

**1998
Annual
Report**



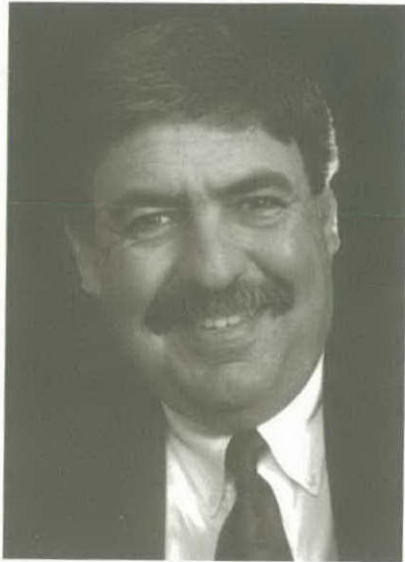
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1998
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**Message from
the Chairman of the
Board of Directors
Ygnacio Garza**



"BECC's rising profile is that of an organization that strengthens binational cooperation, institutional coordination, public participation and sustainable development that addresses this dynamic border region's environmental infrastructure needs."

With an efficient project development process, the BECC achieved significant progress during the course of 1998, while facilitating greater inter-state coordination in project certification and financing. BECC has also consolidated its organization and developed a long-term vision for addressing the border's current and future environmental infrastructure needs.

The Project Development Division, which operates regionally, has produced important results as it relies on a highly qualified team of engineers working with a binational focus, excellent coordination skills and a dedication to public service. Community outreach is now more direct with an increased awareness and emphasis on ways to facilitate the certification process. This process also includes greater efficiency in addressing communities' needs and demands for assistance.

In 1998, seven projects were certified, totaling an estimated investment of \$270 million dollars benefiting approximately 775,409 border residents. Five of these projects are located in the United States and two in Mexico.

BECC's financial assistance program for border communities also showed considerable progress, and is available to support communities with project development in planning, technical and financial feasibility studies, initial and final design studies, operation and maintenance programs, as well as social and sustainable development issues, in areas related to drinking water, wastewater, and solid waste. As part of the Technical Assistance Program, BECC also offers the Project Development Assistance Program (PDAP), funded by an initial \$10 million contribution by the U.S. Environmental Protection Agency (EPA), to support water and wastewater studies. By December of 1998, the BECC Board had granted \$8.9 million in technical assistance funds to 67 environmental infrastructure projects in 51 border communities. In March of 1999, EPA approved an additional \$10 million for this effort.

The new Public Participation and Information Department now integrates the Commission's public participation and community outreach aspects, as well as publications, media and government relations. An exemplary achievement has been the progress made in BECC-related general information access and attention to the public, not only in content, but in presentation. BECC information has become more accessible, user-friendly and professional with

improved publications such as brochures, newsletters, status reports, manuals, exhibits, a web site, e-mail communications and a toll-free number system for both countries. This has enabled us to weave very important relationships with border communities in order to expedite their requests for assistance.

In addition to these advances in public information, BECC's public participation process must be highlighted. BECC's community work is indeed taking root in border communities with broad and genuine public involvement, strengthened by BECC-related information dissemination.

It is now empowering communities with a clear social responsibility and community support that has undoubtedly legitimized each project's public process as it is presented for certification.

Furthermore, state inter-agency coordination has improved through

BECC's new State Coordination Program. State inter-agency coordination is very important to BECC and is always sought in order to expedite development of BECC environmental infrastructure projects. In the United States, coordinating mechanisms for all border States were established in 1997. Coordinating Committees have also now been set up in Baja California, Chihuahua and Sonora. In addition, BECC's innovative Training Program for new state and local officials in Mexico has also be institutionalized. With all these initiatives, permanent communication with our working partners at all levels of government is now maintained.

BECC's working partners, with whom significant strides to expand and improve coordination have been made, include:

- North American Development Bank (NADB)
- U.S. Environmental Protection Agency (USEPA)
- Environment, Natural Resources and Fisheries Secretariat (SEMARNARP) of Mexico
- U.S. Department of State (DOS)
- Foreign Relation Secretariat (SRE) of Mexico
- U.S. Department of Agriculture (USDA)



- International Boundary & Water Commission (IBWC-CILA)
- National Water Commission (CNA) of Mexico
- Social Development Secretariat (SEDESOL) of Mexico
- Public Works and Services National Bank (BANOBRAS)
- U.S. Corps of Engineers (COE)

At the state, national and international level, different types of coordination also were made with several organizations. Undoubtedly, with these efforts,

BECC's capacity is broadened and more extensive communication with the different players at all levels is achieved.

Another major progress has been the implementation of Sustainable Development principles through institutional and systematic efforts. These efforts include the design of 135 environmental indicators and an Application Manual, as well as a rating system for BECC's innovative High Sustainable Development (HSD) Program. BECC's HSD Program places the Commission on the cutting edge worldwide in the application of this very important concept.

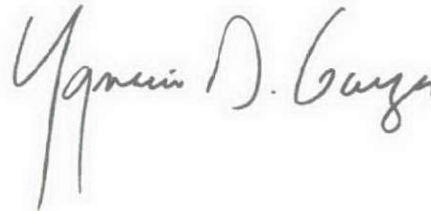
Administratively, BECC's new staff structure has continued its high degree of proficiency as it operates within an expanded and consolidated organization in a unique and trailblazing binational setting. Operational consistency has been established with a highly committed team, continuously striving for excellence and fully aware that their contributions will have lasting effects on the quest to improve the border environment.

At the Board, where important environmental policies and procedures are discussed, members constantly strive for binational solutions enabling this institution to operate with even greater efficiency. Board meetings continue to provide an excellent forum for public input on important issues that the two countries must resolve within the framework of bilateral cooperation.

