



**Border Environment Cooperation Commission and
North American Development Bank**



**Public Meeting of the Board of Directors
November 8, 2012
San Antonio, Texas**

ENGLISH VERSION

MR. FLORES: Good afternoon everyone. Thank you for being here and welcome to this meeting of the Board of Directors of the North American Development Bank and the Border Environment Cooperation Commission.

We'll begin the meeting. I'd like to start by recognizing the Board Members who are present with us today. Currently chairing the Board of Directors, Karen Mathiasen, Director of the Office of Multilateral Development Banks with the U.S. Department of Treasury; Ms. Vanessa Rubio Márquez, Head of the International Affairs Unit for Mexico's Ministry of Finance and Public Credit; John "Jock" Whittlesey in representation of the U.S. Department of State; Lisa Almodovar in representation of the U.S. Environmental Protection Agency; Mr. Eduardo Baca Cuenca, Director General for North America at Mexico's Ministry of Foreign Relations; Mr. Enrique Lendo Fuentes, Head of International Affairs Coordination at SEMARNAT, Mexico's Environmental Protection Agency; Mr. Roberto Zambrano, first vice-president of PRONATURA, who sits on the Board of Directors as a Mexican representative of the border public; and finally, recognizing the Managing Director of the North American Development Bank, Gerónimo Gutiérrez Fernández; the General Manager of the Border Environment Cooperation Commission, Maria Elena Giner.

With that, I will turn the microphone over to Madam Chairman to make introductory comments and begin the meeting.

MS. MATHIASSEN: Thank you very much. Welcome, everybody. I just want to give a very brief summary of our meeting today before turning the meeting over to many of you who are here to talk to us about your ideas and your thoughts about these two institutions.

As usual, I would say we had a very productive Board meeting, and it was very positive, the tone was positive, the interactions were all excellent. I'm just going to highlight a few things that we agreed to and talked about.

So we have expressed our approval for five more projects in the border region, in both Mexico and the United States: three wastewater projects in Chihuahua and Arizona and Tijuana, Mexico; one wind project and solar project. And I would simply note that this is a further example of NADBank and BECC moving into this relatively new and dynamic sector of renewable energy, as well as continuing their work in the traditional sectors of water and wastewater.

We talked about NADBank's borrowing, and we have given the management scope to do some more borrowing as needed from the markets so they can continue their robust lending portfolio. And as part of that, we welcomed a loan with KfW, which is a German entity, and this represents a new partnership, and actually the signing of that loan will take place just a little later this afternoon.

And we simply talked a little bit about the evolution of NADBank and the BECC, both the stronger and stronger cooperation, coordination between the entities—which we very much welcome—but also the transition of the Bank from what was a very simple, ‘plain vanilla’ grant-based institution to what it is today, which is really a full-fledged development bank that is now relying much more heavily on loans, on being a real catalyst for other participants, and moving into new sectors. So I think I can speak for the Board in saying that we are very pleased with the transition and the maturity of these institutions. And with that, I want to turn the microphone over to my colleague, Vanessa, and let her make a few remarks before we take questions from the press. Thank you.

MS. RUBIO: Thank you, Karen. Well, welcome, everybody. I don't want to take much time; because I think what Karen said is the whole thing that we just discussed this morning. We usually hold two of these meetings a year, and it's very important that we look into all the, you know, the administration of both institutions, the state-of-the-art in terms of the projects, and that's what we did. And we're very glad to announce this new approval of the five projects and to be on the verge of these institutions having 20 years operating, and then becoming more solid, more robust, financially, you know, robust and viable institutions for the future.

We also look into the possibility, as it was stated, of having new partnerships. Partnerships in finance, as in any other aspect of human life, are very important. We are now in partnership with the KfW, but we would look into further partnerships with other multilateral, global and regional development banks, banks within both countries. And we want to maximize the effects of both institutions to create wealth and to create development and to create infrastructure that is environmentally sustainable for having a better life in the future. So basically that's what we're here for, and we had, as Karen said, a very productive meeting, and we look forward to discussing any detail that you want to discuss with us. Thank you.

MR. FLORES: Thank you very much. I know we have one member of the media present, David Hendricks with the *San Antonio Express News*. David, I don't know if you have any questions for... Please.

MR. HENDRICKS: Hello, I'm David Hendricks of the *San Antonio Express News*. There's a new president in Mexico coming into office, which means new people coming in to run Hacienda, and there's been talk in Washington of a possible new Secretary of the Treasury, so in light of all of that, of all of the changes that will occur over the next couple of months, are there any changes in policy that's on the horizon, or any new emphasis or any new goals from either Washington or Mexico City?

