



Public Meeting of the Board of Directors June 15, 2010 San Antonio, Texas

ENGLISH VERSION

MS. KAREN MATHIASSEN: Good afternoon. Could I invite the rest of our principals to come up here, please, so we can begin?

Please. Thank you very much.

MR. JUAN ANTONIO FLORES: Good afternoon, everyone. My name is Juan Antonio Flores, I'll be Master of Ceremonies for today's public meeting. We want to welcome and thank everyone for being here.

[TRANSLATED FROM SPANISH¹]

Good afternoon everyone. Welcome and on behalf of the Bank and BECC we welcome and thank you for being here with us today, this day, for this public meeting of the Board of both institutions.

[IN ENGLISH]

I want to begin by introducing to you the members of our Board of Directors that are here with us at the dais. The current chair of the BECC-NADBank Board of Directors, Ms. Karen Mathiasen, Director of the Office of Multilateral Development Banks at the United States Treasury; representing Hacienda, the Mexican Treasury, Mr. Ricardo Ernesto Ochoa Rodriguez, Head of the International Affairs Unit at Hacienda; Mr. Alex Lee, the Director of the Office of Mexican Affairs at the U.S. Department of State; Mr. Alejandro Estivill Castro, General Director for North America at Mexico's foreign relations ministry; representing the Environmental Protection Agency of the United States, Michael Stahl, Deputy Assistant Administrator, the U.S. EPA Office of International and Tribal Affairs; representing SEMARNAT, Mexico's environmental protection agency, Maestro Enrique Lendo Fuentes, Head of the Head of the International Affairs Coordination Unit at SEMARNAT; and representing the Mexican border region at large, citizenry at large, if you will, Roberto Zambrano Villarreal, First Vice-president of Pronatura in Monterrey, Nuevo Leon, Mexico. And also, of course, we need to recognize Daniel Chacón Anaya, the General Manager of the Border Environment Cooperation Commission, and Jorge C.

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

Garcés, Managing Director of the North American Development Bank. Thank you all for being here.

I will now ask our esteemed Consul General of Mexico here in San Antonio, the Honorable Armando Ortiz Rocha, to say some welcoming remarks to the public and to our Board of Directors, and let me say, Mr. Consul, we thank you very much again this year to provide this gracious space, beautiful space, and hospitality for us to hold this Board meeting.

[TRANSLATED FROM SPANISH]

MR. ORTIZ ROCHA: Thank you very much. Good afternoon everyone. For the Mexican Consulate here in San Antonio, it is great pleasure, an honor, to once again receive you on this occasion. Last year we had a first meeting, which went very well thanks to the logistics of the room arranged by NADBank, yes? So we appreciate their efforts.

[IN ENGLISH]

We wish you a very cordial welcome to all of you, especially well to the officials coming from both federal governments that have traveled to be here today in San Antonio, and we are sure you are going to have a very successful meeting, very productive.

[TRANSLATED FROM SPANISH]

We are sure that you will have a very productive and successful meeting. So welcome; this is your home and it's a pleasure to have you here.

[APPLAUSE]

[IN ENGLISH]

MR. JUAN ANTONIO FLORES: Thank you, Consul Ortiz Rocha. I would also now like to invite Ms. Beth Costello representing the City of San Antonio to provide a welcome on behalf of the City.

MS. BETH COSTELLO: Thank you very much. Good afternoon. A few years ago when the NADBank was created, the City of San Antonio in particular saw the tremendous potential in having this NAFTA product located in the United States and certainly in San Antonio, and over the years we've been so proud as a community to be able to watch the NADBank grow and prosper and to be able to expand all of their very well-needed projects along the border. And although the City of San Antonio, the community in particular, does not benefit from these projects, we as hopefully Mexico's closest ally and greatest '*cheerleaders*' are always here to cheer you on, so congratulations and thank you very much.

[APPLAUSE]

MR. JUAN ANTONIO FLORES: Thank you, Beth. Madam Chairman, I'll turn it over to you now for your comments.

MS. KAREN MATHIASSEN: Thank you very much. And good afternoon, thank you for coming in from the heat and, I suspect, skipping a World Cup match to listen to the latest developments of the NADBank and the BECC.

We completed our Board meeting just a few minutes ago, and it was very successful. I would like to emphasize that, again, the Board reaffirmed its very strong support for the activities of these two institutions, recognized the continued strong performance and their leadership, and we noted that NADBank has now surpassed commitments beyond one billion dollars which is helping to support 141 projects and improving the lives of over 12 and a half million people, so we view this as a real success story.

We talked about a couple of loans today that we look forward to approving in the very near future. One is a \$162-million-dollar loan for the State of Sonora that would be used to pave up to 5 million square meters—this is quite ambitious, quite a bit bigger on scale than many projects approved in the past—and we look forward to certifying that very shortly so work can begin. And then also ongoing road rehabilitation project in Tijuana, which will help to also rehabilitate a number of roadways, which really help improve the air quality of that area.

Also wanted to simply report that NADBank presented a proposal for a new grant facility that would enable the institutions to together target the very poorest communities, those that cannot assume debt, which we very much welcome. We hope that that will become effective by the end of the year.

And then I simply wanted to acknowledge or report on the Board's very strong commendation and appreciation to the leadership of Jorge Garcés and Daniel Chacón whose tenure will both be expiring this October. And we very much feel that it's important to recognize their leadership and stewardship, which has helped move these institutions, really transform them, help them mature into very effective institutions that are having a very positive impact along the border.

Thank you.

[APPLAUSE]

Ricardo, would you like to add anything?

MR. RICARDO OCHOA RODRIGUEZ: Probably just to add a couple of things, one is that we also went over the first-ever debt issuance on the part of the Bank, and that with all this strong leadership I want to associate those of the Mexican members of the Board to the—what is the word? I just lost it—congratulations and to Jorge and Daniel for their very strong leadership in this... in BECC and NADBank. And thanks to this leadership, the institutional framework of the BECC and NADBank are on a clear path of strong and sustained growth. I think I'll stop there. Thank you.

MS. KAREN MATHIASSEN: Thank you.