The BECC and North American Development Bank (NADB) framework is an effective model that complements both countries' efforts to ameliorate environmental infrastructure needs. In 1999, there are up to 12 projects with a potential of being certified. Thanks to the progress made in the Project Development Division, the successful

application of our Technical Assistance Program and the creation of the new Public Participation and Information Division, the probability of attaining such an ambitious goal is very real. The synergy developing out of BECC's strengthened institutional framework can be translated into infrastructure projects that are well developed and have the support of the community and the various players involved in the development of border environmental infrastructure.

The Board of Directors has a clear vision regarding the Commission's consolidation as well as its potential. BECC is on the right track. We are certain that we have entered a new stage in the life of the Commission, one that promises satisfactory results in the U.S-Mexico border region for its present and future generations.



Ygnacio M. Garza

Chairman of the Board of Directors

Action Plan

With the advances and progress made by the organization, much has yet to be done. It is the belief of the Board of Directors, that the BECC, in order to efficiently address the border's environmental problems, must specifically focus on the following fronts, both in the mid and long term:

- Maintain a leadership position in community participation and sustainable development in order to improve the BECC project development process
- Increase private sector involvement in project financing and development
- Promote greater community environmental awareness
- Develop a 5-Year Strategic Plan for 2000-2005
- Working with the NADB, streamline the joint project development process
- Improve assistance to small communities through the Technical Assistance Program
- Improve the public image with interactive participation during meeting, workshops, and overall community events
- Promote the continuity of the infrastructure projects, with the involvement of the citizens and with the coordinated participation of the state and local governments.

General Manager Javier Cabrera and Deputy General Manager Peter Silva lead a bi-national organization committed to develop a sustainable border.



Projects Certified in 1998

A total of seven projects were certified in 1998.

These seven projects have an estimated investment cost of \$270 million and will benefit approximately one million residents.



Booster station for the Lower Valley Project

Potable Water and Sewage System for the El Paso Lower Valley, Texas

1 The Lower Valley area lies to the east of El Paso, Texas and includes two "colonias", Socorro and San Elizario, primarily of low income residents. During the last several years, the Lower Valley Water District, the local water utility, developed a long-term project for water and sewage services for the area. It is divided into three phases with the last two phases costing approximately \$98.4 million. These three phases (the first has been concluded) include expansion of the water system, a storage tank with a 3 million gallon capacity, a water supply system for Socorro, and a sewage system for both Socorro and San Elizario. Approximately 71,000 residents will benefit from the project.



*Transfer station for the Lower
Valley Project*

Water Treatment Plant for Del Rio, Texas

2 The construction phase of the project consists of a water treatment plant that will use micro-filtering through a membrane system. The project will replace the connections, collection pumps, and transfer lines for the treated water, replace the potable water storage tanks, and will include a new pump station for the treated effluent and transfer lines. The project costs are approximately \$40.3 million and will benefit approximately 70,000 residents.

Potable Water Project for the City of Calexico, California

3 The City of Calexico, California, has a population of approximately 26,354 residents. Its annual growth rate is between 4 and 5 percent and draws water from the Colorado River for its water supply. Improvements to the water treatment plant and distribution system will address the existing problems and will meet the growth needs through the year 2020. The project has been divided into the following three phases:

Phase I: Rehabilitation and expansion of the treatment plant from 9.3 MGD to 15.9 MGD.

Phase II: Construction of a main line, 24 inches in diameter and 4 miles long.

Phase III: A storage tank with a capacity of 6 million gallons and a pump station.

The project would assist the City in addressing problems with the water system and prevent any potential danger to public health.

The estimated investment cost for the project is \$11.3 million.

Water and Sanitation Project for Donna, Texas

4 The City of Donna is nestled between McAllen and Harlingen, Texas in the Lower Rio Grande Valley, near the community of Rio Bravo and adjacent to the Tamaulipas border. The project consists of the construction of a water treatment plant with a 4.4 MGD capacity that will replace an obsolete plant that was built over 80 years ago. The project also includes a 200,000 gallon elevated tank, expansion of the water distribution system for the "colonias" located near the city, replacement of water lines, rehabilitation and expansion of the wastewater treatment plant from 2.3 MGD to 2.6 MGD, and expansion of the sewage system to the neighboring "colonias".

The estimated investment cost of the project is \$21.6 million and will benefit over 20,000 residents.

Solid Waste Project for Matamoros, Tamaulipas

5 The project has a useful life of 15 years and will benefit over 323,000 residents. The estimated cost is \$13 million and consists in construction of infrastructure, equipment, and improvement to the management, collection, street-cleaning, and final disposal services. It also includes the purchase of collection equipment, water containment vehicles, machinery for the landfill, as well as construction of post project facilities.



Sanitary landfill of Matamoros, Tamaulipas

Comprehensive Sanitary Project for Reynosa, Tamaulipas

6 The comprehensive project consists of the rehabilitation and expansion of the sewage system in both the primary and secondary lines as well as installation of a sewage system in those areas currently lacking this service. Additionally, the project includes rehabilitation and expansion capacity of the lift stations, rehabilitation of the wastewater treatment plant, and construction of two new plants that will meet the needs of the community through the year 2016. Estimated project cost is \$83.4 million. Approximately 265,000 residents will benefit from the project.

The project has been divided into four stages that will be developed over a 20-year period. This will have a positive impact on public health and will also address transboundary problems since raw wastewater will no longer be discharged into the Rio Grande.

