 1,400 water utility professionals. The ratio of contracted loans supported by the technical assistance is 62.4 percent, and we estimate that \$183 million dollars in loans are related to the technical assistance programs. This program, as you know, is project driven. This technical assistance is provided to help along those projects. At the beginning the Bank needed to create projects and there was a lot of money that was set aside for project studies to determine what were the needs of the communities. Well now, these projects are specifically designed to finance feasibility studies and activities that actually relate to the development of the projects. The next one.

Overall, and this is what is impressive—and I want the press to take note of that—is that the Bank has financed 125 projects along the U.S.-Mexico border with loans and grants, total cost of \$2.7 billion dollars. Since the last Board meeting, we have completed 13 additional projects. Now we have 69 projects completed, 47 in progress, and 8 in bidding or design, and one project has been cancelled.

Now, let me pause here—this is the end of my presentation. We're talking about projects and dollars and cents here, but the underlying effect of all these programs and projects is that we're helping communities along the U.S.-Mexico border achieve a level of living that we are all used to and take for granted, and those people in those communities didn't have the access to those basic services. Because of these projects, today there are over 300,000 gallons of waste that is being prevented from being discharged on the Rio Grande and other rivers along the border. People, because of the air quality and the fast transit of vehicles in highways and streets, the people are not exposed to health problems. So every time that we talk about cents and dollars and projects, we need to

keep in mind the benefit that the communities are getting on the border, and this is the ultimate goal of these two institutions, is to provide and increase the quality of life for the citizens of the region. Thank you very much.

[APPLAUSE]

MR. FLORES: Thank you, Jorge. Without further ado, we'll begin the public comment portion of our public meeting of the Board of Directors. And it is my privilege to call upon José Mario Leite, a representative of Martifer Renewables, who, I believe, has the distinction of having traveled the furthest of anybody to attend this Board meeting.

And Jose Mario, if you don't mind, can you take the microphone there to address the Board so we can have you on camera, and I believe this is, yes, some slides that you want to present. Okay.

MR. LEITE: Does this work?

MR. FLORES: Yes, go ahead.

MR. LEITE: Thank you, first of all. My name is Jose Mario Leite. I'm a Board member of Martifer Renewables, which is a sub-holding of Martifer Group. First of all, I'd like to thank you for the chance of being here to present the group and also our projects. Next, please.

First of all, starting off with the presentation of the group, the group itself is a Portuguese company. It's divided in four business areas. It started off in the tele-construction, mainly doing airports, complex buildings, such as stadiums as well, and then it diversified significantly, geographically being today in 19 countries in five continents, and also in terms of sectors coming from the metallic structure into renewable energy activities. And in these two activities, they can divide into energy systems, which provides equipment for wind farms and for solar PV parks, as well as being a promoter and a developer, so the real investor behind projects of renewable energy projects. And so today Martifer Group has over \$1 billion dollars of revenues, employs over 2,000 people, and is listed on Euronext Lisbon. Next, please.

And why renewables? Why changing sector? Obviously, not to get into too many details as today was already mentioned, but there are some main points that we'd like to mention. One is climate change, which is significant, and we all see it, and we must address it. Another thing is that we are dependent on fossil fuels for energy, fossil fuels, which are, as well, very unstable in terms of price, and we have a situation which we must address. And, now, the International Energy Agency came up with the 3E policy, which means Energy Security, which means not being so dependent on fossil fuels; Environmental Protection, which means reducing CO₂ emissions; and also Economic Growth, which means investing in new areas also providing employment for people. Next, please.

And that's what we propose to do here in the U.S. and in Mexico. Martifer Energy Systems just announced last month, a JV with Hirschfeld Industries, to create a tower plant facility in San Angelo, Texas. This will represent an investment of US\$35 million, creating 120 jobs here in the U.S., and being able to produce 200 towers yearly to support renewable energy projects in the U.S. and also in Mexico. Next.

Martifer Renewables, as a company, it has over 4,000 megawatts of projects in pipeline, which means projects which we are currently developing, analyzing, and trying to get built. We have over 100 megawatts of projects which are already operational, and in the U.S., we have a base in San Diego, California. We have a pipeline, which is about 25 percent of our global pipeline: 800 megawatts of wind projects right here in Texas, and 106 megawatts of concentrated solar power projects in California. And we are significantly increasing the presence in this region, and we are here together today to also ask North American Development Bank support to develop these projects. And so today we have our... under study expansion to Mexico. We are currently analyzing projects there, which supposedly should be covered as well by the North American Development borderline and a growing local-based team.

Now, what bring us here is two projects. These are some of the raw data that we have. We're talking about 174 megawatts, which we can start building by the end of this year, early 2010. Now, I won't bother you with too many details, but I will leave you with some of the main figures that you should bear in mind—next, please—which is 174 megawatts, an investment of almost \$400 million dollars, which will represent the single biggest investment of Martifer Group in its history. We hope to get the support from North American Development Bank to be the primary lender for these two projects, and to close the loop on the renewables and why it is important to consider the environment: these two projects alone can save around 7 percent of San Antonio's CO₂ emissions coming from domestic electricity usage and can cover electricity needs of around 3 percent of San Antonio's households. This is to bear in mind what a single project like this, of this dimension, can impact in terms of the environment. Thank you.

Also, I'll be here today, all day, so if you have any questions, please feel free to meet me and I'll be glad to answer them. Thank you.

MR. FLORES: Thank you very much. José Mario.

[TRANSLATED FROM SPANISH]

Today we have present with us Mr. Jorge Ramos Hernández, the mayor of Tijuana, whom we invite to speak. Please.

And, also representing Tijuana, we have the General Manager of the *Comisión Estatal de Servicios Públicos de Tijuana*,³ Mr. Hernando Durán Cabrera, who will follow the mayor. Thank you.

[IN ENGLISH]

MR. HERNÁNDEZ: Well, first of all, I would like to thank all the Board members for this new opportunity for the city of Tijuana. We've been partners for more than 14 years in a lot of environmental projects, and this is another interesting project that we are building to improve our capacity to work with the environment in our city.

[TRANSLATED FROM SPANISH]

³ Tijuana water utility.

I am going to give my presentation in Spanish. We are submitting a project that is going to help us improve air quality and paving in Tijuana. This is in addition to a project, already well advanced, that we have with the government of Baja California, with the PIPCA program,⁴ which has helped us pave streets that were completely undeveloped, and we now have 25% of the city completed.