MR. JUAN ANTONIO FLORES: David Hendricks of the *San Antonio Express News* is here and we're going to open the floor to questions from the press now, but before I do that, Madam Chairman, we have a lot of distinguished guests here, and many of them will be essentially introducing themselves as they address you here shortly, but I do want

to recognize the presence of Stephanie Smith, who is Special Projects Manager with Congressman Charlie Gonzalez.

Stephanie, thank you for being here on the behalf of the congressman. Congressman Gonzales has been very active over the years in support of the NADBank. He was the author on the House side of the reform legislation back in 2004 that created the single Board of Directors for both institutions. We are in the Congressman's district here right now, in this physical space, and so thank you for being here, and with that, we'll open the floor, David, if you have any questions.

MR. DAVID HENDRICKS: Thank you. I'm David Hendricks, Business Writer, *San Antonio Express News*. I hope you'll indulge me for questions in two areas.

The first area I would like to ask about is a... I remember there was a bond issue by NADBank in February, I believe, \$250 million dollars. I would like to know how much of the paid-in capital is committed, and why the decision was made to do the bond issue, if there're further bond issues contemplated, and if there's an upper limit on the amount of bonds that NADBank might issue eventually.

MS. KAREN MATHIASSEN: Well, I can start by saying that all of the paid-in capital has been committed and, as a result of that, NADBank was able to earn both AAA and AA ratings from the rating agencies which helped them with this very successful offering.

MR. DAVID HENDRICKS: That's investment grade?

MS. KAREN MATHIASSEN: Yes. Oh, yes. Absolutely, yes. And that there is a new liquidity policy that the Board approved last year that will dictate the extent to which the NADBank can go to the market, but we certainly anticipate that they will raise additional funds in the future. Would you like to add anything, Jorge?

MR. JORGE GARCÉS: Sorry about that. No, basically, yeah, I think that they cover all of your questions, you have the liquidity, you have the... yeah, I think the only one missing is the single obligor limit, is that what you requested, information on the maximum amount of the loans that we can provide?

MR. DAVID HENDRICKS: Well, if there's an upper limit on the amount of bonds that might be issued in the future.

MR. JORGE GARCÉS: Oh, no, no, but I think they just answered all the questions that you have. However, we can provide you some written information later on today if you need some clarification.

MR. DAVID HENDRICKS: Okay. The second area I wanted to ask about is the BEIF fund. What is the status... what is currently... in the current fiscal year how much was allocated by the U.S. Government? Is the program going away? Has it been diminished from its previous heights? And what is the future of the BEIF fund?

MS. KAREN MATHIASSEN: I'd like to ask my colleague from EPA, Mike Stahl, to answer that question.

MR. MIKE STAHL: Thank you. The President's request for the upcoming fiscal year, 2011, is for ten million dollars. That's the amount that has been requested in the President's budget for the last several years beginning back with 2008. The appropriations process often ends up with a different amount than the President requested, and for the current fiscal year, 2010, congress appropriated right about \$17.5 million. So we won't know exactly how much money we'll be getting for 2011 until the appropriations process finishes, but the President has requested ten million dollars.

MR. DAVID HENDRICKS: Is this, the future of BEIF, solid or is it... is there a trend?

MR. MIKE STAHL: I think it's really very safe to say that in this Administration the support for BEIF at EPA and at the White House is very strong. I think there's recognition about the things that the BEIF fund has accomplished for really quite a lot of families and people along the border over the years of its funding. There have been 60 projects completed. We think there are about eight million people in this area who have benefited in one way or another from BEIF projects, so I think you can expect continued requests from the President's budget on BEIF for the foreseeable future.

MR. DAVID HENDRICKS: Thank you.

MR. JUAN ANTONIO FLORES: I would like to recognize Mr. Antonio Guillén with Univision here in San Antonio.

MR. ANTONIO GUILLÉN: Hi, how are you? It's going to be, well, a question, a couple of questions, actually. And one is directed to Ms. Karen Mathiasen and if Ricardo Ochoa...

[TRANSLATED FROM SPANISH]

...if you could also respond within the context of everything that is happening.

Given the violence that is occurring especially in the border region and taking into account that the money is going precisely to an area that is convulsed by so much violence right now, what are you doing to try to determine whether something is happening with so many millions of dollars going into an area so convulsed with violence? Is there a possibility that this money, millions of dollars, that are going to the border area, may become, at any given time, the target of the drug cartels that we know are extorting so many people at this time?

[IN ENGLISH]

MS. KAREN MATHIASSEN: Well, the money that is provided is provided under a very strict, fully accountable mechanism. I mean, it's not as if the NADBank delivers cash along the border that can be targeted. This is financing that is extended, you know, bank account to bank account, that enables the recipients or the sponsors to then, in turn, fund inputs for infrastructure and labor costs and so on and so forth. So I don't... I certainly share your concerns about the region, but I don't see a direct link there. Ricardo?

[TRANSLATED FROM SPANISH]

No, I don't see a direct relationship with the issue you just mentioned either. The Bank has a very clear mandate of the type of activities it can finance. It also has very clearly

established what the safeguards, the requirements are that it has to establish for providing financing. There is a pre-evaluation process of both the environmental and financial aspects of the projects; there is community involvement; there is a series of elements that, well, make the activities of NADBank and BECC unique. So, I don't see any clearly direct relationship between these issues.

I do believe that as the Bank continues to further broaden and expand its activities, all this is going to have an impact on the level of well-being throughout the border region, on all the residents. And that, well, as a consequence, it is also going to raise the standards of living for the whole community. So then, just to put it in those terms. All of the participation, all, all of the financing flows from the Bank are through the formal financing, financial systems. So, that then gives us a context that allows us to have more certainty as to how the financing is being provided and to whom.

MR. ANTONIO GUILLÉN: With respect to what is happening with the oil spill, which is obviously going to affect, in a few months, could affect the Mexican coasts and one of the areas, specifically, is the Mexican area bordering Texas, and since NADBank is a mechanism for financing environmental situations, is there anything already on the agenda of a Mexican government or on yours, to try looking at this type of situation?

MR. RICARDO OCHOA RODRIGUEZ: On our behalf, perhaps...

MR. ANTONIO GUILLÉN: SEMARNAT?