Sanitation Project for Berino, New Mexico

7 The project includes a sewage system using gravity and pressure lines to convey the waste to the treatment plant in Anthony, New Mexico. It has been divided into six phases and will provide service to approximately 60% of the future population, estimated for phases I and II. Phase I will serve a population of between 409 and 490 residents. This is the first project certified in New Mexico.

The project has an estimated investment cost of \$1.9 million and will address serious contamination and public health concerns caused by the deteriorating septic tanks in approximately 350 homes in areas of phases I and II. The high water table level (0-25 feet) and the density in the septic systems in use, considerably increases the possibility of contaminating the aquifer. The New Mexico Environmental Dept. (NMED) has designated the community of Berino as an area with serious problems.



"Doña Ana County has a tremendous need for water and wastewater facilities. I firmly believe that with your help, we are headed in the right direction. Through this collaborative effort, the entire region will enhance its capacity to succeed. I would also like to take this opportunity to thank the Border Environment Cooperation Commission staff for the commendable service they are providing to New Mexico."

Pete V. Domenici,
United States Senator
December 2, 1998

Project Development

Project development at BECC is organized in five geographic regions. Each has a Project Manager, who covers both sides of the border as follows:

Region	Project Manager
I California and Baja California	Salvador Lopez, P.E.
II Arizona and Sonora	Linda Allen, P.E.
III New Mexico, West Texas and Coahuila	María Elena Giner, P.E.
IV Central Area of Texas and Coahuila	Bernardino Olague, P.E.
V East of Texas, Tamaulipas and Nuevo Leon	Adolfo Urías, P.E.

In addition, an Environmental Review and Sustainable Development Manager, Laureano Alvarez, recently joined BECC and will be supporting the five border regions.

As of May 1999, BECC had a total of 133 projects under development, with an estimated cost of \$538.9 million, summarized as follows:



Brawley's treatment plant near completion.

Border Region	Total of Projects in Development			
	US	MEX	TOTAL	COST*
I. California/Baja California	11	11	22	73.6
II. Arizona/Sonora	14	10	24	89.3
III. New Mexico/Texas/Chihuahua	14	23	37	32.2
IV. Texas/Coahuila	6	15	21	146.5
V. Texas/Tamaulipas/Nuevo Leon	8	21	29	189.2
Total	53	80	133	530.9

() Cost estimated in millions of dollars.*

During the project development process, agencies from all levels of government actively participate. The BECC has designed a Project Information System that allows a fast review of project status. This system is now fully operational and can be accessed at BECC's website: www.cocef.org.

Furthermore, the Project Development section is currently in the process of implementing a comprehensive Program Management System, which includes an assessment of border environmental infrastructure needs, as well as a project tracking system. The Southwestern Center for Environmental Resources Management (SCERP) has been retained for the needs assessment.

Technical Assistance Report

Grant Funds

The BECC received \$10 million in grant funds from the US EPA. These funds have been used to enhance the BECC's technical assistance program in relation to water and wastewater related projects. These funds were authorized in September 1997 and by December 1998, 70% of these funds had been committed to various communities along the US/Mexico border. Solid waste projects are handled using BECC funds and are independent from the US EPA program. In the Solid Waste Program, the BECC works with other state and federal agencies to fund this effort.

Technical Assistance Approved

Communities that were approved for Technical Assistance during 1998 include:

Baja California	Mexicali, Tecate, Ensenada
California	Brawley, Calexico, Descanso and Heber
Sonora	Agua Prieta, San Luis Rio Colorado, Sonoyta and Nogales
Arizona	Somerton, Patagonia, Tombstone, Bisbee and Wilcox
Chihuahua	Juarez and Ojinaga
Nuevo Mexico	Vado/Del Cerro, Dona Ana, San Pablo, Salem/Ogaz, La Union, Berino, Chamberino and Chaparral.
Coahuila	Carbonifera Region and Cinco Manantiales Regions
Texas	El Paso, Middle Rio Grande Valley, and Sanderson
Nuevo Leon	China and General Bravo
Tamaulipas	Nueva Cd. Guerrero, Reynosa/Rio Bravo, Valle Hermoso, Camargo, Diaz Ordaz and Progreso

Technical Assistance approved for these communities totalled \$7,590,751. The following graph depicts the total amount of assistance provided to each state:



Expectations

In March of 1999, an additional \$10 million was approved by the US EPA. These funds will be used for final design of projects, as well as other eligible project components.

In addition, for those contracts awarded during the last part of 1998, actual work will begin for Water and Solid Waste Master Planning in the following communities:

- Juarez, Chihuahua (Water and Solid Waste Municipal Master Plan)
- Ojinaga, Chihuahua (Water Master Plan)
- Reynosa/Río Bravo, Tamaulipas (Solid Waste Master Plan)
- Wilcox, Arizona (Water Project – Draft and Certification Document)
- Middle Rio Grande Valley, Texas (Solid Waste Municipal Master Plan)
- El Paso Lower Valley Water District, Texas, (Water Master Plan)

It is expected that by the second quarter of 1999, approximately four million dollars will be spent in technical assistance for the development of needs assessments, planning and project development for the following communities:

- Tijuana and Ensenada in Baja California
- Palo Verde in California
- Altar, Cananea, Sásabe, Magdalena, Santa Ana and Nogales in Sonora
- Yuma and Douglas in Arizona
- Ahumada, Ascensión, Janos, Manuel Benavides, Nuevo Casas Grandes, Ojinaga and Valle de Juárez in Chihuahua
- Presidio in Texas

Technical Assistance Approved under IBWC's Minute 294

In November of 1995, the United States and Mexico sections of the International Boundry and Water Commission (IBWC) reached an agreement under Minute 294, to assist border communities in developing facilities plans for wastewater infrastructure projects. All Minute 294 projects must ultimately comply with BECC certification and can be financed by institutions that require BECC certification. As of June of 1999, two Minute 294 projects have been certified and five more are being developed.