MS. RUBIO: Well, I cannot speak certainly for the new incoming president, nor for the new administration, but what I can say is that there is a strong support in Mexico in general, in the Mexican government in particular, for these two institutions. And I think they have their own life and their own, you know, evolution, and I think that the

government and the new administration, they're going to continue supporting that, and they, I am sure, going to be having new ideas to strengthen both institutions and to make them more efficient and more productive for the lives of the people at both sides of the border. But what I definitely see is a support that has been ongoing for the last 20 years in both governments to ensure that these institutions have what they need so they can deliver what we expect. So basically that will be my comment on that.

MS. MATHIASSEN: So for the United States, of course, the election was only two days ago, so we have not had a chance to discuss the future of NADBank; however, I would say that this institution I think is emblematic of the very, very strong partnership between Mexico and the United States, and it's my expectation that it will remain so.

MR. HENDRICKS: One follow-up question. In the past years the level of EPA funding and the BEIF program has been at about ten million dollars a year. Will that continue or is there a change coming for that?

MS. MATHIASSEN: I'm going to defer to my EPA colleague.

MS. ALMODOVAR: As of today, we haven't received a budget for the agency for the 2013. It is in the budget as a ten million, again. So we hope that it will stay steady for a couple of years, and but we just have to wait and see.

MR. HENDRICKS: Thank you.

MR. FLORES: With that, then it is my pleasure to next recognize a very good friend to the NADBank here in San Antonio, a neighbor from just a couple of blocks away from here, the Honorable Armando Ortiz Rocha, Consul General of Mexico in San Antonio, who is here to give some welcoming remarks himself, Consul.

MR. ORTIZ ROCHA: It's a very great honor to be here with you. I was told that it is a bilingual meeting so let me speak in Spanish.

[TRANSLATED FROM SPANISH]¹

I would like, well, in particular to thank my good friend Gerónimo Gutiérrez who invited me to be here with you and to welcome you, especially the Mexican delegation and those who have traveled from various border states, cities, to participate in this annual public meeting that to me seems to be of the greatest importance. And I also take this opportunity to extend to you warm greetings from Ambassador Arturo Sarukhan, who unfortunately could not be here but who asked me to express his best wishes for a successful meeting.

The madam co-chairs already talked about, about the new phase that these institutions are in. Bilaterally, we should feel very proud of these institutions. I can tell you, throughout my many years of public service—I've been in public service 45 years—and I have not seen very many institutions of this caliber. And this, well, I think it should be recognized. We've already heard about the expansion of projects, of sectors. They are now into clean energy issues, right?—in wind energy, in solar energy, etc. They've

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

already gone through environmental sectors in the area of paving in some projects in Tijuana. Over the years they have provided more than 1.5 billion dollars in financing thanks to the excellent work of the BECC and NADBank work teams and really deserve our recognition. I think there has been, well, great leadership and great commitment.

And moreover, well, these annual public meetings, they appear to be just a formality, but they are not, because it is a process, a mechanism for transparency and accountability, which are fundamental elements of the democratic processes as well. And Mexico, well, we know that over the course of many years it has been working on that, and there has been substantial progress and now, well, there is a lot of talk about it, about transparency and about accountability, and I think that that is what this forum is about.

And furthermore, this is a mechanism that should not just fill Mexico and the United States with pride, but also I think it is a model for the world. There are not many mechanisms such as these that over so many years have had this type of communication, interaction, coordination, commitment and collaboration. So you have been very persistent.

I also want to congratulate the Board of Directors because there are not many boards in many organizations that have the commitment that you have demonstrated for so long and that have been, well, as effective, no? And that have succeeded in overcoming so many obstacles, because their path was full of them. But now they are clearly in a phase of consolidation, and we should all congratulate them for it.

So, well, that is why it is really a privilege to be here with you and to wish you great success and that this public meeting be as productive as those held in prior years in order to enhance future projects of NADBank and BECC. Thank you very much.

[APPLAUSE]

[IN ENGLISH]

MR FLORES: Thank you Consul Ortiz Rocha.

Now, Madam Chair, with your permission, I will turn the microphone over to Geronimo Gutierrez, Managing Director of the Bank, and Maria Elena Giner of the BECC, who will jointly deliver a status report for the benefit of the public present.

MS. GINER: Good afternoon, everybody. Thank you so much for attending our public meeting. Like Consul General Rocha mentioned, this to us is a clear demonstration of transparency associated with our process.