MR. RICARDO OCHOA RODRIGUEZ: ...the representative from SEMARNAT might have a bit more information about these issues. I personally think that there is still some analysis that needs to be done to determine what the consequences of this oil spill are really going to be. And once a more detailed analysis is available, well, it can be determined whether the Bank, with the instruments that it has, is the appropriate mechanism to deal with some of these contingencies or whether some other type of mechanisms better suited to dealing with them may be necessary.

MR. ANTONIO GUILLÉN: Thank you.

[IN ENGLISH]

MR. JORGE GARCÉS: Let me... can I? I wanted to add something that every year the Bank complies with the requirement from the U.S. Federal Government that requires us to do due diligence as to how our funds are intended...the use of our funds are intended, how they end up being used to make sure that there is not any possibility that those funds will end in the wrong hands. And understand also that most of the financing, if not all of the financing that we do, go to municipalities, they go to *organismos* and some of the—very few of them—some of them go to the private sector, but we do a lot of due diligence to make sure that that money is employed for the purpose that it was intended for.

MR. ANTONIO GUILLÉN: The reason I'm asking this Jorge...

[TRANSLATED FROM SPANISH]

...is because I have no doubt that all your mechanisms are completely adequate and totally well-defined from this side, from here to there. The situation is this, the situation is

that the drug cartels are specifically targeting municipalities; and we are seeing that they are sophisticated people that know about all kinds of investments that are made. So the question is not so much about how you do it. Once the money gets to the Mexican side, these people are going to try some way to get something. My question is whether you've seen any concern in the municipalities that you are helping.

MR. RICARDO OCHOA RODRÍGUEZ: No. No, there isn't any concern, and there is no way that the Bank's funding can be used in any way other than for what it is intended. In that sense, I want to be very clear about that. In other words, all of the systems for providing funds, the way in which the Bank is structured so that these funds may actually be used for the purpose for which they were approved, well, all of the elements for monitoring are in place. So, there is no way that any activity unrelated to the objective of the Bank can benefit from this type of financing.

[IN ENGLISH]

MS. KAREN MATHIASSEN: I would just like to reinforce what Ricardo said, that the Bank, the Board, has full confidence that the funds are used entirely for their intended purposes.

MR. JUAN ANTONIO FLORES: Thank you, Antonio.

At this time, I'll turn the podium over to Daniel Chacón, who will give an update on the operations of the Border Environment Cooperation Commission.

[TRANSLATED FROM SPANISH]

MR. DANIEL CHACÓN: Good afternoon everyone. Thank you very much for your hospitality in this beautiful place which really is very enjoyable. I would also like to thank the many project sponsors who are here, who have joined us from different parts of the border and who have made an effort to be here with us today.

Very quickly and in just a handful of slides, I'm going to give you a quick report on the activities carried out by the Border Environmental Cooperation Commission so far this year, as well as total cumulative figures since this institution began operations, which as you well know, we work jointly with the North American Development Bank and under the same Board of Directors. The next slide, please.

To this date we have 171 certified projects for a total of three million six hundred fifty-six thousand dollars. These projects have gone through our certification process. However, as you will see later on, not all of them have been financed by the Bank necessarily. But by BECC criteria and that of the Board of Directors, they have met all the criteria established for their certification.

We have 78 projects in our certification pipeline, with a total investment of \$1,575,000,000. In just a moment, we will see the distribution of these projects. We have been able to provide 155 border communities with the technical assistance needed to carry out their projects and in some cases to move those projects through other agencies that will ultimately carry them out.

And I would also like to announce that we are about to initiate a new prioritization process for the BEIF-PDAP program, which is the program that provides grants for the construction of water, drinking water, wastewater collection and treatment infrastructure. These funds are matched by local agencies, in the U.S. by state revolving funds and in Mexico by the National Water Commission, the states, the municipalities and the utilities in order to carry out clean-up work on the border with great success to date. Next, please.

Here you can see the distribution of projects along the border for the two countries and for the different states. Here, it is worth noting the activities undertaken by the two institutions in the state of Baja California and in the state of Texas, the two states that have received the most funding. Here we can see the distribution of that funding. It is obvious that there is more investment in Mexico, which can be explained by the backlog of needs and circumstances and underdevelopment on the border.

The next slide shows us the production rate, if I may call it that, of project certification during this period. These 171 certified projects plus three more that are expected to be certified before the end of July, would give us 174 for a total investment of \$3,873,000,000. Of those 174 projects, what we have certified this year in 2010 has been four projects. We've kept count of the number of projects that have been certified since the Board was unified in 2006; we already have 69 projects, which gives us a production rate of about one project every three weeks. When these two institutions began operations 15 years ago, the production rate of projects was... it was taking us 5.2 weeks per project. You can see then that the productivity of both institutions has improved a lot. Next, please.

This is the list of projects that we have in our pipeline that are being developed at this time, 78 projects, for a total cost of \$1,575,000,000. You can see that the water sector is still a very active and very large sector and will continue to be in the coming years as backlog in these needs is met in the border region. Let me say that with respect to treated water, wastewater treatment on the Mexican side of the border, 82% of the water is now being treated. If we compare this to the rest of the Mexico, the count for the rest of Mexico is 42%. The big difference between these two figures is precisely the result of this joint effort between the two countries to eliminate the backlog of unmet needs that has for many years existed along the border. And this demonstrates the willpower to work together, providing the necessary funding, but above all providing the willpower to coordinate with each other. Because it must be noted that to achieve this success, we have had to work jointly and reach agreements with a good number of agencies, people. We have gone through a lot of changes in administration at all political levels in both countries, but that has not kept this program from continuing to move forward in a really impressive way. Next, please.

Here we have a breakdown of the technical assistance that has been provided over the past few years also. And we can see that the amounts are not minor. In the case of water projects, \$33 million dollars have been awarded in technical assistance for project design. BECC has provided \$5 million in technical assistance out of our own operating funds, so with between these two funds we have a total of \$38 million. Next, please.

This shows a little bit of the history of grant investments in water infrastructure development along the border. We are showing three different project periods, 2005-2006, 2007-2008, and 2009-2010. And here you can see the number of applications.