This is the most ambitious project to reconstruct our main roadways. As you can see in the graph, all the main arteries of the city are included in this project. It is a project with 16 circuits, comprising 43 main boulevards, in which more than 180 km of asphalt is to be replaced by cement concrete. We are replacing the asphalt, which is 80%, 70 and 80% deteriorated because these are roadways that were designed 35 and 40 years ago; we are replacing those 5-cm layers of asphalt with 20- to 28-cm layers or slabs of concrete in these zones. That is going to allow us to maintain the city, its main roadways, for a period of up to 35 years, because of the quality of the materials that we are using now.

As you know, the City of Tijuana has a strong commitment to the environment. We have carried out projects with this bilateral agency through water treatment, reuse, the replacement of obsolete pipelines in the city's infrastructure. We have also succeeded in sending better quality water flows to the Tijuana River channel, and today we see that our main environmental pollution throughout the Tijuana-San Diego region comes from motor vehicles, which is practically 50% of the environmental pollution in the region.

This is a first step that is going to help us have vehicles today to stop less and circulate faster, and it is also going to help us improve or reduce the warming of the city because from asphalt to cement concrete reduces by as much as 15 degrees centigrade less than asphalt. This also forms part of a comprehensive project, in which, with this type of material the driving surface has better lighting, which is going to require 24% less electricity that the city is spending and investing in street lighting. And we are going to replace the city's entire street lighting system. It is also going to help us reduce carbon dioxide emissions, volatile organic compounds, as well, and reduce the air pollution emissions.

With this our city is making an investment of \$1.604 billion pesos, which is practically US\$110 million, which we are investing to improve the environment and, obviously, it is also going to generate a reduction in maintenance expenses for us, which was US\$9 million annually for pothole repairs and treatment for this previous system, which is asphalt in our city.

I also want to tell you that US\$4 million of this project is going to be used to invest in water infrastructure to convey treated water, the treated wastewater of the city of Tijuana, which the water utility now makes available to the City. There would be more than 100 km to which we are going to apply water infrastructure to convey through there the treated wastewater and so the irrigation, the maintenance of the city of Tijuana, may cease using potable water for human consumption and be replaced with treated water from the 80 million cubic meters of water treated by the city of Tijuana. So, this is a comprehensive project coming from the city's water infrastructure, now passing to the roadways in Tijuana, and for the city it is a great opportunity to have the Bank's support

⁴ Comprehensive Paving and Air Quality Program of the Baja California State Government

so that with this soft loan we can address 100% of the destroyed roadways in the city that I govern.

So, I thank you very much for the opportunity and for your consideration, especially those who preside over and are members of the Board of Directors. Thank you very much for this opportunity. I am available for anything you might need.

MR. FLORES: Thank you very much. Mr. Durán.

MR. DURÁN: Good afternoon. The Tijuana water utility is taking advantage of this forum to thank this Board for all of the support that it gives us with financing, which since 1999 has been certifying projects with a binational impact, which is helping us to improve environmental conditions in the binational Tijuana-San Diego region.

The financial support is fundamental in carrying out infrastructure works that have allowed us to move forward with coastal programs for the Tijuana-San Diego region by making it possible for us to promote a new environmental water culture. This new trend essentially seeks to take care of the environment and the ecological environment regarding water use through the Zero Discharge Program and the Purple Project, which have moved forward largely thanks to the certification of wastewater treatment works that we have carried out together with you.

The Zero Discharge Program will benefit both sides of the San Diego, California, and Tijuana border because its main purpose is to eliminate 100% of the sewage discharges into the Tijuana River basin and the Pacific Ocean. The Purple Project is aimed at the reuse of treated water mainly for the irrigation of green areas, so it contributes directly to the environmental protection of neighboring communities such as Tijuana and San Diego.

On this occasion, to reinforce the previous programs, we are requesting the certification and approval of projects worth \$523 million pesos, including a NADB for loan for approximately \$340 million pesos and the rest in BEIF grant funding and Mexican Government funding. This funding will be used to introduce drinking water into six subdivisions; sanitary sewer systems in 12 subdivisions; to construct three large sewer collectors; as well as the expansion of a wastewater treatment plant that will benefit more than one-third of the residents of Tijuana and Rosarito. All of these works are expected to be completed in 2011.

We want to highlight the importance of the type of support programs that you have, which will enable the cities of Tijuana and Rosarito to have international standards in water and wastewater services, contributing significantly to the improvement of the environmental quality and public health of such an important binational region. Thank you very much.

MR. FLORES: Thank you. Thank you.

[IN ENGLISH]

I would now like to call on Stephen Compagni Portis, Chairman of Renewable Funding, LLC.

MR. COMPAGNI PORTIS: *'Buenas tardes'*. Good afternoon. It's a pleasure to be here. Thank you for the opportunity to speak a little bit about a project that we are pursuing with North American Development Bank. The project is a renewable energy financing project that is allowing grassroots-level financing for property owners in border regions using a new approach where the money is made available through a local community government—a city or a county—and then paid back by the property owner on their property tax bill over 20 years. Next slide.

So, as we know, California has legislation AB 32, which mandates certain reductions in emissions. With the recent passage of some federal legislation a couple of weeks ago in the House—the Waxman-Markey bill—we're now moving possibly towards federal legislation to reduce carbon intensity, and buildings use more than a third of the energy in the U.S. And one of the greatest challenges we have now as people look at installing energy efficiency, solar and other projects, to reduce the energy use in buildings, the single biggest obstacle to adoption of these projects is the upfront capital costs.

In Berkley last year, there was a new program that was launched—it's often referred to as Berkley FIRST, Financing Initiative for Renewable and Solar Technology. There're other acronyms that are now being used for this approach. PACE stands for Property Assessed Clean Energy. You'll also hear Clean Energy Municipal Financing or AB 811. AB 811 is the law that passed in California last year, signed by Schwarzenegger. Colorado passed a state law last year, and then this year we've seen state laws passed recently here in Texas, but also in New Mexico, Oregon, Washington, Maryland, Virginia, Vermont, and legislation is pending in New York and several other places. The key to these types of financing programs is they're 100 percent voluntary for property owners, and if you don't participate, you don't pay any extra property taxes. And the other benefit is you pay back on your property tax bill at a fixed rate for 20 years, which essentially amortizes the cost of the financing.