President Ernesto Zedillo, Sonora Governor Armando Lopez, Nogales Mayor Wenceslao Cola Montoya and National Water Comission Director Guillermo Guerrero at the inauguration ceremony of the Los Alisos Aqueduct in Nogales, Sonora, on March 5, 1999.

These projects are developed with funds from the U.S Enviromental Protection Agency (USEPA) administered by the U.S Section of the IBWC. Consultants from both sides of the border assist development of these projects. Minute 294 Technical Assistance approved since the implementation of this program is as follows:

City	Approved Technical Assistance (In millions of dollars)	Expected Date of Certification
Mexicali, B.C.	3.80	(Certified in December 1997)
Nogales, Son.	4.98	1999
Cd. Acuña, Coah.	2.75	1999
Piedras Negras, Coah.	2.17	1999
Nuevo Laredo, Tam.	1.34	1999
Reynosa, Tam.	2.79	(Certified in March 1998)
Matamoros Tam.	4.53	1999
TOTAL	22.36	



Community Participation and Outreach



Political involvement and community participation are determining factors that lead to fair environmental policies. It is possible to reach a balance between development... "and an environment that provides clean air, clean water, and safe natural resources...to overcome our shared challenges. During the three years that the Border Environment Cooperation Commission has been in operation, it has made significant progress in its organization to the satisfaction of everyone involved."

President Ernesto Zedillo
May 22, 1998 during visit to Ciudad Juarez

The Public Information and Participation section made significant progress during the course of 1998. Its organization was not only strengthened, its level was promoted to that of a department with Ricardo Castañón as its first director. These changes were required given the work dynamics and responsibilities it has regarding governmental relations, public participation, community outreach, public information and media relations.

Last year, BECC increased its public outreach efforts, strengthened community and institutional ties, and carried out comprehensive outreach and community actions, all of which resulted in an improved image and a greater public awareness of the organization's actions and programs.

In early 1999, a new government relations specialist, Myriam Cruz was hired to coordinate the commission's government, community relations, public outreach and special events such as Board public meetings.

During 1998, the Board of Directors held four regular public meetings and one special meeting, all with broad public participation by border communities.

Of particular significance was the consolidation of BECC's public participation processes. BECC's Public Participation officers, Gonzalo Bravo and Javier Torres guided these processes that have led to increasingly rooted social citizen awareness, strong environmental responsibility commitments and fully representative community steering committees.

These committees have undertaken the responsibility for defining and applying communication and outreach strategies, while building consensus concerning the projects in an open, non-partisan, and professional outreach framework. These participation methods have been recognized not only along the border, but also at the national and international levels.

During 1998, nine public participation processes were implemented, two on the Mexican side and seven in the United States. Close to half a million people received information regarding the projects being considered for certification. Additionally, three Community Steering Committees were established for the Valle Hermoso and Matamoros solid waste projects in Tamaulipas, and the sewage project in Berino, New Mexico. A total of fifteen community public meetings were held.

Another outstanding achievement was the establishment of a pilot program to address information needs of certified projects. With the support of Advisory Council member Josefina Guerrero, post-certification committees were created for the potable water project in Nogales and the solid waste project in Puerto Peñasco, both in the state of Sonora. The Committees are chaired by the mayors of the two communities and include two sub-committees: one to address public issues and one for technical matters. The committees involve all the key institutional players who work under the cooperative development and financing framework established by the BECC and the North American Development Bank (NADB).

The post-certification committees provide the communities

with the opportunity to receive updated material and information regarding sources of funding and project development progress. The NADB, the State Government of Sonora, and all the organizations involved have demonstrated their openness and willingness to establish innovative informational schemes, and deserve special recognition for their efforts. The results obtained by the Committees in Sonora have provided valuable precedence for establishing similar committees in other communities such as Mexicali, Baja California; Reynosa and Matamoros, Tamaulipas; Juarez, Chihuahua; and Heber and Brawley, California.

As part of its public information activities, several publications are also noteworthy, among them the 1997 Annual Report, monthly e-mail and regular mail notices with information on the new projects received by the Commission. These new activities complement other information pieces such as the BECCNews, which changed its distribution to a quarterly with an improved design and format. Production of a Quarterly Status Report has been continuous, with the latest issues being prepared jointly with the NADB to present the current projects' development and financial status. These joint outreach efforts also have included press releases.

Lastly, as part of BECC's public outreach activities, the Commission attended 29 national and international events, including: an Infrastructure Workshop for the Lower Valley in Weslaco, Texas; an Infrastructure Workshop for the Nuevo León Border; a Meeting for the Clean Up of the Magdalena River; the 1st Meeting of the Latin American Watershed Boards in Bogota, Colombia; the International

Round Table for the Management of Border Watersheds in Berlin, Germany; the Annual Meeting of Mexico's National Association of Water and Wastewater Companies (ANEAS); Infrastructure Development meetings for the Carbonifera and Cinco Manantiales Region in Coahuila; and the sponsorship and organization of management seminars for water and solid waste.

These actions are some of the most significant undertaken by the new Public Information and Participation Division. With its new structure, the BECC is able to address new mid-term challenges with improved planning. Some of the

challenges, where BECC presence and contributions will be important, include the daily application of sustainable development in varied activities, which now has begun to take form and become a reality. This initiative will be changed by a well-informed community, achieved through the use of widespread public processes that are all-inclusive and the shared commitment of all those involved. With its work, this new division at BECC is able to address the organization's long term vision with cutting-edge techniques for public participation and outreach and with effective institutional and community partnerships.