What is of interest here is the fact that every year, invariably, we have had a large number of applications in the past two cycles. You can see 222 applications in the highest bar and 219 in the last cycle. This tells us that there is still a great deal of unmet needs requiring investments. We estimate that Mexico needs to invest more than \$700 million dollars in order to achieve 100% coverage. Anyways, the pace at which we've been covering the backlog of unmet needs, we expect that this 100% coverage is going to be achieved in the near future. Probably by the year 2015 or 2016, we will be able to claim victory for having achieved coverages close to 100% on both sides on the border and we'll be able to say that we have a clean border, especially with respect to the river, where the Rio Grande river basin, under those conditions, may be considered cleaned up. Next, please.

Here is a list for another program which we have been honored to participate in its development, its performance. This program is a joint program of the U.S. environmental agency and the Mexican environmental agency, SEMARNAT. And this table refers, in particular, to the funds provided by the U.S. environmental agency for project development under this program. It is not like the infrastructure program. This program focuses more on studies, on carrying out pilot projects, small demonstration projects for solving a specific waste problem, for example. It is a program that has been very effective at getting communities from both countries to work together, as well as universities from both countries, so much so that we have managed to obtain a synergy and activity in the environmental sector that I doubt will be repeated on other borders, probably in the world.

In that sense, then, we can say that we have had 161 projects in this program already allocated, working; of which, 41 have been completed, excuse me, 46 have been completed; 98 projects are currently in the process of being carried out and only 17 projects have been canceled, a little less, a little more than 10%. These cancellations mean that for some reason the project was not feasible, was not considered important or was changed for another.

In that sense, then we need to recognize, here, the funds provided by the U.S. environmental agency. You can see—although I doubt it due to the small print—but EPA Region 9 has \$5,160,000 dollars; Region 6, \$1,562,000 dollars; and the main office of EPA in Washington, \$351,000 dollars. We, at the BECC, have assigned a staff of about nine people, not all full-time. Some of them are assigned full time to develop this program, which is very useful and beneficial. Next, please.

Here is a little bit about the internal administration of our institution. Here we can see how in 2004 we were carrying out with a total of 47 people—we are a very small institution really—we were carrying out about 78 projects, excuse me, 70 projects. Now in 2009 we have reduced our staff to save money and to devote those savings to more productive things certainly, but with less people we can handle, now, around 174 projects. That is, more than double the number of projects is being handled with the same number of staff through a process that has greatly streamlined the work of the institution, which also speaks to our fiscal responsibility in handling funds. Next, please.

This also has to do a bit with what we've already discussed. Here we can see the green portion of the pie is administrative expenses and you can see that it is a relatively small portion, 26% of the total. The rest is devoted to projects and activities important to our mission. This process is thanks to the reengineering, so to speak, of our institution,

which has allowed us to be more efficient in the administrative area, while at the same time enabling us to devote more resources to the important work of the institution. Next, please.

This is a bit, the accounts that we make to our contributors, to our 'sponsors'. From the U.S. side we have a contribution of \$1,090,000 dollars pending, that we have no doubt we will receive very soon and from the Mexican side, \$1,750,000 dollars.

Finally, the financial statements, quickly, from our own institution; we received from both institutions that are our main contributors, the Department of State in the United States and SEMARNAT, based on the budget that we've presented to our Board, \$6,800,000 dollars. In 2009 we spent \$6,619,000 dollars.

I would also like to highlight the savings we've had during these periods. Projected savings for 2010, which basically go to a reserve fund that we created in the good years is about \$2 million dollars. This fund allows BECC to provide technical assistance with its own resources, in amounts of about \$500 to \$600 thousand a year.

The next table also shows us the funding that we've received from the U.S. environmental agency for development of the BEIF program and the funding received for development of the Border 2012 program. As well as another special program also. And this simply shows the magnitude of the effort that has been made. In 2009 expenditures came to \$4,896,000 dollars, and projections for 2010 are about \$4,813,000 dollars.

Well, with that I conclude my presentation. Thank you.

[APPLAUSE]

MR. JUAN ANTONIO FLORES: Thank you, Daniel.

[IN ENGLISH]

Now we'll invite Jorge Garcés, the Managing Director of the North American Development Bank to give his status report.

MR. JORGE GARCÉS: Thank you, Juan Antonio. Welcome. *Bienvenidos*. I see many familiar faces of people representing communities along the U.S.-Mexico Border, so you are at home. Feel at home, please.

The NADBank is a financial institution that is fully capitalized, equal parts by Mexico and the United States. We pay for our operations from the income that we generate from our investments and our lending. We are an institution that can only finance projects that have been certified by our sister institution. So what I'm going to do now is give you an update on the activities of the Bank over the last six months, ever since the last Board meeting in December 2009. Can we have the next? Next. Okay.

Since the last Board meeting, the Bank closed its 15th year in operation with lending that pushed it over the one-billion-dollar mark in total financing contracted. Additionally, the NADBank published its first-ever credit ratings and made its first debt issuance, positioning the Bank to continue growing its loan portfolio and pursuing its mission of providing affordable financing for environmental infrastructure in the region.

In terms of financing, two new loans and seven new BEIF grants were contracted over the last six months for a total in contracted financing of \$78.2 million dollars. The Bank also continued to disburse loans at a pace consistent with last year's performance; \$89.8 million dollars in loans and \$11.3 million dollars in grants were disbursed in the last six months for a total over \$101 million dollars.

As of April this year, NADBank has contracted a cumulative total of \$1.1 billion dollars in loans and grant financing for 141 projects throughout the U.S.-Mexico border region. Of this total contracted amount, \$1 billion dollars has been disbursed, representing 87% of contracted funds; and by contracted I mean signed loans and grant agreements. One billion has been disbursed representing, 87% of the total contracted funds, and of the 141 projects with NADBank funding contracted to date, 89 projects have been completed, 40 were under construction or in various stages of completion and nine were in the design or bidding stage. Next one, please.

On January 28th of this year, Moody's Investor Service published a credit rating of AAA for NADBank and Standard & Poor's issued a rating of AA+. Both agencies cited the Bank's strong capitalization and liquidity, as well as strong shareholder support, in assigning their respective ratings. In February of this year, the NADBank completed a \$250-million-dollar bond issuance, our first ever and not the last one. Deutsche Bank Securities, Inc., managed the sale of the bonds, which were issued on the Luxembourg Stock Exchange.