The property owner sees many benefits; first and foremost, no upfront costs. The financing is provided 100 percent by the city. Payments are fixed for 20 years. Utility bills for the property owner decrease, hopefully by about the same amount as the additional property taxes. Property taxes also are tax deductible, so net after-tax is a very cheap form of financing. And if one sells their property, the tax transfers to the new owner, and there's no necessity for appraisals, no necessity for credit scores. This is essentially a mechanism of financing property to allow clean energy projects, not financing individual people.

Cities and counties like this approach because it's tax neutral. It doesn't expose their general fund to any liabilities. It's an approach known to cities and counties; that is, municipal financing to facilitate projects that are of benefit to the public. And then, finally, these types of projects promote the emergence of the green economy.

The demand is significant, although it's very early stages with these programs. There're four programs that were launched late last year and a couple more early this year. There's nine other programs currently in development in California, and, as mentioned before, eight states now have passed legislation to implement this type of clean energy municipal financing.

Our firm, Renewable Funding, partners with cities and counties in a public-private partnership, and we handle all of the administrative and underwriting that's necessary to

approve projects, approve ultimately financing on a property-by-property basis and to provide the financing for the city or county.

Our partnership with North American Development Bank is a partnership that's looking to provide capital for certain communities along the border, and the benefit of financing coming from NADB is that the interest rate can be fixed earlier and a city or county can be more certain of its ability to launch a program of a certain size, as opposed to exposing itself to the vagaries of the municipal bond market and uncertain rates and uncertain availability of financing.

It's a pleasure to have these few minutes with you. I'll be around through the day, and I'd be pleased to speak more, if you have further interest. Thank you. Gracias.

[APPLAUSE]

MR. FLORES: Thank you very much, Stephen. I would now like to call on Dr. Rogelio González Achirica—forgive me if I'm mangling your second last name—the Director General of One Stop Recycling Services Group.

MR. GONZÁLEZ: Good afternoon, everyone. My name is Rogelio González, I am with One Stop Recycling. I'm coming in representation of Dr. Rogelio Gonzalez from One Stop Group. We're a hot in-place recycling contractor in Mexico and the U.S., and I'm going to give my presentation in Spanish.

[TRANSLATED FROM SPANISH]

We are a recycling company with more than 25 years in the industry. In Mexico and the United States we are mainly involved in the real estate construction business. Two years ago we entered the hot in-place recycling market, which is repaving using the hot in-place recycling method.

I am going to tell you a little about what the hot in-place recycling process is. Mostly, the hot in-place recycling process consists of heating asphalt paving to 165 degrees Fahrenheit with a recycling train that consists of two pieces of equipment: one of them is a pre-heater and a second piece of equipment, which is a recycler. This is a one-step process in which the asphalt surface is heated to 5 cm. Once the asphalt has been heated, the recycling equipment is brought in, the asphalt is cut, a machine is brought to remix it with a rejuvenating agent, after which it is spread.

Environmental advantages: It minimizes a nonrenewable natural resource, which is oil. In the United States, for example, U.S. highways are considered to be the country's second oil reserve. Recycling eliminates the effort and development of aggregates. Imagine the operation of mines and refineries in order to process the aggregate and carry it by rail or by land to a point or the refining of asphalt in a refinery, likewise, has to be transported by train or by land to a plant in order to be processed. Recycling keeps the asphalt from ending up in sanitary landfills, affecting groundwater, flora and fauna. Recycling prevents excessive energy use. We comply with the environmental standards of EPA in the United States, working in states such as California, Texas and the state of Ohio.

Among other environmental advantages, we use 65% less energy to process a ton of asphalt than the traditional method. CO₂ emissions are eliminated by up to 65% per processed ton. Greenhouse effect emissions under 100% hot in-place recycling are 2.45 pounds per square yard compared with 12.4 pounds per square yard in the traditional method.

It should be noted that not long ago we had a presentation in Monterrey, Nuevo León, in the Municipality of Monterrey. We had people present from the State of Baja California, from Public Works in Mexicali; people from the Department of Public Works in Tijuana and also people from the Local Roadway Board of the State of Baja California.

Well, thank you for having us today to explain our company and the way we work. And we hereby request that this advisory board ask BECC to analyze this hot in-place recycling process to see if it is viable to be financed by your bank. Thank you very much.

MR. FLORES: Thank you very much.

[IN ENGLISH]

I would now like to call on Blakely Lathan Fernandez, who is General Counsel in representation of the Hidalgo County Regional Mobility Authority. I believe she has hard copies... of some slides that she wants to hand out to the members of the Board.

MS. FERNANDEZ: Thank you.

MR. FLORES: Blakely, if you'll just cue, just say: 'next slide, please,' to cue us along, okay?

MS. FERNANDEZ: My name is Blakely Fernandez. I'm General Counsel to the Hidalgo County Regional Mobility Authority. This is an authority that's created by the Texas Transportation Commission in Hidalgo County to address the mobility issues in and around Hidalgo County.

I want to thank you for the opportunity today to participate in your discussion on the expanded NADBank mission. As many of you, I'm sure, are aware, there are six million trucks that crossed the Texas-Mexican border in 2008. In this setting, transportation projects like ours, that will impact emissions and congestion, have the potential to make a significant and positive environmental impact.

When the RMA was created by the state and the county, an initial project was identified—that's up on the screen now—it's the Hidalgo County loop project. Like 1604 in San Antonio, this project surrounds the county. The goal for this project, the primary goals are two-fold: first, to reduce congestion in the county; and second, to connect the international bridges—which, of course, run along the border there below Segment A—with the existing highway system.

The Board has divided the project into six segments and identified Segments A and B as the first two that they're going to pursue for financing and development. And so you see Section A is highlighted there before you and then Section B on the second slide.

Section A—if we can go back just a bit—Section A goes from U.S. 83, near Peñitas, to Spur 600. It's about 24 miles, a very urbanized section of the county, and this section, in particular, ties truck traffic crossings at the Pharr International Bridge, Anzalduas and Hidalgo International Bridges into the highway system. If you look on the map—I'm sorry, this map is not very clear at this size—but if you were to bisect the word 'Precinct 2' between the R and the E, that's U.S. 281, and so right now there's not a highway structure that connects that truck flow directly to 281 or to U.S. 83. They travel primarily by surface roads.

Section B—if we can move to the next slide—is about 7.4 miles. It will connect U.S. 83 to 281 through that dashed line along the bottom. This is the mid-valley connector, carrying traffic north-south, in and out of the valley. And we're currently looking at an option that would connect Section B directly to the Donna International Bridge.