Community actions supported by the Border XXI Program, BECC and NADB, represent "efforts that encourage the achievement of a clean and sustainable border."

Julia Carabias during a visit to Ciudad Juarez on May 22, 1998.



"The U.S. Environmental Protection Agency's five-year partnership with BECC to develop quality, sustainable projects is yielding benefits for millions of border citizens and their communities – not only by advancing essential infrastructure, but by promoting the kind of public engagement in environmental decision-making that will make these projects viable in the long term."

Statement by EPA Administrator Carol Browner.

Sustainable Development

1998 Activities

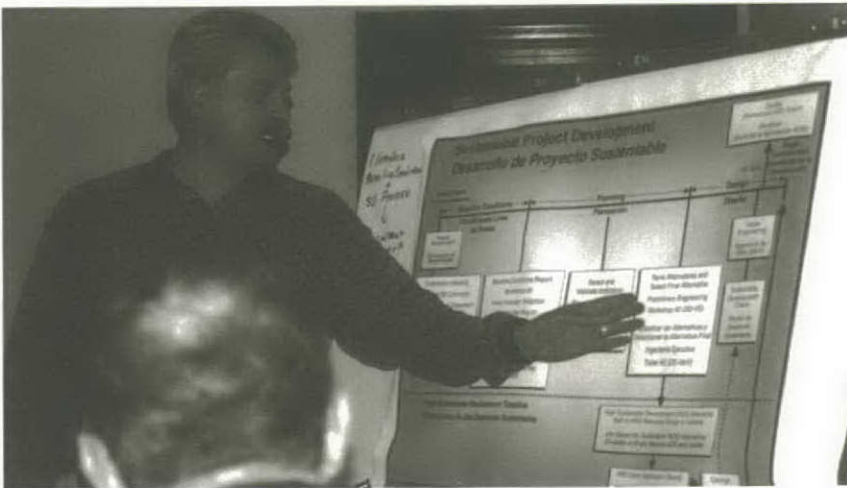
BECC's Sustainable Development (SD) Criteria was approved by the Board of Directors in September 1996. In 1998, all of the seven projects certified complied with the SD Criteria. The total estimated cost of these projects is \$270 million with a potential contribution of \$97 million in grants from different sources. These projects directly and indirectly contain SD principles such as water conservation, water pollution control, human health and environmental protection. All these projects contemplate sustainable user rate structures to support the projects for the long term.

In order to further promote sustainability along the border in BECC's priority areas of water, wastewater treatment, and solid waste management, BECC's High Sustainable Development Program established a High Sustainable Development

workgroup with representation from the Board of Directors, Advisory Council and Staff. The workgroup developed a cutting edge workplan that was approved by the Board of Directors in 1998.

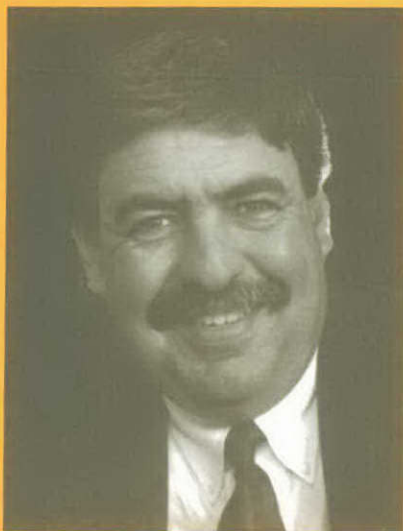
As part of the HSD workplan implementation, the following activities were undertaken in 1998:

- Development and implementation of a workshop on how to determine the sustainability of a project during development and review, attended by SEMARNAP, IBWC, and BECC staff.
- Development of a manual to provide BECC staff with a process for applying the sustainable development criteria.
- Review of value engineering applications to the principles of sustainable development.
- Partnered with EPA to conduct a Sustainable Development Conference held early 1999 in Brownsville, Texas. This conference was linked to the President's Council on Sustainable Development and the "National Town Meeting for a Sustainable America" conference held this past May, 1999.



Mr. Peter Silva, BECC Deputy General Manager, participates in the training course on sustainability given to the staff and members of the board of directors and advisory council.

Board of Directors



Ygnacio Garza

*Chairman
Partner, Long, Schilton, Payle, & Hardin
Brownsville, Texas*



Carol Browner

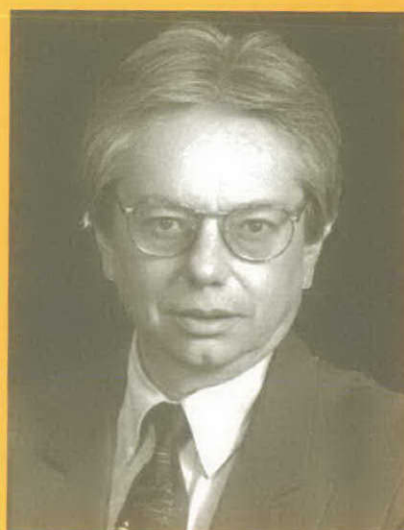
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Administrator
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United States