Since the last Board Meeting, NADBank has contracted two market-rate loans totaling an estimated \$54.6 million dollars. One of these is the road rehabilitation in Tijuana, Baja, California. This is the second tranche for \$47.3 million. And the other one is the peso loan estimated at \$7.3 million dollars contracted with a private concessionaire, Degremont, for a construction of the South-South Wastewater Treatment Plant in Juarez. Next one, please.

Looking at the Border Environmental Infrastructure Fund, which is funded wholly by the U.S. E.P.A. and administered by the Bank, since the last Board meeting, grant agreements totaling \$23.5 million dollars have been signed with the sponsors of these nine projects that you see in this table. Next, please.

As you know, the NADBank uses a portion of its retained earnings to offer technical assistance to project sponsors for the purpose of strengthening their financial performance and ensuring the long-term sustainability of their infrastructure, as well as for training through its UMI program, which we do here in San Antonio with Incarnate Word University. As of April 30th, NADBank has authorized a total of 29 million for these two programs which have been used to fund 220 studies benefiting 119 border communities, and we have trained approximately, over 1400 utility professionals.

The next table provides a summary of the NADBank financing by programs since its inception. And you can see there, the total loans now are \$511 million dollars and the total grants—including some of the grants that we generate from our funding like the SWEP and the water conservation fund—amounts to \$645 million dollars for a total of over \$1.1 billion dollars.

At this meeting that we just recently concluded, two loan proposals totaling an estimated \$178 million dollars were on the agenda for consideration by the Board. One was a peso loan estimated at 161.7 for the comprehensive paving program in the state of Sonora that includes paving up to 5 million square meters of street and 56 municipalities located within the border region. The other one is the third tranche of the loan that I just mentioned that we disbursed on the second tranche. This is the third tranche for the rehabilitation project in Tijuana, Baja, California, with an estimated dollar value of \$17.4 million dollars. In addition to these two projects that we presented today for the Board's consideration, a \$30-million-dollar loan proposal for the Paisano Valley Water Project in the city of El Paso was presented also for the Board consideration at a later date. As you know, all these three remain under consideration, under review by the Board. We anticipate a decision will be made in the next couple of weeks. Next one, please.

Looking at the NADBank's performance for the 2006-2010 period shows that the Bank has been successful in its pursuit of its principal objectives: number one, increasing total investment in border environmental infrastructure; number two, attaining and strengthening the Bank's self-sufficiency measured in terms of its loan income in relation to its operating expenses; and number three, ensuring the Bank's sustainability through the preservation and strengthening of its capital resources. During this period, NADBank saw its total financing portfolio increase an average rate of 17% annually or a 68% total increase from \$687.6 million to over \$1.1 billion dollars. Looking specifically at its loan portfolio, NADBank saw an average annual growth of 56% or a 324% increase for that period. As you can see from this graph, you can see the total projects financed, how they have increased from 2006 to 2010. Also, you can see the total financing, growth in total financing and you can also see the type of projects that we have financed.

This concludes my presentation. Thank you very much.

[APPLAUSE]

MR. JUAN ANTONIO FLORES: Madam Chairman, does the Board have any comments at this time with regard to the presentations from Daniel and Jorge?

MS. KAREN MATHIASSEN: Any comments?

[PAUSE]

No.

MR. JUAN ANTONIO FLORES: Very good. If not, then we'll begin the public comment period of our Board meeting, and we'd like to begin...

[TRANSLATED FROM SPANISH]

... We will begin the public comments by inviting Ricardo Vallín Malanche, Secretary of Administration and Finance representing the City Council of Tijuana, to speak, please.

MR. RICARDO VALLÍN MALANCHE: Good afternoon. Thank you very much for this opportunity to speak to you. On behalf of Mayor Jorge Ramos Hernandez, we thank you for this opportunity.

Tijuana is in the northern part of the country. We border the state of California. And of the 2,378 municipalities in Mexico, it is the City with the largest program—thanks your support—in these times of crisis, in these past three years in which it has fallen upon us to participate. In Tijuana this program is being developed, that we are calling the Comprehensive Paving Program. The program consists of rehabilitating 42 major roadways in the city of Tijuana for 180 kilometers, which is equivalent to the distance from Tijuana to San Luis Rio Colorado if a direct highway were constructed. The implementation time—I'm starting from October 2008—we have completed 83% of this project, and we still have 17% of the budgeted works pending completion.

The funding is very important—the next one, please. It's very important that the funding arrives on time as planned since it's a program of very rapid implementation. It's a program that has helped us reinforce the city's structures. Now we are going to see the benefits that have been obtained. But I also want to tell you that, when you look at the issue of security, Tijuana is a city that has evolved from two years ago, two and a half years ago, when we saw a soaring lack of security. We've reduced crime 47% and much of this is because the citizens have taken possession of the city and through these investment projects, the city of Tijuana has succeeded in restoring the security it had lost. We lost 42 police officers in 18 months and in the past year a single... only one police officer has died. And I can tell you that in the last six months we have not had a single kidnapping in the city of Tijuana, where once we had the highest number of kidnappings in the country. So these types of situations have helped us a lot. Next.. and well, we can see that in this time of crisis, we managed to create 5,554 jobs through this program, which is, as I mentioned, 83% complete; 2,546 direct and 3,018 indirect jobs. These are real jobs that we were able to create in the community. Next.

We see that the benefits are very important, not only the physical benefits, but also the social and health benefits that we have obtained based on this project. The North American Development Bank has distinguished itself for supporting health efforts along the border through its different programs like water, wastewater treatment and all that, right? And now with this paving project, first PIPCA and now PIRE,² the citizens of Baja, California are enjoying better health, especially with respect to very bad problem we had with bronchial illnesses, pulmonary diseases, where once we were amongst the worst places. But now Tijuana is starting to enjoy better health.

Travel times for Tijuana residents have also been reduced. The commute to work used to average 25 minutes; now it takes 15 minutes. As a result, we have less carbon dioxide emissions in the air, quite important, which were already projected and were studied when the corresponding certification was made. This is also resulting in savings in gas consumption, directly to people's pockets, and we have also prevented the damage to vehicles, very significant, that we used to have.