The international bridges currently bring in truck traffic, as we stated before—and we can go up two slides. These International bridges are bringing substantial truck traffic directly onto the surface roads in the cities in Hidalgo County. And so these trucks are stuck at stoplights—we can go one more ahead to Environmental Impact—they're stuck at traffic lights, in school zones, in urban construction zones, and it really isn't an ideal situation. If we can direct this kind of truck traffic directly from the bridges onto the highway system, we'll see significant environmental impact. And we think this is exactly the kind of transportation project that can be part of a climate change mitigation program for the valley.

The sources of revenue for the project are primarily local at this point. As you know, state and federal funding for transportation projects is extremely limited right now. We anticipate seeing those pools of funding refinanced in the next few years, but at this point, we're looking at toll revenue, vehicle registration fee, which we have in partnership with Hidalgo County—it's a US\$10 per vehicle fee—and a transportation reinvestment zone, that's an increment finance zone. So while we have substantial local commitment to the project, we still have a gap that we need to fill in financing. We hope to do that through state and federal dollars and through assistance from NADBank. Next, please.

The project has broad support. It was initiated by the Texas Transportation Commission and Department of Transportation. It's supported by the county, and even, in fact, local funds committed by the county. The municipalities have all issued resolutions in support of the project. And we've been holding public meetings for about two years now on the project in order to get a feel for any concerns the public might have and build a consensus for the project, as well as just educate folks about the scope of the project.

We're here today, in part to support NADBank's expanded mandate to include transportation projects, which we think are a really important part of the climate change mitigation tool box. We're also here to support Congressman Gonzalez's resolution 1060, which will make financing much more accessible to all of your clients, and we think that's a very important component of NADBank's financing.

And we hope to be one of the first projects to participate in your credit enhancement authority, which is really a primary tool for toll projects, is having that underlying enhancement. But we can also be a good partner in a loan project to help build your sustainable funding resources, and we think that large-scale transportation projects may be the right kind of match for that in terms of paying money back into your revolving

fund. This is about a \$380 million dollar project, and, like I say, we've got money coming from lots of different sources, but we look forward to continuing to work with your staff.

And on a personal note, I'd like to contradict what was said earlier about people not knowing about NADBank. In this region, we all know and appreciate the work that you do. Your staff is extremely accessible and helpful and available to all the communities, and so we really appreciate what you do. Thank you.

MR. FLORES: Thank you very much, Blakely. I would now like to call on Mr. Nicholas Costanzo, Vice-president of the El Paso Water Utilities Public Service Board. Welcome.

MR. COSTANZO: Thank you. My name is Nick Costanzo. I'm Vice-president of the El Paso Water Utilities representing Ed Archuleta, the President of the utility. We have a long relationship with NADBank-BECC, with Jorge Garcés and Daniel Chacón, working closely with them on both sides of the border. I can tell you, being a utility executive for over 27 years, I've seen the creation of NADBank-BECC; I've seen the work you've done, and I'm very pleased with the work you've done over the years.

Back in 1998, the utility did its first project with NADBank-BECC. There were over 75,000 people in *colonias* in El Paso County, and they needed a water supply. We worked with NADBank-BECC to expand the surface water plant. And because of that plant, those 75,000 people now have potable drinking water. So I think that's a good positive feedback for the benefit of NADBank-BECC.

We don't come to NADBank-BECC that often. That was a grant project. Those folks are paying very affordable rates in El Paso County, and we do not qualify, as a city, for grant programs; although we've had some small planning programs with the BECC on certain issues. But we're back today after many, many years, as we work with NADBank-BECC for financing storm water projects. We're in the process, with your staff, working on a \$53 million dollar loan, which previously was not advantageous for El Paso to utilize because of our own rate capabilities. But in 2006, the city of El Paso had a major catastrophic storm water event with hundreds of millions of dollars of damage to property. The City asked the utility to take over the storm water utility. We've identified over \$500 million dollars of storm water needs for the city of El Paso. And we plan to work with NADBank-BECC to finance some of these projects. We have three years of projects worth a little over \$80 million dollars that will protect about a billion dollars worth of private and public property. We were able to identify those in the watersheds using GIS data, as Mr. Chacón pointed out in his presentation, using technology to solve the problems. In addition, with these storm water projects, we'll be able to develop infiltration basins and recharge the local aquifer, and we think that's a benefit for El Paso.

This is a very unique opportunity for us because we're using stimulus funds—American Reinvestment and Recovery Act funds, Build America Bonds, with 35 percent tax credit—coupled with NADBank's financing plan, that we'll be able to save an additional \$2 million in insurance for the city of El Paso by this unique partnership, using NADBank funds. So we appreciate that.

One of the comments I did want to make was when we first worked with NADBank 13 years ago, it took about two years to process the grant and go through the BECC certification process and get the grant. And I can tell you, the current process is extremely efficient. Your staff, Héctor Camacho, his staff, the BECC staff, have been

tremendous in working with. And we see the certification and loan approval hopefully within months. We will be able to advance our three-year storm water plan within a year, year and a half. Instead of taking three and a half years to do the projects, we think we can get them all done in 18 months and dramatically improve the public protection in the city of El Paso.

Just a few other comments on the side. We applaud NADBank-BECC for looking at green. Just a comment, El Paso uses less water than it did 20 years ago, even though we've added over 200,000 people, using conservation programs, rebate programs, rate structures, and education, and I think, we think NADBank-BECC is right in step and is at the forefront along the border, and we appreciate all the work you do, up and down the border.

One last comment, your UMI—the Utility Management Institute—is a great program. I've seen it in action myself, and I've seen all the utility executives benefit on how to manage properly a utility, and I think that's very important.

With that, those are my comments. And, once again, I thank you for your support and look forward to working with you in the future. Thank you.

MR. FLORES: Thank you very much, Mr. Costanzo.

[TRANSLATED FROM SPANISH]

We now invite Mr. Sabás Campos Almodovar, General Manager of the *Comisión Estatal de Agua in Tamaulipas*,⁵ to take the floor, please.

MR. CAMPOS: Well, good afternoon everyone. Thank you very much for the invitation. And, well, I have come to talk to you, first of all... to give thanks on behalf of the Government of Tamaulipas for all the support that we have received during these 15 years. Thanks, Daniel, thanks Jorge, thanks to the Bank and BECC. That's great, I think that the best indication was one of the tables that you were showing of the projects. A large number are in Tamaulipas, which we are working on and will continue to push forward.