What we're going to be presenting to you, the BECC and the Bank, is a status of our operations of the two institutions, and this data goes up from our last Board Meeting which was held in Ciudad Juarez, for July 18th through September 30th. And since then, one new project was certified by BECC for clean energy. But since September 30th, and as of today's meeting, actually six additional projects were certified, and one of the ones that I do want to highlight is the one for Ocotillo solar, which was not only certified but was also partially disbursed, which is a very important contribution to greenhouse gas reductions for the United States. Additionally, they've actually contracted 105.5 million in

new financing—three loans and six grants—and 50.9 million in funding disbursed to 17 projects—47.65 million in loans, and 3.24 million in grants.

MR. GUTIÉRREZ: Good afternoon to all of you. With the permission of the Board members, once we looked at the pending loan activity, these are the loans that have been already approved by our Board, and are in that sense committed but in the process of being disbursed, we have \$436 million dollars for a total of five loans, both with private sector borrowers and one public sector borrower. These include a wastewater treatment plant in Matamoros, Tamaulipas, for \$12.2 million dollars; a paving and urban mobility project in Ciudad Juarez, Chihuahua, for 132 million; a solar project park in Presidio County, Texas, for \$35 million dollars; Los Vientos, two wind projects, Los Vientos A and B, each for \$110 million dollars here in Texas; and a municipal planning project with PREI/GEO in Valle de las Palmas, Tijuana, for \$36 million dollars.

MS. GINER: As of September 30th—and that again is not including the five projects that were certified or actually the two that were certified since our Board meeting—203 projects throughout the border region with a total estimated cost of 6.16 billion. One of the things that I do want to highlight with regards to the slide is that six months ago, the project cost was 4.3 billion, so there has been significant advancement in the number of dollars coming into the border just in the last six months.

MR. GUTIÉRREZ: The following graph what it tries to illustrate is, this is our annual contracted grant and loan activity since 1997, and perhaps two important points that are worth mentioning is the fact that over the, especially over the last six years, there has been a change, obviously, in terms of grant disbursements or grant activity versus loan activity, I'm sorry, with a very rapid growth...of loans, which is certainly good news, in the past years, and also a rapid growth in this year that we're reporting and ending, we will have, these figures represent up to September 2012, but this year we will have certainly a record year once, you know, we include the figures for the last quarter, both in terms of loans and grants contracted, and also disbursed throughout the year.

In the next graph, what you can see, this is, again, the total annual contracted financing by sector, since 2002 and up to 2012. I would just like to point out two things: A greater diversification, moving from what were traditional sectors of operation for the BECC and the Bank, essentially on water sector and solid waste, to include in the past years what we call air quality projects and more recently the clean energy projects and the urban infrastructure, changing and balancing our overall portfolio, and again also showing an important increase during the last years.

If we look at the total outstanding loan activity since inception, a total of \$855 million dollars have been contracted for 67 loans. Eighty-three percent of them have been already disbursed, 14 loans have been repaid in full, and one loan written off. And as of September 30th of this year, we have a total of half a billion dollars, \$504 million dollars in outstanding loans distributed around 30 percent in the clean energy sector; 27 percent in air quality; 30.9 percent in storm water; water and wastewater projects account for 27 percent roughly of our loans outstanding; 2 percent or 3 percent in basic urban infrastructure; and around 0.4 percent in solid waste.

MS. GINER: As many of you know, one of the cornerstones of our program has been the U.S.-Mexico Border Program funded by EPA, called the BEIF, Border Environment Infrastructure Fund. And as of September 30th, of the 669 million in funds provided by

EPA, 88 percent has been allocated to date. Of the 591.2 million in approved grants, 97 percent has been contracted, and 93 percent has been disbursed. So what this indicates is the flow of dollars that are coming to the border for basic infrastructure of water and wastewater. Of the 96 projects financed with BEIF, 77 have been completed and are in operation, and 51.75 million is available for new projects, of which 19 are currently under development.

With regards to BECC technical assistance, another cornerstone of our programs—these are the dollars that go to assisting communities in developing infrastructure projects. In 2012, 1.18 million was provided to 26 projects under our Border 2012 Program, which is a program that's funded by the Environmental Protection Agency. But from 2005 to 2012, almost \$9 million have been given to this program. I'd also like to recognize SEMARNAT, whose contribution to the Border 2012 Program is very significant as well.