It is also generating trust in investment groups. Recently, a group of Japanese companies came to the City Council and told us or expressed to us their delight at having a 4% loss on finished televisions, considering that 75% of televisions manufactured worldwide are produced in Tijuana through Japanese, Korean and American companies. And they told us that plasma televisions were very motion

² PIPCA is the Spanish acronym for the comprehensive paving and air quality program sponsored by the State of Baja California, and PIRE is the Spanish acronym for Tijuana's comprehensive road rehabilitation project.

sensitive, so it has also helped with all the potholes we used to have and all those problems. And we have now received recognition from the Japanese Association.

It reduces global warming; less heat is emitted into the atmosphere by concrete asphalt, concrete produces less heat.

We have now received recognition from the bank Banobras with respect to the infrastructure works that we have been doing under the program we have for transportation, where designated lanes meet all the requirements that are required for public transportation, whether for buses or the metro.

By doing less pothole repairs we are going to increase the useful life of the sanitary landfill. This is not something that we are seeing right now, because it is something that will happen over the 30 years of useful life of the project. But we estimate that there will be a 15% increase in the useful life of Tijuana's landfill and a decrease in environmental pollution. Next, please.

We have addressed in a comprehensive manner, third lanes, better circulation, and in 100% of those roadways water and wastewater lines have been replaced and storm drainage has been fixed in those roads; something that was scheduled to be done in 10-12 years, we have also done under this program with the help of the state government through the Tijuana water utility. And that guarantees us that the streets are not going to be opened up again for at least 10 years. Next, please.

We are also taking care of the downtown area through a public rescue program, where in unison with the streets, sidewalks, etc. are being rehabilitated. And there too the levels of insecurity have been reduced because the people are now taking back their downtown and we have better economic activity. Next, please.

We did research during the past year, ending last August, where we looked at the benefits that are being obtained from this project. The program has an implementation period, as I mentioned before, of 27 months, and so we did this review midway. Next, please.

What did we look at? We measured the acceptance of the population study; classified those interviewed; learned about their information preferences; found out how much the works had been publicized; learned about traffic behavior; received opinions; kept track of the opinions of those interviewed; and recorded how citizens rated the project. Next, please.

That was done from May to August. We interviewed people driving vehicles, businesses right next to the works, as well as residents living next to the works. The vehicular capacity of each roadway was analyzed, and the registered lots immediately adjacent were recorded. Next.

The study consisted of 541 questionnaires. They were applied Monday through Friday from 10 a.m. to 2 p.m., between May 18 and 22, 2009. And the questionnaires were given to adjacent businesses and residences, as I said before, as well as people driving. There was 45% coverage of the adjacent registered lots. Next, please.

How often did those interviewed drive on this street? 77% did so on a daily basis; 18% from one to three times a week. Those were the main responses. At what times? In the morning, 18%; all day, 34%; in the afternoon, 10%; morning and afternoon, 15%. Next, please.

Is this project necessary for Tijuana? 95% of the people interviewed said yes; 5% said no. And why did they think that? Well, they linked it to the potholes in Tijuana; to poor circulation problems; it was lacking and needed to be done; advantages of concrete, 8%; better image, 8%; and benefits citizens, 8%. As you can see, the issue of health was not much identified, which we have already... we have already mentioned the health benefits that are being obtained. Next.

Do you think the works that are being executed are the ones the city requires? 80% said yes; 8%, no; 12%, some. Why? 24% considered them beneficial; 12%, necessary; 9%, better circulation; 9%, image; 8%, other needs, etc. Next.

How would you rate project progress? 63% told us that it was between very fast and acceptable; very fast, only one percent. It is an infrastructure project that is difficult, because once the concrete is poured; it takes 20 days to set. So, once the work is completed, we have to keep the streets closed for 20 days. Quick 19%; and acceptable 43%; slow 22%; and very slow, 15%. How would you rate the project? 13% rated it as excellent; 61% as good; and 23% as average; 3% poor; and very bad, 1%. Next.

How would you rate the project progress? Pardon me. It's the last one, right? Well, actually this is what this program means to us. It is very important to have your continued support. We still have 17% to complete. The government mandate through the approval made by Congress requires us to pay for those works by November 30th, at the latest, which is when our administration will end and we have scheduled this program to be completed in September. In October we will be making the last payments.

Thank you very much for the opportunity to present this to you. Thank you.

[APPLAUSE]

MR. JUAN ANTONIO FLORES: Thank you very much Secretary Vallín. We now invite Mr. Oscar Andrade Padrés, representing the Governor of the State of Sonora, to speak.

MR. OSCAR ANDRADE PADRÉS: Thank you very much. Good afternoon distinguished members of the Board of Directors of BECC and NADBank, and to those present at this public meeting. The Comprehensive State Paving Program originated from the petitions made during the campaign for Sonora State Governor to then candidate Mr. Guillermo Padrés Elías, who upon taking office in September 2009 incorporated them into his government program as a high priority in benefit of Sonora residents.

The state paving program is aligned with one of the six linchpins that make up the 2009-2015 State Development Plan, specifically called 'A Competitive and Sustainable Sonora,' and which includes all kinds of infrastructure actions characterized as being technically, environmentally and financially sustainable. In this sense, the competitiveness of the state and the quality of life for all Sonora residents will be enhanced.

The program consists of paving five million square meters of existing dirt roads in the 56 municipalities to benefit located 300 kilometers south of the United States. Currently, due to the rapid growth of these border communities mainly caused by high immigration, the paving deficit has increased as much as 75% in some of them, giving rise to an elevated rate of bronchial-respiratory diseases, an unhealthy environment and low quality of life.

This program will benefit 1.6 million people living in those 56 municipalities and will eliminate thousands of tons of PM₁₀ particles from the air with the resulting environmental and human health benefit. Moreover, paving coverage will increase, which is going to go a long way in solving some problems that these municipalities have endured for many years, especially with reference to the incidence of respiratory illnesses that greatly affect the most vulnerable sectors of the population, which are specifically the elderly and children.