Just a few comments that we wanted to give you, in addition to our gratitude... it's this, we continue seeking innovations; we continue looking for the right way to do things. We recently had a meeting with some of your staff, from the Bank, from BECC and from EPA, in San Benito, where, well, we are seeking new forms of financing. As we are now seeing, where, now with regard to... the EPA grant money, which is always one of the problems that we have in Mexico, having the match in order to comply, and that is one of the biggest problems we have. Now, with this new option that the federal government's National Infrastructure Fund is giving us to be a match for EPA, now it's something that we can move forward. This is a new project that we are pushing very hard to close, as you were telling us, all our sewer projects and our wastewater treatment in northern Tamaulipas. To be able to aspire to having Plant III in Reynosa, Plant II in Matamoros, Díaz Ordaz and Camargo, is going to tell us that we are going to have comprehensive wastewater treatment on 100% of the Tamaulipas border with Texas; we are talking about a population of 1,300,000 residents, which is more or less 50% of the population

⁵ Tamaulipas state water agency

of Tamaulipas. We are going to be able to end up with complete wastewater treatment in 2010. This—to give credit where credit is due—has been thanks to the great support that we have received from BECC and from the Bank.

In addition, well, we also continue to ask for money. We have large projects and we will always continue to ask, until the day comes that you toss us out. We have the aqueduct, which you have done us the favor of already supporting us with technical studies. We are working very hard, initiating the efficiencies project of all the border cities where are going to improve our water efficiency in order to achieve average overall efficiency of 70, 65 to 70% in all the cities. And for that, we also need money, as always. And it's another of the areas in which we have come and we are approaching you in order to initiate all the engineering and, subsequently, through one of those cheap loans that you give us we can do all of the work.

And the aqueduct, well, the aqueduct is a project that is useful for both of our countries. It means having an aqueduct to supply water for our entire border for the next 30 years, so that all our cities can continue growing. But there's a very important point, which is what we have been looking at with all of you. This is also a help with the International Boundary and Water Treaty between Mexico and the United States. For us having this aqueduct means that water lost every day from seepage, from evaporation, will stay in the reservoir, because it runs through all the Carrizo plants that you have now made so popular with Laredo and after that with the water that is stolen by people both in the United States and in Mexico. That water that isn't going to be drunk anymore, that is going to stay in the reservoir, in the long run represents 25% to 30% of the water that each year we have to pay to the United States. So, this also is also a benefit. And it is something that is also an environmental work because we are going to have more water, where there is going to be a temperature change, it helps with the temperature and in addition a pond of water where all varieties of fish and birds will be able to enjoy themselves.

So, it's a work that serves us all. Not just as a pure drinking water issue. This is work that serves us all. And each money that you can provide for that aqueduct, whether in grants—we aren't going to get mad if you give us as a grant—but also in loans, is going to be accepted by Tamaulipas because it is for the good of everyone. And we have said it many times before, and we will always say our best neighbor is Texas. And when we say that when things go well for Tamaulipas, they also go well for Texas; and likewise, when things go well for Texas, they also go well for Tamaulipas with water. So, I think that this is a work for everyone.

All that's left for us to do is to thank you on behalf of Tamaulipas, on behalf of Governor Eugenio Hernández Flores. Thank you very much, once again, for all the support and for the support that you are going to give us. Thank you.

[APPLAUSE]

MR. FLORES: Thank you very much. We now invite Jesús de la Garza Díaz, General Manager of the *Junta de Aguas y Drenaje de Matamoros*.⁶ Please, if you would like to speak.

⁶ Matamoros water utility

MR. DÍAZ: Good afternoon. Someone there gave you my name. I did not come prepared to speak. I came prepared to have dinner.

[LAUGHTER]

MR. FLORES: I'm sorry. Your name was given to me by Ildeliza, the person who...

MR. DÍAZ: I came prepared with an invitation to dinner. But I would be glad to. Thank you very much, it's very kind of you.

Well, simply to repeat the words spoken by our Director of the state water agency in so rightly thanking BECC, the Bank and all of you, members of the Board, for all of the support you have given us in these five years during which I have been in charge of the water utility, the *Junta de Aguas y Drenaje*, for the city of Matamoros. It has been a very interesting experience; no one is poorer for asking. So, as Mr. Sabás Campos was saying a few minutes ago, the more you can help us, the more you can support us with those non-reimbursable funds—I would not call them 'lost' because even though that is what they are called, 'lost'—but rather, non-reimbursable, they help us quite a bit.⁷

That project that Mr. Campos was mentioning a minute ago, Wastewater Treatment Plant N° II, for us in Matamoros, from 2005 to date, 182 years after the city was founded, we had not had a single wastewater treatment plant. This was a commitment that the Governor had at the beginning of his term; he is about to finish it next year. And in the case of Matamoros, well, he has kept his word to the people of Matamoros. And that... well... with the construction of that treatment plant, it is going to help us have a better quality of life. To all of you, thank you very much, and as the Mr. Campos said, thanks in advance for what is yet to come. It was a pleasure to speak to you. Good afternoon.

[APPLAUSE]

MR. FLORES: Thank you sir.

[IN ENGLISH]

Stephen M. Niemeyer, Border Affairs Manager for the Texas Commission on Environmental Quality.

MR. NIEMEYER: Thank you very much. I'm getting old, so I have to make these adjustments for this. And the first thing I'd like to do is thank Chairman Ochoa and the Board for having me here. And the second thing I'm going to say is I don't know if you'll regret having me here afterwards, but...that's another joke. Nobody ever understands my jokes.

It's great to see many colleagues from the border here today, including my good friend Sabás Campos Almodovar and my other good friend Humberto Silva from the state of Chihuahua over here. And I'm just going to recognize them because they're state colleagues working on water issues just like I am.

⁷ In Spanish one common way to say "grant" is "*a fondo perdido*" which literally means "lost fund."

Today I'm here representing Chairman Buddy Garcia, who is unable to make it. He and our Deputy Executive Director, Carlos Rubenstein, are both from Brownsville, Texas. And for those of you who are not familiar with Texas geography, Brownsville, their slogan is: 'On the border by the sea.' They are right on the border. And so because they're both from the border, our agency right now, we have a big focus on the border. We care a lot about the border. We have a border initiative, and they tasked me with implementing that, so that's one of the things I'm busy doing, when I'm not doing other things.