In 2012 with regards to technical assistance by BECC and EPA, it's 1.41 million for 20 projects, 26 percent of them were provided through technical assistance through operating funds of the BECC and the remainder was through EPA's Project Development Assistance Program. And the cumulative of this figure of PDAP and BECC funds is 42 million. Of this PDAP, 35 million has been given for project development to 160 communities. And approximately 85 percent of those funds have led to projects that are already implemented or under development, so what this demonstrates is that technical assistance is critical for communities to be able to develop the projects and bring down construction dollars that are needed to implement them.

MR. GUTIÉRREZ: Regarding the NADBank's technical assistance, what we have as of September 30, is five studies in process for which a grant commitment of a total \$774,000 dollars that are, again, in process. And since its inception, the technical assistance programs of the Bank have implied \$21.3 million dollars committed to 218 institutional strengthening and project development studies, benefiting 100 communities since program inception. And they are distributed, you know, in different, from rate studies to financial analyses to user registries, water conservation projects, final design projects. Here, you just have the distribution of these 218 projects.

MS. GINER: With regards to project implementation and outcomes, as of September 30, 2012, 1.35 billion has been disbursed to date. Of the 164 certified projects financed by NADBank, 120 have been fully implemented, 36 are in various stages of construction, seven are at the bidding or design stage, and only one has been canceled. These projects include 21 water treatment plants, 34 drinking water systems, 55 wastewater treatment plants, and 78 wastewater collection systems. They have also saved 371,000 acre-feet of water per year. In the case of the paving projects, have actually...8.3 million square meters of dirt roads have been paved. And as you saw in the renewable energies, which is very much a growing sector for us, 102 megawatts of new renewable energy capacity, which will contribute to the displacement of an estimated 153,000 metric tons per year of CO₂ emissions.

With regards to the CAP program, as many of you know, we talk a lot about the loan dollars, but one of the things I do want to recognize on the efforts of the part of the Bank is that a portion of their retained earnings will be dedicated to the Community Assistance Program, which was created to help small and poor communities in the development of

environmental or basic infrastructure. And we actually launched it this year, and have selected 11 projects representing a total investment of over \$4 million dollars.

The first projects are anticipated to be submitted to the Board for consideration this year, but even though they look like small projects—you can see we have projects, four in the U.S., in San Luis, Arizona; Brawley, California; Sunland Park, New Mexico; and Fabens; and in the case of Mexico we have projects in Chihuahua, Coahuila, Nuevo Leon and Tamaulipas. Although they may seem small, they are very impactful for these communities and increase the quality of life in providing first-time service or providing rehabilitated service to areas that don't have water on a regular basis.

MR. GUTIÉRREZ: As we look into the future, essentially for the upcoming year of 2013, the pipeline of projects that we have totals approximately at this point \$277 million dollars in potential loans in different sectors. I will just mention them very briefly: a municipal planning project in Tijuana, Baja California; several solar energy efficiency and biogas projects throughout Saltillo, Tecate, Playas de Rosarito, San Diego, El Centro, California, and Brawley, both with public and private sponsors. Also we hope to finish and implement and finance next year two bus rapid transit projects that we're working on in Chihuahua, one in the city of Chihuahua and one in Juarez with public sponsors; and a desalination plant, really a milestone project not only for the Bank and for the BECC, but also in many ways for Mexico, in Ensenada Baja, California. And again, these projects which are part of our pipeline and the ones that we're working closely for 2013, imply \$277 million dollars in loans. And finally, in terms of grants from the Border Environmental Infrastructure Fund, we're looking at six water or wastewater projects for \$1.5 million in San Agustin, Chihuahua; Loma Blanca, Chihuahua; Bisbee, Arizona; Sierra Vista, Arizona; and El Paso County, Texas, and Holtville, California.

Thank you very much. With this, we conclude the presentation.

MR. FLORES: Thank you very much, Geronimo and Maria Elena. At this time, we will proceed with the signing ceremony for the loan agreement between the North American Development Bank and KfW. So at this time, I will turn the microphone over to Karen, I guess, for a few comments that you may want to say about this agreement, Madam Chair, before we begin.

MS. MATHIASSEN: Thank you very much. I'm just going to read a brief statement about this loan. It's a \$50 million-dollar agreement between NADBank and a German development bank, which I cannot pronounce, so I'm simply going to refer to it as KfW. It's to be used for water and wastewater projects in the Mexican border region, so not on the U.S. side. And in addition, and I want to highlight this, KfW is providing a grant of more than a million U.S. dollars, I believe it's a million euro, and this will help support technical feasibility and other studies, and it will be implemented entirely by the BECC. So we're very pleased that part of the partnership does include this grant.