Julia Carabias

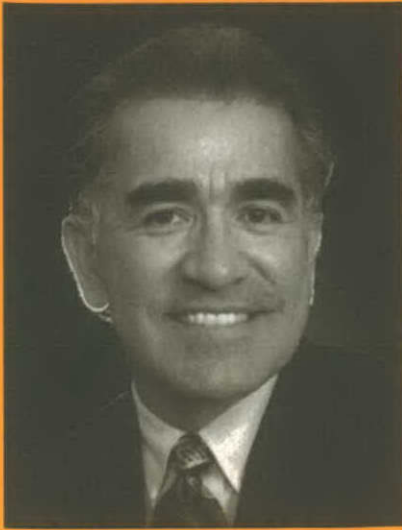
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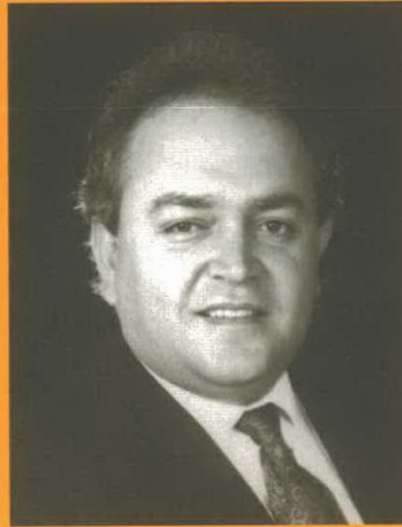
Lynda Taylor

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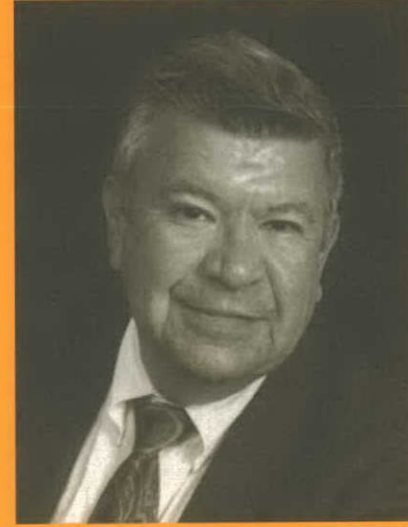
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Report of the Advisory Council



Co-chair Francisco Treviño, committed to BECC's public participation and sustainability on the border, addresses the Reynosa community on their comprehensive sanitary project

The work of the Advisory Council has focused on strengthening and guaranteeing broad and timely information regarding on-going projects, as well as demonstrating its benefits and impacts. This is also done in the context of requiring Sustainable Development in both the analysis and development of projects. During 1998, this Council actively participated in the discussion and application of these concepts that have strengthened the performance of this binational organization.

BECC's Sustainable Development initiative has received great support, since its application serves to improve the environment so that future generations achieve a better quality of life. By insisting that all projects consider this sustainable development review process, analysis of projects is done more in depth by taking into consideration potential secondary and tertiary environmental impacts on these communities.

In the past, impacts from economic growth were not linked with environmental impacts. Impacts such as increased traffic, urban sprawl and strained infrastructure were seen as a natural consequence of an increased economic base. Today, however, promoting and developing infrastructure in response to growth and/or environmental impacts alerts community leaders and citizens to the need to balance growth and environmental protection.

With increased local awareness, it is now more common for citizens to be concerned about the

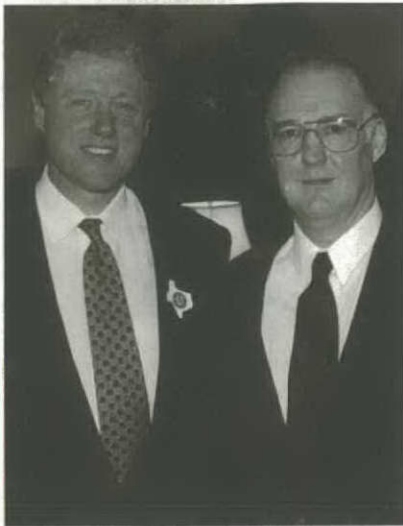
inability of natural resources, particularly the Rio Grande, to meet the demands of new agricultural, industrial, commercial and urban growth. Ideally, we should promote projects that contribute to the conservation and enhancement of the environment. This should be on everybody's mind when taking part in the analysis of future projects that ameliorate present and future environmental needs.

For the Advisory Council, one of the most important achievements in the previous year has been the promotion of public participation in the preparation, design, and analysis of infrastructure projects in local communities. This has generated considerable interest in communities that have presented projects for certification, as they comply with BECC's public information and participation requirements. We have observed that BECC has aroused citizen's consciousness regarding public health and its role in project analysis. Also, through reviews based on economic criteria and sustainable development, BECC projects receive a more balanced and comprehensive analysis.

The work of the Advisory Council also ensures that potential binational impacts are included in project analysis. The Council is able to work with communities on both sides of the border to assist them in addressing their potential transboundary issues. This is specially important where economic and development asymmetries of the two countries can create very

different capabilities for response and action.

We also wish to highlight that BECC, with the active participation of the Advisory Council, is working on monitoring and coordinating mechanisms and actions based on BECC and NADB cooperation in support of the development of environmental infrastructure in Mexican border states. This



Co-chair Travis Johnson appointed by President Clinton for another two year term on January 1999.

information and monitoring program was initiated on November 17, 1997, and features a coordinating mechanism that involves all three levels of government. The first State Environmental Infrastructure meeting was coordinated by BECC and the Sonora State Government with the participation of NADB, CNA, BANOBRAS, IBWC and all the border cities' Mayors.

Since this first meeting, state inter-agency committees have been

organized in other states with the participation of the Advisory Council, state and municipal authorities. These committees review new project proposals and monitor the development of current and certified projects. The committees have also helped design, plan and implement water and solid waste management training workshops.

The State Inter-Agency Committees were set up in Baja California, Sonora, and Chihuahua. Committees will be formalized with the new state authorities in Nuevo Leon and Tamaulipas, with the State of Coahuila soon to follow.