I'm going to give you some brief propaganda about our agency. We're an agency of 2900 people. We're the state equivalent for the Environmental Protection Agency of the United States, but we do some other things, like water rights; because, unlike Mexico where water belongs to the federal government, in the United States, water belongs to the states, so we issue the water rights. And that's always a good thing to remind my friends from Mexico, but like Sabás said, 'what's good for Texas is good for Tamaulipas.' Our budget is about \$450 million dollars, and half of that is pass-through, so those are grants.

And my purpose here today is just very simple, and that's to reiterate the TCEQ's full support for the Border Environment Cooperation Commission and the North American Development Bank. I've been tracking the BECC and the NADB since they were created by the bilateral side agreement between the U.S. and Mexico, since 1993, and I've come to know all the different staff and managers. The good thing is there's been great continuity for many years, and that's helped greatly.

Texas has benefited terrifically from the BECC and the NADB. I think, I know we have gotten more money, more grant funding, than any other state. Now, I want to put a caveat there. If you look at the map, our border occupies 1254 out of 1952 miles, or about 2000 of 3123 kilometers of the border. So we have a huge chunk of the border, but we have a lot of problems in our state, too. So the two agencies here have been a great help in providing water and wastewater sewer service, in particular, to border residents. Daniel mentioned that it's been 15 years since the two state agencies were created, and, like I said, personnel have come and gone, but the work has remained constant.

Just some really positive news that I'm sure everybody knows, but I just want to reiterate, is that former Deputy General Manager of the BECC and former Board Member, Pete Silva, is now the Assistant Administrator of the Office of Water at EPA. He got confirmed a couple weeks ago by the full Senate, and the good thing about that is that his group is the one that writes the budget for EPA. And so I know that if there's an increase in BEIF funding, the Border Environmental Infrastructure Fund, that will benefit the border greatly.

I'm going to close with just a little story. After the agreement had been signed between the two countries to create the two agencies, I remember talking to someone from Reynosa, and he sold water, he sold bottled water, and his point was, you know, now that we have these two agencies, we have a silver bullet for the border. We have a silver bullet to take care of water/wastewater issues. And thanks to the BECC and NADBank, you can see—two-point, I don't know how many billion dollars worth of work—it is really true. So thank you all very much.

MR. FLORES: Thank you. Thank you, Steve. I'll now call on Mr. Cyrus Reed, Conservation Director for the Sierra Club Lone Star Chapter.

You want us to hand those to the Board members? Sure, absolutely.

MR. REED: Not a fancy PowerPoint, just a one-pager.

Hello. Thanks for giving me this opportunity. My name is Cyrus Reed. I work in Austin, Texas, up the road on 35, for the Lone Star Chapter of the Sierra Club. In a previous life, I worked with a different organization, and I spent a lot of time on the border. In fact, I was there with Gonzalo Bravo at some of those very early public meetings for the BECC about 15 years ago, and I can see the progress you all have made. And I'm delighted that you're still here and I'm still here, and you're doing good work.

You know, Sierra Club is the oldest and largest conservation organization in the U.S., and I work with the state chapter, but we do have members throughout the border, and some of those members have worked sometimes in collaboration with BECC on water/wastewater treatment programs, cause we're for clean water and clean air and public health; sometimes we've worked against particular industries that we don't want to open up, like ASARCO, on the border, but, generally, in a spirit of cooperation.

And I wanted to mention that we're very supportive—a few years ago you expanded your mandate to look at clean energy and energy efficiency, and I see you're already doing some work. We're very supportive of that, because we see that as a way to both grow jobs and also take care of the climate crisis. And, specifically, here in Texas, as Mr. Chacón mentioned, you know, we have more windmills, wind farms here than anywhere else. And now our Public Utility Commission is, in fact, looking at a new rule to make sure we also develop other renewable sources, like solar power. And we've also put a lot of effort into energy efficiency within our utilities.

But I wanted to mention two new opportunities that you guys have, and one of them has actually already been mentioned by the gentleman, Stephen, before me, which is this legislative session we passed HB 1937, that was actually sponsored by Mike Villarreal—he is from San Antonio—to help set up these financial districts, to be able to loan out to small or large businesses or residences, money to do, first, energy efficiency, and also potentially do things like solar panels or solar water heaters. And we think this may be an opportunity where BECC and NADBank can work with some of the local cities, and maybe even think about combining some of the smaller cities together and do these financial districts. So that's a great opportunity, and I know Sierra Club will be working with other organizations to try to develop those financing mechanisms. And perhaps BECC technical assistance or NADBank loans might be one of the ways to finance those districts. And I don't know about the potential to do that in Mexico. I don't know the rules there,...

[TRANSLATED FROM SPANISH]

MR. REED: ...but, if it can be?

MR. CHACÓN: Yes it can.

MR. REED: Hopefully, It can, right?

[IN ENGLISH]

And then the second pot of money is the stimulus money that was passed earlier this year by Congress, and that stimulus money includes money for energy efficiency and renewable and, in fact, here in Texas, we've just had the Texas Energy Plan approved by the Department of Energy, and that creates some pots of money that can be used for cities—some of it is grant money, some of it is loan money—in order to do things like energy efficiency on public buildings or renewable systems on public buildings, or transportation efficiency, things like taking LED lighting and putting it into traffic lighting, and there's some other pots of money, too, for weatherization and energy efficiency block grants.

So there's the potential for BECC and NADBank to work with cities and the stimulus money to make it, perhaps, a bigger pie or help give them some technical assistance in really doing a good job and creating jobs, but also reducing global warming gases. So I know that Sierra Club will be working with local city councils and mayors, but also with organizations like ICLEI that have some technical assistance. I look forward personally to getting involved with BECC-NADBank issues as I was many years ago. And I'm glad that you're still here, and I'll wait for the '*pachanga*' and the '*quinceañera*' and the different parties, but I'm happy to be here.⁸

MR. FLORES: Thank you. Thank you, Cyrus.

We have Mr. Jorge San Miguel, General Manager of Mejoras Energéticas de México... and also in representation of the same organization, Omar Neri Lozano. I don't know, you both...

[TRANSLATED FROM SPANISH]

...if you both want to make comments at the same time or...?

MR. SAN MIGUEL: If possible, yes. I don't know how we are on time.

MR. FLORES: Of course you can.

MR. SAN MIGUEL: Hi, how are you? Good afternoon.