And I think I'll turn it over to Geronimo. Thank you.

MR. FLORES: At this time, what I'd like to do is then invite NADBank Chief Financial Officer Héctor Camacho and Lic. Ingrid Hahn Arellano, in representation of KfW, to come to the podium to give a brief explanation of the terms of the agreement and then we'll proceed, we'll invite Mr. Gutiérrez up for the signing.

MS. HAHN: Thank you very much. Dear Members of the Board, dear participants, it is a pleasure to be here today representing KfW in such an important day for us, the signing of this agreement, the loan and the grant agreements. It is really a festivity for us, so thank you very much for the invitation.

I would like to make a brief presentation about the KfW Group, the development bank, and in particular, about this program, the, PROAMO is the name. Please allow me to do this in Spanish, since the program is meant to support projects in the Mexican border.

[TRANSLATED FROM SPANISH]

I would like to begin by telling you what the bank is, KfW Bankengruppe. It is a group with six different pillars: three of them are operating in Germany; three of them operating internationally.

KfW Bankengruppe is the development bank of the Federal Republic of Germany. It was founded after the Second World War in 1948 to administer and manage the reconstruction of Germany with the proceeds from the Marshall Plan. It is currently the second largest bank in Germany after Deutsche Bank. Its capital has, 80% belongs to the Federal Government and 20% to the German states, and our headquarters are in Frankfurt. We have representative offices in Berlin, Cologne, Bonn and more than 70 locations in different countries around the world.

Within the banking group there are six different pillars as I already mentioned, three of them in Germany, three of them operating abroad. I represent the pillar that is the KfW development bank. We are responsible for carrying out financial cooperation. Currently, we have more than 1,900 active projects in more than 100 countries, operating in or by mandate of the German government with its own funds, but often, as is in the case of the PROAMO program, mixed with funds from the German Ministry for Cooperation and Development, known as BMZ, which allows us to offer very attractive interest rates.

In 2011, the Development Bank has been consolidated as a bank very attuned to climate change mitigation and adaptation issues, as well as the environment. More than half of the 4.5 billion euros allocated have been channeled to environmental projects and projects related to climate change.

Here I would like to highlight, and calling attention to what was just presented, within our portfolio, the issues of energy and urban mobility are also very important issues, and we would like to explore future cooperation with regard to them.

The impact that we expect from the allocations that were made during the past year worldwide, is a very significant reduction in greenhouse gas emissions by an estimated 7.2 million tons per year.

I would now like to talk about the Municipal Environmental Protection Program, for which we are signing an agreement today. The Development Bank, through an initiative promoted by the German government—the climate and environment financing initiative—allocated to Mexico, in 2009, funds to subsidize a loan that was designated for municipal environmental protection. These funds from a total of 90 million euros have been allocated to Mexico, and today we would be signing the first tranche of this program.

Our purpose is to help the environment and climate change. The projects that are eligible mainly have to do with wastewater, but also urban wastewater systems, storm water and energy efficiency in water production and supply.

Here I would like to pause a second, just to note that the cooperation that we have had with NADBank, BECC and KfW, has already let us identify a very mature pipeline of eligible projects, which is a sign that the program can be implemented immediately.

Finally, with respect to the program, the impacts that we are expecting are mainly related to health, through issues of hygiene, but also the environment, which is one of the main focal points of the bank.

Finally, I would like to highlight the importance that the signing of these agreements has for us. First, it marks KfW Development Bank's strong commitment in the water sector, specifically for Mexico. Additionally, for us it is the beginning of a strategic alliance between NADBank, COCEF and KfW that, as I already mentioned, we see enormous potential for expanding to other sectors.

I commented on the excellent cooperation that has existed among the institutions and that it is out of the ordinary, of what we normally see, to be able to identify so quickly a very mature pipeline. This has really been a very unique characteristic of this program, and we are very proud that has worked out that way.

We believe the impacts of the program are going to be very extensive and that they will be readily measurable. And I do not want to end this presentation without highlighting that KfW is extremely proud and honored to have such a solid, strong and well-positioned partner to carry out the projects that are of interest to both institutions. Thank you very, very much.

[APPLAUSE]

[IN ENGLISH]

MR. CAMACHO: Thank you, Ingrid. Well, I just, being the Chief Financial Officer, I will speak a little bit, in general terms, of the terms and conditions of this loan agreement. For the NADBank, let me tell you that it's also, we see this as the beginning of a long lasting relationship with KfW, of a cooperation. As Ingrid has mentioned, this line of credit is only for sanitation, wastewater and water, but they are very much interested, just as NADBank, in some other areas such as clean energy and public transportation.