As a by-product of this State Inter-Agency mechanism, the Advisory Council is also coordinating with BECC staff in the development of a post-certification pilot program aimed at continued information dissemination and monitoring of project construction and operation. This new program started with committees for projects in Nogales and Puerto Peñasco, Sonora. These Committees have their own rules and include members from the community, institutional representation and are chaired by the Mayors. The Committees' objective is to provide information to the community about the status of the certified projects, as well as their construction, operation and maintenance on a continuous basis.

There is still a lot to be accomplished at BECC. The Advisory Council is entering, along with BECC, a consolidation stage. Besides its advisory role to the Board, the

Council plays an important role in ensuring communities have adequate information on proposed projects with broad, open and transparent public processes. Furthermore, the Council contributes to the general public awareness concerning BECC's policies and programs, sustainable development, and coordinating the efforts of communities and institutions for the benefit of border residents.

C. P. Francisco Treviño, Co-chair

Travis Johnson, Co-chair



Staff and Management

Javier Cabrera
General Manager

Peter Silva
Deputy General Manager

René Franco
Project Development Director

John Rangel
Director of Finance

Ricardo Castañón
*Public Information and
Participation Director*

Rita Ruvalcaba
Administrative Director

Donald Hobbs
General Counsel

Salvador López
Project Manager - Region # 1

Vacant
Project Manager - Region # 2

María Elena Giner
Project Manager - Region # 3

Bernardino Olague
Project Manager - Region # 4

Adolfo Urías
Project Manager - Region # 5

Laureano Alvarez
Environmental & S. D. Manager

María Appelzoller
Technical Assistance Manager

Edgardo Tovilla
Financial Review Manager

Ramón Peña
Information Systems Manager

Gonzalo Bravo
Public Participation Officer

Javier Torres
Public Participation Officer

Alfonso Zamora
Contract Officer

Myriam Cruz
Government Relations Specialist

Martha Holguin
Librarian

Edmundo Moreno
Information Systems Specialist

Cristina Iglesias
*Executive Assistant to the
General Manager*

Elva Hipolito
*Executive Assistant to the Deputy
General Manager*

Abril Quiroz
Administrative Contract Assistant

Michael Sena
Administrative Assistant

Gloria Meléndez
Accounting Assistant

Tessie Rosales
Databases Assistant

Martha López
*Project Development
Director Secretary*

Estela Jara
Finance Director Secretary

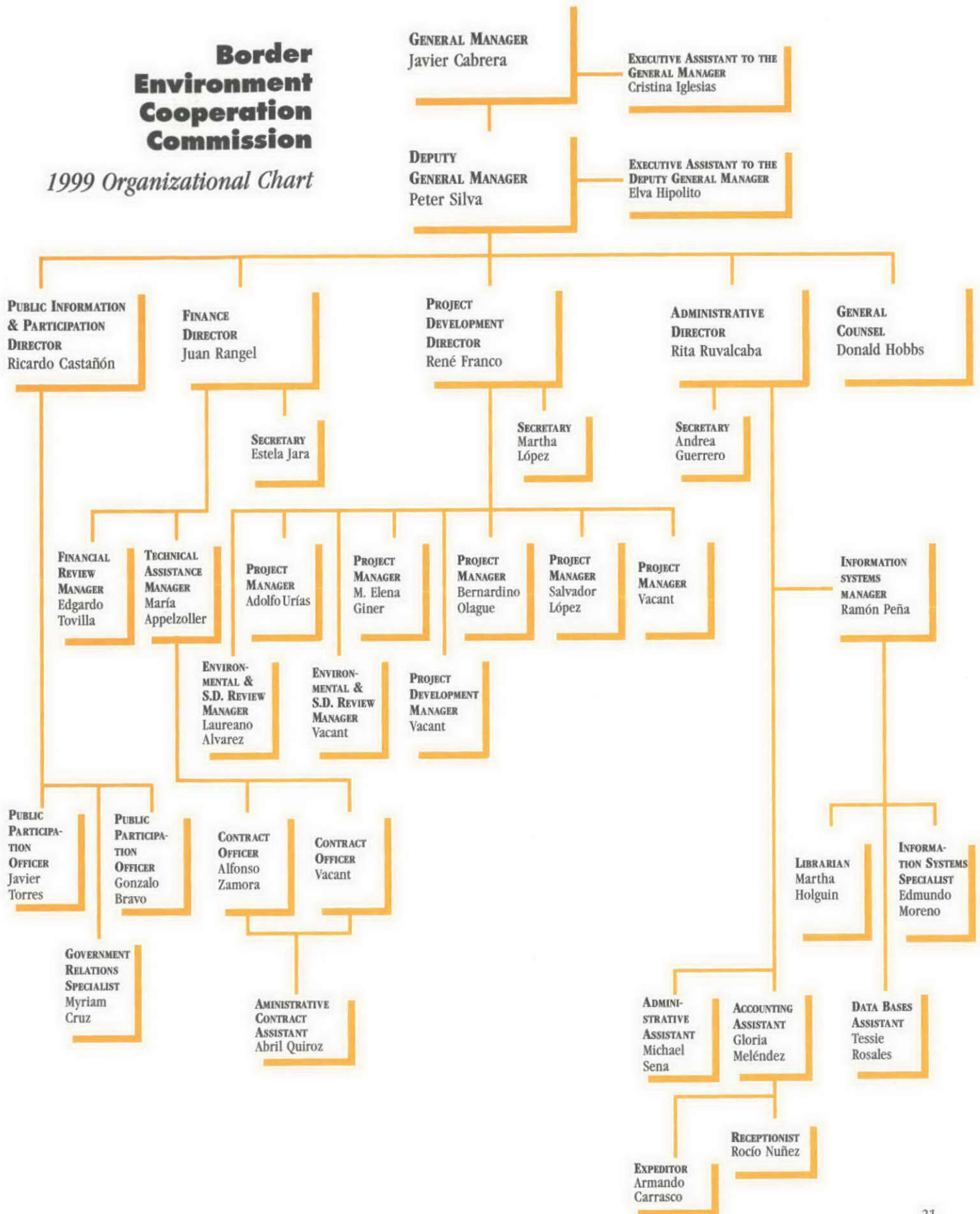
Andrea Guerrero
*Administrative Director
Secretary*