The United States and Mexico; so close and so far. Realities so different that it seems we are separated by a great abyss. Three minutes to cover issues as fundamental to the lives of human beings as water and wastewater.

While the availability of water per inhabitant is less and less every day, our efforts and our capacity to act are being eroded. We spend our time doing studies and studies to look at the possibility; studies to assess technical feasibility and if an environmental need exists; studies to consider if we should, or perhaps should not, take action, therefore, to mitigate this imminent water crisis; studies to assess if we should or should not take action with countercyclical measures to prevent this environmental catastrophe from now

⁸ "*Pachanga*" is a colloquial expression for "party" and "*quinceañera*" means fifteenth birthday or anniversary.

becoming an economic catastrophe and a social catastrophe; costly studies in terms of time and human resources to determine if we should, or perhaps should not, carry out, for example, an orchestrated campaign to improve the physical efficiency of waterlines; studies and more studies on whether we should or shouldn't do water inventories of every sector, in areas and cities where they don't know for certain how much water is produced, or how much water is billed, or how much water is lost due to leaks in the waterlines, much less, how much money is lost due to energy wasted day after day. We are going to study whether or not doing the study is worth it.

To speak here about actions to increase the physical efficiency of sewer and waterlines is almost to dream. A visit to Nogales suffices, to Ciudad Acuña, to Piedras Negras, to Laredo, to Reynosa, to Matamoros or even to Ciudad Juárez, which, because of its size and the availability of financial and human resources, might be thought to have moderately efficient waterlines, but it does not. Most of these cities, despite what some of those present here today might say, lose more than 30, 40 and even 50% of the water they pump from their sources. But, even so, we want more wells; we need more dams, more supply sources, aqueducts, etc.; always to mitigate, of course, the thirst of our residents. We are going to put more water into pipes that lose nearly half or more of what goes into them.

We applaud the real interest of both governments in rescuing the border region. Both President Felipe Calderón and President Barack Obama, appear to have allied themselves with improving the quality of life for residents of the border. We believe that the political relationship between the two countries at this time is very positive and we must, therefore, make the most of it.

Mayors, town councils, general managers of utilities, directors of state agencies, BECC, NADBank, EPA, SEMARNAT, CNA,⁹ among others, all and we too, the private sector who are also responsible, we are all living at a very opportune moment to develop, seriously and right now, the border area in key and fundamental ways for human beings.

Three years with the mayors in Mexico, to introduce ourselves, to get to know them, to study, propose, organize, assess, obtain funding and also implement the projects for improving physical efficiency in water; they're almost like the three minutes of my remarks, they fly by.

In many of these border states in Mexico, within a few weeks, we will have new governments, new mayors and, in most of these cases, new utility managers, new directors of state agencies, new councilmen.

We in the private sector will now have the need to knock on doors once again. In some cases, to propose again what had already been proposed, what had already been studied, what had already been almost approved, projects that did not materialize with the outgoing administrations for lack of time, projects in which time, money and effort were invested, by all of us here who participate, to have it all come apart in the end.

In Mexico, we are going through a process of important changes. We want and we can grow. We are doing so. But we need to be faster and more effective.

⁹ Comisión Nacional del Agua (CNA or CONAGUA), the Mexican federal water agency.

Within the private sector for water in Mexico, most of us know each other well. We all know who we are, where we come from, and nearly all of us know where we are headed. Participating in this type of project in the border region has discouraged us. Mainly because of the lengthy formalities required for approving these projects, which are so clearly needed.

Directors of NADBank and BECC, in the fifteen years of your existence, you now know the water sector. If a water project in Mexico has not begun implementation within a few months after having been proposed, it will mostly likely die. In Mexico, in this regard and in this very complicated sector, there isn't much time to think. And, therefore, swift and proper action must be taken. It is painful to say, but anyone who doesn't understand that in Mexico, politics, its timeframes and water go hand in hand, has no place working in this sector.

As for us, we have come to participate. We are going to invest our financial resources, our technological and human resources, in this region for a judicious amount of time. And we want to stay. We know that we are pulling out all of the stops during a time of crisis, but we have faith that the processes and the procedures will be shorter. And we will then be able to contribute all our experience and our technology towards improving the efficiency and management of the water and sewer systems in our cities. Thank you very much.

[APPLAUSE]

MR. FLORES: Thank you very much, Mr. San Miguel, and I don't know if... please.

MR. LOZANO: Good afternoon. To the Board of Directors and to those present, thank you for your attention. We may talk about the water infrastructure works that have been carried out in different cities in Mexico all along the border with the United States and their related problems; issues like the proper management of water supply infrastructure, the installation of new sewer and waterlines to expand coverage, and issues like the replacement of the obsolete pipelines.

We would like these issues to be addressed in conjunction with such topics as the technologies used for sectoring, comprehensive systems for trenchless rehabilitation, equipment for improving physical efficiencies, technology for flow recovery campaigns, and robots for the structural assessment of the pipelines. We should not separate civil engineering works from the technology developed to manage and control them better. We should not separate the idea of improving our water and sewer systems from the idea of developing our utilities technologically. The technology developed for improving the management and control of water systems exists and we should use it.

BECC, together with the NADBank, have made great efforts to mitigate different urban infrastructure needs and for improving the environment. Among the most important is the expansion and replacement of sewer lines in many cities in the border region. The installation of new sewer systems to extend the coverage of this service is an item that is normally included in the expense budgets of municipalities and water utilities. The budget spent on loan and grant financing last year probably included considerable sums for the rehabilitation of sewers using the conventional, open-air replacement method, which is too slow, up to 50 times slower than other types of rehabilitation systems; exposing the population to sewage; creating sources of infection; foul odors; diverting or

completely stopping traffic for many days; a danger for pedestrians and motorists; also obstructing access for parking.

These types of solutions are temporary, since the work is of a corrective nature. The problem that has surfaced, we don't know the internal condition of our systems. We are paving our streets without knowing beforehand if we will have to tear them open again to replace or rehabilitate the current systems because we have not done video inspections of them. With trenchless technology, as appropriate in each case, we will be able to know the actual condition of the systems, detecting lines in poor condition in time, and we will be able to schedule rehabilitation work before the problem becomes bigger.

Importantes sumas de dinero y esfuerzos conjuntos de los gobiernos se están invirtiendo para sustituir redes ya obsoletas de agua y drenaje. Pero poca tecnología de vanguardia vemos en ello.