So I have a slide. I don't know if... If it's not that's... Okay. These are the specifics of the line of credit. This will be the first tranche of a potential line of credit of \$90 million euros. This tranche is for the amount of \$50 million dollars. The interest rate is going to be 1.9 percent. It has a subsidy component from the German government through the German Development and Cooperation Ministry, the BMZ, as Ingrid mentioned. The loan purpose is to finance water and wastewater projects in Mexico within the jurisdiction of NADBank. The terms are 12 years, amortizable, three years of grace period on principle. And linked to the loan agreement is a grant for technical studies, technical assistance, of 1 million euros. It has been mentioned how technical assistance is so important for the

development of projects, so this line has attached 1 million euros for technical assistance.

So I think, Juan Antonio, may be now we can just proceed to the signature.

MR. FLORES: We would invite you, Hector and Ingrid, to come to this table here, and we'll invite Geronimo Gutiérrez and Maria Elena Giner up as well for the signing of the relevant documents.

[SIGNING OF DOCUMENTS]

MR. FLORES: Now, actually, we would invite Madam Chair Karen Mathiasen and Madam co-chair Vanessa Rubio to come up for photographs, if you would, please.

[PHOTOS TAKEN]

[APPLAUSE]

MR. FLORES: Allow us to move the table out of the way and we can... there we go.

[MORE PHOTOS TAKEN]

[APPLAUSE]

MR. FLORES: We are now ready to begin with the public comment portion of the meeting, and it is my pleasure to invite...

[TRANSLATED FROM SPANISH]

...Mr. Salvador Treviño Garza from the Ministry of Urban Development and Environment, Secretary, of the State of Tamaulipas.

MR. TREVIÑO: Thank you very much. Good afternoon everyone. Distinguished members of the Board and directors, partners in the sustainable development of Tamaulipas, María Elena Giner, Gerónimo Gutiérrez, thank you.

In truth, I'm very happy to be here once again at this public meeting. Tamaulipas has done very well, really, as we just saw the report of BECC, of NADBank, to tell you that we have worked now more than 10 years, important projects all in basic infrastructure. I can highlight probably seven projects in water, wastewater collection and treatment and storm water, seven projects in Matamoros, in Río Bravo, in Reynosa, Miguel Alemán, Mier, Nuevo Laredo, for more than 300 million dollars. I can highlight the activity in the state of Tamaulipas, where, well, in November of last year, we placed more than 11 projects for prioritization, to be candidates for certification and the processes that you carry out afterwards for certification.

And, well, happy that this past July 17th in Ciudad Juárez, well, we saw some projects take shape, for example, in Nuevo Laredo, even though it is true with a paving loan, but also very important, the funding to disconnect the sewer system from the storm system, which is obviously polluting our Rio Grande river basin; important, the project certified in Miguel Alemán for everything related to basic sanitary sewer infrastructure. And well,

who better than I to tell you about the importance of the second phase of the comprehensive water and wastewater project in city of Matamoros, a project of more than 900 million pesos that is in the construction process currently with funding from the Mexican government and, of course, about to begin with the proceeds of both a grant and a loan, as previously mentioned, through the North American Development Bank.

In summary, 865 million dollars in basic infrastructure for the state of Tamaulipas. It's easy to say. The truth is that it's a very important achievement, and I want to make something very clear. It would be really impossible without BECC, without the Border Environment Cooperation Commission, and without the North American Development Bank and without the members of this Board, to have achieved so much important basic infrastructure for the state of Tamaulipas.

And more importantly, the objectives that are being achieved in health and caring for the environment, as we just saw all the millions of dollars that have been invested in the border, I underscore the health and environmental benefits for the border of both countries, and of course, for the state of Tamaulipas.

Where do I see the two institutions? Well, strengthened, strengthened by both governments so that they may continue growing and creating, obviously, a better quality of life in the U.S.-Mexico border zone. Thank you very much.

[APPLAUSE]

[IN ENGLISH]

MR. FLORES: Next I would invite Mr. Jeff Johnston, Vice-president of Development for Hidalgo Wetlands, to the podium to make his remarks.

MR. JOHNSTON: Good afternoon, ladies and gentlemen. My name is Jeff Johnston. I work with the Hidalgo Wetlands Group, and I'm here today to plead the case for Lordsburg, New Mexico. It's a small little town in the boot heel of New Mexico, and it is having some struggles with its wastewater treatment plant.