Therefore, for the state government there is a pressing need to be able to initiate the construction works as scheduled and to achieve the scope in the goals included in the Sonora State Development Plan. The certainty of assuring that the works will be executed within the projected timeframe will depend on the extent to which support is assured for obtaining the necessary funding to implement this project.

Ladies and gentlemen, on behalf of the Government of the State of Sonora please receive our thanks, since with the NADBank financial project and BECC certification, this project will become a reality and have a great impact on environmental and health conditions along the Sonora border. Thank you very much.

[APPLAUSE]

MR. JUAN ANTONIO FLORES: Thank you very much Mr. Andrade Padres.

[IN ENGLISH]

I would now like to invite Marcela Navarrete, who I believe is present, representing the El Paso Water Utilities Public Service Board. And you can address the Board there or here, wherever you're more comfortable.

MS. MARCELA NAVARRETE: Good afternoon. First of all, let me thank you, the BECC and the NADBank, for this opportunity to continue to build the partnership that we've formed with you all.

In regards to the particular project that we're asking for this loan for, the Paisano Valley Water Transmission Main, I want to explain a little bit about this project. It's a...over 50-year-old transmission main that is very important for the utility. It transfers water from our surface water treatment plant in downtown El Paso, up through the whole west side of El Paso, so it's the main transmission line that supplies the entire west side of El Paso. It's currently a 36-inch line. We want to increase the capacity in that line to a 48-inch line. We've had several main breaks over the past few years and so we need to replace that line.

The critical path for this project is due to the fact of the proximity of this line to the Rio Grande River. This line is between the Rio Grande and the mountains so it's a very small

path, and in order to save utility money, we want to do this project in the off season when the river is shut down, so that we do not have to dewater. Dewatering is very expensive for us, so the irrigation season ends in mid-October, so it's crucial to have the contractor have the pipe already available and ordered and have it ready to go in October, and to be done by February when the season starts back up again.

So we thank you again for this opportunity. We ask that you look at the critical timeline of this project and ask that you approve this loan as soon as possible so we can get the project going. So on behalf of the El Paso Water Utilities Public Service Board, we thank you for this opportunity.

[APPLAUSE]

MR. JUAN ANTONIO FLORES: Thank you, Marcela. We'll now invite Stephen Niemeyer, Border Affairs Manager for the Texas Commission on Environmental Quality.

MR. STEPHEN NIEMEYER: Good afternoon, Chairman Mathiasen and Mr. Ochoa. I'm pleased that you all came to San Antonio and Texas.

On behalf of Chairman Shaw, and Commissioners Garcia and Rubenstein, I just wanted to commend Jorge and Daniel for all their great work, their excellent innovative work. The border environment, public health and border residents have been measurably improved because of their efforts. Jorge and Daniel not only have been very accessible despite their crowded schedules, but they and their staff have been phenomenal colleagues to work with our agency, so I just wanted to mention that.

And finally, just to keep it brief, because those of you who know me know I'm a man of few words, just wanted to highlight our TCEQ border initiative. I'm just going to hold this up. But it's a ready-to-print document. We don't actually print this. We only print it as needed. It's on our Web page. You can go there and download it. And it was first published in December of '08 at the request of Commissioner Garcia. He said we need a border initiative, and I'd just been hired as the border affairs, I had just been promoted as the Border Affairs Manager, so I said, 'Yes, sir.' And we've got this thing now. We update it regularly and our partnerships with the BECC and NADBank are listed there prominently, featured prominently. So I just wanted to mention that, and as they say in Mexico,...

[TRANSLATED FROM SPANISH]

... 'Without anything further at this time, accept I take this opportunity to give you my compliments.'

[APPLAUSE]

[IN ENGLISH]

MR. JUAN ANTONIO FLORES: Thank you, Steve. We will now invite Mario Alberto Salinas Falcón,...

...Secretary of Public Works and Development for the City of Nuevo Laredo, Tamaulipas... to speak, please.

MR. SALINAS FALCÓN: Good afternoon everyone. It's was saying that I am the mayor, but I'm not. First of all, our Mayor, Mr. Ramón Garza Barrios, sends his warmest greetings to the Board of Directors, to BECC and to NADBank, to Daniel and to Jorge. Thank you very much.

The City of Nuevo Laredo currently has three loans contracted with NADBank, which were authorized after public meetings and certified in the meetings with BECC. And basically, right now, I would like to talk to you about what has been the municipal paving program. We got this project with a goal of paving 80 kilometers, 800 blocks, in three different areas of the city: the northwest, the west and the south. These areas were unplanned developments. The border population—we have very elevated levels of growth from the floating population. So, there were unplanned settlements. And with the capacity that a city has, it doesn't have the coverage to be able to cover primary services, basic services in those areas. So, we got this project. We identified those sectors: 45 subdivisions, 145 different streets that had three requirements: a percentage of the population for each street and that already had their water and wastewater services. So, with that, we made the presentation; the proposal to the Bank was approved.

And what have we achieved with this? First of all, this important project was done in one year, from April 2009 to 2010. The 480 million pesos invested are exactly equivalent to the investment that a city like Nuevo Laredo makes in an entire year of public works. That is, we doubled, thanks to this project, the PASO program,³ what we normally invest in public works. And we went from a 58% paving—a reasonable figure—to close to 85%. As I mentioned, these subdivisions on the outskirts of town are the kind of subdivisions, are developments that spring up unplanned.

What are we creating with this? During this economic crisis worldwide and on the border, we created 720 direct jobs in one year, plus approximately 1,200 indirect jobs. The type of paving that we used, the natural characteristics of the land, the soil mechanics, we used 67% concrete paving and 33% asphalt.

This project certified for a purpose—we have prevailing winds from the southeast, as well as a very high volume of vehicular traffic. So for a full week in July, August 2009 we monitored, with help from BECC and the University of Texas in El Paso, very specific areas; and now, one year later, on the same date, in the same place, we are going to evaluate and compare the results from before and after this municipal paving program.

What did we achieve with this? Improved quality of life; less pollution; improved traveling times; easier access for public security and emergency services, and also, along with this, property values in the area went up.