Para NADBank está claramente dicho, y lo muestra en su página de Internet, se pretende financiar proyectos ambientales para lograr un medio ambiente limpio y sano para los habitantes de la región.

We are digging ditches all along and across our streets and avenues. We are adversely affecting free traffic flows and adversely affecting our businesses at a time of economic crisis. But worst of all, we are putting up with it even though we have at hand the availability of doing it with technologies that allow us to get around and avoid all of the problems associated with conventional replacement by excavation and open-air replacement.

That would be all. I thank you for your time. Thank you.

[APPLAUSE]

MR. FLORES: Thank you very much. We now invite Mr. Sergio Alfonso Cano Fonseca, local director of CONAGUA in Chihuahua, to speak, please. If he is present?

[IN ENGLISH]

Mr. Chairman, unless there's anyone else in the audience that would like to make comments at this time, then...

MR. DIAZ DE LEÓN: Roberto Diaz de Leon, Executive Director of Economic Development for the City of Alamo, Texas.

I know all you need is one more speech, so I'm going to make it real quick. I'm a very gratified recipient from both groups, both groups, for the last 15 years, both as a public official, as the manager for utilities, as a financial planner for ports of entry. And I've been very, very satisfied with both groups. I think that you should be very proud of both staffs because, thanks to the staff, the program works. I'm very happy that everything that we've applied for, we have gotten—for the most part; a lot of things that were real. Half of that is true. The upper part is true.

But I just wanted to point out that I'm very happy for a number of things, because, by and large, and up to now, a lot of the approvals have to do with an imminent threat to public

health and public safety. As Director for Economic Development, I was very gratified to see that you're now going to include criteria for economic development, because nothing stops or kills an economic development project as a bad infrastructure system, because you don't have any growth potential. And as a result, we... even those of us—and there's a big segment along the border of cities that are compliant—but because they are compliant, they're not needy. But they do have a lack of growth potential. That's where economic development comes in, and that's what I wanted to mention to you.

As gratified as I am—and I want to point out that Maria Elena Giner, in addition to her obvious charms, she is a woman that is very caring, very ready to help, and I've been very, very happy with the staff and her guidance, and everything that I've come to her with, she has always tried to help, and she did that well.

But coming back to economic development, I would like for the groups, both groups, to help me lobby a lot of other agencies, that even though we're going green—and I applaud your efforts, I really do. I applaud your efforts for going green. I'm trying to do that. Let me give you an example real quick. You give me some money for technical support; you design a mechanical sewer treatment plant for me—\$28 million dollars; well, that's not going to happen. We're now trying to go to a wetlands type of sewer treatment plant, because the comparison is to treat the same amount of potential, 28 million versus, now, 4 and a half million. But a lot of the agencies don't share your zeal for going green, and what I need is a little help in lobbying to lean in that direction.

I'm very, very proud of both groups. I really am. Because you all have your criteria, all we have to do is follow it. And I'm very, very happy that we're having this meeting. But economic development—I'll tell you what, if there's any growth potential in the border, and there's a lot of it, it starts with that. Thank you so much for having me. I didn't mean to interrupt, but I'm happy that you let me do it. Thanks a lot.

[APPLAUSE]

MR. FLORES: Thank you very much, Mr. Díaz.

Mr. Chairman, we had two comments or questions submitted by Internet and, with your permission, I'll go through them very quickly. I'll try to answer them myself as much as possible for the benefit of the audience, and then if there's anything you want to add.

The first comes from Jay Johnson Castro who is the Executive Director of the Rio Grande International Studies Center at Laredo Community College: '*Arundo donax*, also known as carrizo cane, an invasive species, consumes about 128 billion gallons of water per year between Del Rio and Laredo alone. That is equal to about 1600 days of water outtake for the two Laredos. What is being done or is NADBank willing to fund the removal of this and other native species?'

What I would say is that we will get back—NADBank staff with the BECC—will get back to Mr. Johnson Castro to see if there's any room for eligibility of something of this sort and report back to you on that. Is there any comment that a Board Member would like to make on that item? Okay.

The next is from Tamarind Phinisee with the San Antonio Business Journal, a reporter. She asked if the numbers on the prioritization chart are just for Texas. The answer is, no, they're for the entire border region, all ten states.

'Also, it appears that there's a huge gap between the projects that qualify and the projects that are actually selected.' As we discussed, the demand on this grant program greatly exceeds available funding.

'What efforts have been made to try to get more funding, and how will NADBank's green efforts cut into the funding?' I don't think any green efforts affect this issue. There are people in Congress always looking to increase this grant fund.

Finally, 'Also, will any green projects to be financed by NADBank solely be done along the U.S. and Mexico border?' The answer is, yes, the Bank's geographic jurisdiction remains 100 kilometers into the U.S. and 300 kilometers into Mexico.

With that, I'll turn it over to you, Mr. Chairman, for any closing comments. And let me just say, in closing, all of you are invited to a reception that is being hosted by us at the International Center just two blocks walking distance from here, where the NADBank offices are. I think all of you are familiar. If you're not, see me or one of our staff and we will direct you. Mr. Chairman.

MR. OCHOA: I think that for closing, I just want to say that on behalf of all the members of the Board of NADBank and BECC, we are really grateful for all your comments and opinions, questions. I think that we have good material for thought, and I thank you for your presence here today. And I hope to see all of you in our second meeting of the Board this year. Thank you very much.

[APPLAUSE]

[MEETING ADJOURNED]

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July 1, 2009

Jorge C. Garcés
Managing Director
North American Development Bank

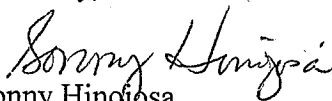
Daniel Chacón
General Manager
Border Environment Cooperation Commission

Dear Gentlemen:

Thank you so much for the invitation to attend your July 21, 2009, public meeting. I, unfortunately, have a conflict and will be unable to attend. I will take this opportunity to submit my written comment. The Hidalgo County Irrigation District No. 2 benefited tremendously from the Water Conservation Investment Fund grant program. The District accomplished three water infrastructure rehabilitation projects through the WCIF. The District still has many more water conservation projects to accomplish, but are too costly to implement without financial assistance. Please be advised that this District, as well as other irrigation districts in the Rio Grande Valley, would certainly take advantage of any grant funding that might become available through your organization.

In closing, congratulations on your 15th year anniversary!

Sincerely,


Sonny Hinojosa
General Manager

SH: VI