I'm here because the Johnny Donegan Corbett Foundation has gifted into itself the lands necessary to create a constructed wetlands to remediate wastewaters that are currently going to evaporation—odorous evaporation, I might add—and leakage out onto surrounding properties. They currently generate between 180 and 310,000 gallons of effluent a day that is then held in maturation ponds for evaporation. We believe that water, and especially in this region of the Mexican and American border is too valuable an asset to waste. So I'm here today to propose that the Bank consider us for funding when it comes to developing constructive wetlands so that we might better utilize this water.

We believe that these wetlands could be used as a springboard to develop a center for sustainable living. We have wind capabilities there. We all have solar capabilities there. We have retained Biohabitats out of Santa Fe, New Mexico, formerly known as Natural Systems International, who has developed and successfully built over 100 constructed wetlands in the U.S. and in Mexico. So we've hired the best there is to present to you guys.

So I'm here today to give you formal notice that we plan on in 2013 making formal application for funding for a constructed wetlands in Lordsburg, New Mexico. I did give you a little handout with some benefits that we believe will be received from assisting us in this matter. Thank you very much.

[APPLAUSE]

MS. MATHIASSEN: Can I -- I'm sorry, can I ask a question? Just quickly. I presume that you are seeking grant financing?

MR. JOHNSTON: That is correct.

MS. MATHIASSEN: And could you give me any sense of the magnitude?

MR. JOHNSTON: At this time, with Biohabitat, we're looking at a need for \$100,000 dollars.

MS. MATHIASSEN: Okay. Thank you very much.

MR. FLORES: Thank you, Mr. Johnston.

[TRANSLATED FROM SPANISH]

Members of the Board and the general public, although he has not indicated that he would like to speak, I think it is important to recognize the presence of Mr. Oscar Fernando López Elizondo, mayor of the municipality of Piedras Negras, thank... please sir.

[APPLAUSE]

MR. LÓPEZ: Thank you very much and good afternoon ladies and gentlemen. For us, just like for the state of Tamaulipas, working with NADBank has been very satisfactory, for many years now, where thanks to them large investments have been made in what is the maintenance, maintaining, well, in cleaning and treating our wastewater with important sewer infrastructure works in Piedras Negras. And with that Piedras Negras is now one of the cities that is seeking to expand its wastewater treatment plant. That is a project that is about to be undertaken and also, together with the support that they have given us and the advice that NADBank gave us, future projects could be developed, that were left with BECC to be prioritized and we hope that later Piedras Negras will benefit from those projects.

And as they rightly stated, we believe in these alliances that are being forged between the U.S. Government and the Mexican Government to enhance environmental care in our city. In our city, with your support, we have maintained the creation of environmental clubs to cultivate through our children a culture of caring for the environment. We have also created, well, we currently have more than 140 environmental clubs now, and also in caring for water, there are policies that we are maintaining that you have marked as a priority in creating a culture of caring for the environment and that we have been applying.

We also already have drinking water service for a large part of the city. However, these efforts have been made through the State Government and the City Government. But this service coverage, in both water and wastewater, has been in cooperative farm areas and sometimes there the projects in those areas have not been taken into account because this effort already exists. Nevertheless, they are private water connections, general water connections, that have been getting installed and that we think that perhaps you could analyze your policies for project allocations with respect to these efforts that are being made so that we may benefit from them.

And, well, all that's left for me to do is thank you for all the support that you have always given us. And well I congratulate you on this type of events. Thank you very much.

[APPLAUSE]

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

[IN ENGLISH]

Madam Chair, I was very remiss at the start of the meeting to not recognize Alex Hinojosa, Deputy Manager Director of the North American Development Bank, and José Mario Sánchez, the Deputy General Manager of the BECC. Please excuse me.

Are there any other members of the public who would like to make comments? We would invite you do so now.

With that, Madam Chair, I'll turn it back over to you for closing remarks from the Board members.

MS. MATHIASSEN: Thank you very much. I very much appreciate everybody coming. I hope you found this useful and valuable. There was some discussion earlier about the importance of accountability and transparency, and for the Board, we do find this a very, very important element of full transparency, and so I hope you have enjoyed or at least learned something today. And with that, I'm just going to let Vanessa say a couple of things and then close the meeting. Thank you.

MS. RUBIO: I'll speak in Spanish for the first time in the day. I feel very happy about it.