So, the City of Nuevo Laredo, Mr. Ramón Garza Barrios, we are at your service. This is information that is on our city's website. But above all, we thank you for the confidence you showed the City of Nuevo Laredo to have the opportunity to be able to develop this project. Thank you very much. Good afternoon.

[APPLAUSE]

³ PASO is the Spanish acronym for the paving program in Nuevo Laredo.

MR. JUAN ANTONIO FLORES: Thank you. We now invite Mr. Manuel Baldenebro, Mayor of the City of San Luis Río Colorado, to speak, please.

MR. MANUEL BALDENEPRO: Good afternoon, honorable chairpersons and members of the Board. Thank you very much for inviting us to this public meeting. I believe it is a great opportunity to talk about the good that NADB does. On behalf of our community, San Luis Río Colorado, thank you very much for the projects that have materialized. We, who have recently taken office, have nothing more to do than go down that path that has already been so well developed. In waste management, while we have a sanitary landfill, we are thinking about reactivating it so that it continues operating adequately. Wastewater management throughout our municipality helps us live better in San Luis.

But speaking of quality of life, there is much more we can do. I believe that these issues, that we have already addressed and where great strides have been made, the border is interested in more, and we're looking for a 'plus' in waste management. We are going to generate energy with electricity produced from trash and thus have an electricity-based public transport system in our city.

It is a small city, protected we say, next to the desert. We are in an area where earthquakes are an everyday occurrence. Last night there was another for 5.9 in that region. It's good that our city does not feel it. Even though we are Mexicali's neighbors, I believe the desert protects us. Thank God for that.

But nevertheless, speaking of a healthy town so that it can produce, we are pursuing that. The Mexicali Valley and San Luis are first in asthmatoïd bronchitis due to dust and pollen from the valleys. We are about to take up again a paving program to improve air quality in that area, which was authorized three, four years ago. We are going to take it up again. We are going to present that request to you so that you might see fit to analyze it and give us the authorization to continue with this and make San Luis the border with the best quality of life that we are pursuing.

For us, speaking of the issue of generating jobs in San Luis, we are looking at those issues that mean improving public security. And we say it this way, San Luis is the border that does not seem to be a border; no kidnappings; no murders, thanks be to God and we continue moving that way. We have to keep it that way.

But, speaking of water quality, of course we are improving it and will continue to do so. One thing that we were able to do something about upon taking office is securing the land tenure with the municipal land developer. No more invasions in favor of investment in our municipality. And we continue working on those issues. We will wait for authorization from you, Board, for our request for air improvement request. So, we will be sending that project to you.

On behalf of the community of San Luis, thank you very much. And hopefully NADB will continue doing its work well as it has so far. We know for sure that we are going to have more. Thank you and have a nice day.

[APPLAUSE]

MR. JUAN ANTONIO FLORES: Thank you very much Mr. Mayor. Next we invite José Ángel Hernández, Mayor of the City of Nogales, Sonora.

MR. JOSÉ ÁNGEL HERNÁNDEZ: Good afternoon. First, I want to thank the Board, both BECC, NADBank, EPA for the projects that have been approved for the city of Nogales, Sonora. For us, these projects have meant that we now have a better sanitary landfill, that we eliminated a dumpsite, that we have a transfer center, we improved solid waste collection in the city. The project you certified for us in air quality, the famous PIPCA, we are starting third phase, 82 million pesos already approved by Congress that we expect to implement soon. And the comprehensive water and wastewater project, where we are also in the process of building our wastewater treatment plant. And here I want to inform this Board that, for the first time, the state government is supporting our city, participating with more than one hundred million pesos for this comprehensive wastewater treatment and drinking water project. For those of us who live on the border and who have seen the projects certified by BECC and well here you will also be able to verify that it is the first time that a Governor is going to become involved in the projects that you are certifying—here is Oscar who won't let us lie—and they are also helping us with the paving project.

In the water and wastewater project, what we would like to ask this Board is to expedite the certification process, since we are.... It is currently under public comment; it ends at the end of the month. However, we already have funding from CNA, CONAGUA.⁴ Between the State and the Municipality, we have almost 50 million pesos in our accounts. But you know how the fiscal processes work in Mexico. If we do not use them this year, we run the risk of losing them. So, it is to ask you, we know you have a lot of work, but as soon as the public comment ends and you receive it, if you could take into consideration that the Nogales project, we already have 50 million pesos from the Mexican federal government and the sooner you can certify it, we be able guaranty using this money.

And finally, we understand that in the future this Board is going to certify projects for sustainable housing. We would like to be included in that, put us down for everything that has to do with developing sustainable housing or developments. We are in the process of acquiring 500 hectares of protected land to offer to developers. This is a project that SEDESOL Mexico is promoting through comprehensive, sustainable urban developments.⁵ They have just one or two projects per state in Mexico. The federal government is going to invest in urban infrastructure so that people can have better housing. So, if this information is useful to the Board to invite us to participate in sustainable housing projects, we are at your service. Thank you very much

[APPLAUSE]

[IN ENGLISH]

MR. JUAN ANTONIO FLORES: With that, Madam Chairman, we'll invite, provide this one last opportunity to any other member of the public who would like to make

⁴ CNA is the former acronym and CONAGUA is the current acronym for the Mexican National Water Commission.

⁵ SEDESOL is the acronym for the Mexican Ministry of Social Development.

comments to the Board of Directors at this time. If there is no one, then I'll turn the microphone back over to you for the closing of the meeting.

MS. KAREN MATHIASSEN: [Ricardo, any comments?]

Well, thank you very much. It is I think very helpful for the Board Members, all of us who are in our... you know, behind our desk in Washington, D.C., to hear very precisely about the impact of the projects on your communities. So I welcome that. Appreciate that. And with respect to the upcoming certifications, I can report that your NADBank colleagues made the same requests today, and we heard them and we will certainly try to conclude the approval processes as quickly as is feasible. Thank you.

MR. JUAN ANTONIO FLORES: Thank you very much, Members of the Board of Directors. That concludes this public meeting and we invite everyone here in attendance to a reception following this meeting at the NADBank offices in the International Center. Please join us. Thank you. The meeting is closed.

[APPLAUSE]

[MEETING ADJOURNED]