[TRANSLATED FROM SPANISH]

Thank you everyone. I'm very glad to be here. As I told you at the beginning, I think that we have two institutions that are working, that are working well, that have been consolidated and that we want to continue to see growing and seeking new avenues like this one that we just sought through an alliance with KfW.

I think that if there is anything that we want in both governments, it's that both institutions continue on their current path, that they have more and better projects. And it's precisely this type of meeting that helps us to see what the public is proposing, what the public needs. And, well, that is why we are here, to give an accounting and so that you might give us an accounting. And that is what today is about.

I want to congratulate Gerónimo and Maria Elena, of course, for their work at the head of these two organizations and well just that we may continue working so that we have two sides of the border with better infrastructure and that care for the environment. Thank you very.

[APPLAUSE]

[IN ENGLISH]

MS. MATHIASSEN: Thank you everyone.

[APPLAUSE]

MR. FLORES: We would invite all members of the public present and the Board members as well, of course, to a reception that will begin shortly in the foyer of the first floor of this building.

The meeting is adjourned. Thank you.

[MEETING ADJOURNED]

ATTACHMENTS

WRITTEN COMMENTS RECEIVED

Bryan W. Shaw, Ph.D., *Chairman*
Carlos Rubinstein, *Commissioner*
Toby Baker, *Commissioner*
Zak Covar, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

October 23, 2012

The Joint BECC-NADB Board of Directors
203 South St. Mary's Street, Suite 300
San Antonio, Texas 78205

Dear Board of Directors:

I want to thank you for the invitation to attend the North American Development Bank (NAD Bank) and Border Environment Cooperation Commission (BECC) public meeting of the Board of Directors 2012 in San Antonio, Texas. Unfortunately, I have a scheduling conflict and will be unable to attend. In my absence, Steve Niemeyer of our Intergovernmental Relations Division will attend.

The Texas Commission on Environmental Quality (TCEQ) is the environmental agency for the state of Texas. Our goal is clean air, clean water, and sound management of waste, consistent with sustainable economic development. Along with Chairman Shaw and Commissioner Baker, I am one of three commissioners appointed by Governor Perry to establish overall agency direction and policy and make final determinations on contested permitting and enforcement matters. Our executive director, Zak Covar, is responsible for day-to-day operations of the agency. We have about 2700 employees in Austin and 16 regional offices.

I want to comment on the TCEQ's joint efforts with the NAD Bank and BECC. TCEQ has worked closely with BECC and NADB staff over the years and has an outstanding working relationship. Some of the ways we currently work together are as follows:

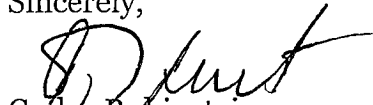
- TCEQ staff review environmental documents for projects that will receive water and wastewater funding through NADB's Border Environmental Infrastructure Fund.
- We work together on border projects with issues under the TCEQ's purview, such as our wastewater rules or our Certificates of Convenience and Necessity.
- We cooperate with other state and federal agencies to resolve problems so that Texas border residents can get essential water and wastewater service, through the colonias coordinator of the Texas Secretary of State.

The Joint BECC-NADB Board of Directors
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October 23, 2012

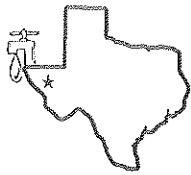
I want to personally thank Maria Elena Giner and Gerónimo Gutiérrez and their respective staffs for working with TCEQ personnel to improve environmental infrastructure in Texas. The water and wastewater funding in Texas and our four neighboring Mexican states—more than one billion dollars since 1994, with almost half of that in Texas, and benefitting over 5.7 million residents in our five states—has significantly improved our shared environment.

I look forward to continued success in our partnership to bring water, sewer and solid waste, and other services to residents of our shared border region.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Rubinstein', written over the printed name.

Carlos Rubinstein
Commissioner
Texas Commission on Environmental Quality



EL PASO COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

P.O. BOX 3880
(915) 764-2212



117 E. MAIN ST.
FAX (915) 764-4840



FABENS, TX 79838-3880

November 5, 2012

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

Dear Board of Directors,

The El Paso County Water Control and Improvement District No. 4 would like to express its appreciation to the Border Environmental Commission Cooperative and the North American Development Bank for their invaluable assistance in helping our economically disadvantaged community to receive adequate water and wastewater services through its grant programs. The infrastructure projects have not only improved the quality of life for the local residents, but also provided much needed jobs to the community.

We hope these financial programs will continue to be available to the many border areas in great need of public works improvements.

Sincerely,

Geri de la Torre,
General Manager