Rocío Nuñez
Receptionist

Armando Carrasco
Expediter

Border Environment Cooperation Commission

1999 Organizational Chart



**Managers'
Statement
Regarding the
1998 BECC Audit
and Financial
Statements**

The Agreement that created the BECC and the Rules of Procedures of the Board of Directors establish the need to employ an outside accounting firm to audit BECC financial statements in order to ensure the appropriate use of funds assigned by the parties for the fulfillment of BECC duties and functions. The 1998 Audit was conducted by the accounting firm BDO.

The accounting firm BDO found that 1998 financial statements accurately reflect in all major aspects the financial situation of the BECC as of December 31, 1998.

Additionally, the audit found that BECC operations conform to internal control standards, rules and procedures established for the different activities at the Commission, and as such, no comments were prepared regarding such operations.

*Ciudad Juarez, Chihuahua,
March, 1999.*



To the Board of Directors of the Border Environment Cooperation Commission

We have audited the accompanying balance sheets of the Border Environment Cooperation Commission, as of December 31, 1998 and 1997, and the related statements of the excess of the contributions over expenses and of changes in financial position for the years then ended. These financial statements are the responsibility of the management of the Border Environment Cooperation Commission. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As it is indicated in Note 1, the financial statements are prepared in U.S. Dollars; which is the functional currency of the Border Environment Cooperation Commission.

The accompanying financial statements were prepared in accordance with the accounting policies and practices indicated in Note 1, and therefore, the balance sheet and the related statements of the excess of the contributions over expenses and of changes in financial position are not intended to conform with the accounting principles generally accepted in Mexico.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Border Environment Cooperation Commission, as of December 31, 1998 and 1997, and the excess of the contributions over expenses and of changes in financial position for the years then ended, in conformity with generally accepted accounting principles in Mexico.

Such financial statements have been translated into English, solely for the convenience of non Spanish readers of the Board of Directors and management of the Border Environment Cooperation Commission.

HERNANDEZ LOZANO MARRON Y CIA, S.C.

A handwritten signature in dark ink, appearing to read 'Fausto Gallardo R.', written in a cursive style.

Fausto Gallardo R.

Ciudad Juarez, Chihuahua

March 8, 1999

Balance Sheets
As of December 31, 1998 and 1997
In U.S. Dollars

Assets	Notes	1998	1997
<i>Current Assets:</i>			
Cash (Includes Short-Term Investments, \$1,268,048 and \$1,264,067, in 1998 and 1997, respectively)	1,2	\$ 2,512,586	\$2,859,630
Accounts Receivable:			
Refundable Value-Added Tax-Collectible in Mexican Pesos		76,859	27,273
Others		71,311	14,956
<i>Total Accounts Receivable</i>		148,170	42,229
Prepaid Expenses		17,021	6,490
<i>Total Current Assets</i>		2,677,777	2,908,349
<i>Equipment:</i>			
Office Equipment		316,157	272,434
Computer Equipment		208,245	192,147
Transportation Equipment		50,325	50,325
<i>Total</i>		574,727	514,906
Less Accumulated Depreciation		285,128	196,790
<i>Total Equipment - Net</i>		289,599	318,116
<i>Total</i>		\$ 2,967,376	\$3,226,465
Liabilities and Contributions			
<i>Current Liabilities:</i>			
Accounts Payable	2	\$ 1,300,341	\$ 1,417,987
<i>Total Current Liabilities</i>		1,300,341	1,417,987
<i>Contributions:</i>			
Accumulated Excess of Contributions Over Expenses		1,808,478	1,945,635
Deficiency of the Contribution Over Expenses of the Year		(141,443)	(137,157)
<i>Total Contributions</i>		1,667,035	1,808,478
<i>Total</i>		\$ 2,967,376	\$ 3,226,465

See Accompanying Notes to Financial Statements.

Statements of the Excess of Contributions Over Expenses

For the Years Ended December 31, 1998 and 1997

In U.S. Dollars

	<i>Notes</i>	<i>1998</i>	<i>1997</i>
Revenues:	1		
From the United States of America		\$ 1,300,000	\$ 1,703,000
From the Estados Unidos Mexicanos		1,614,249	1,724,865
Interest Earned		69,126	54,233
Liabilities Cancellation of Prior Years Projects		293,578	
Others		58,026	27,947
<i>Total Revenues</i>		<u>3,334,979</u>	<u>3,510,045</u>
Expenses:			
Wages and Benefits		1,689,954	1,682,512
Per Diem and transportation		251,747	228,249
Technical Assistance		813,555	1,089,429
Public Meeting		48,852	26,820
Advisory Board Expenses		31,905	26,890
General Expenses		640,409	593,302
<i>Total Expenses</i>		<u>3,476,422</u>	<u>3,647,202</u>
 <i>Net Deficiency of Contributions Over Expenses</i>		 <u>\$ (141,443)</u>	 <u>\$ (137,157)</u>

See Accompanying Notes to Financial Statements.

Statements of Changes in Financial Position

For the Years Ended December 31, 1998 and 1997

In U.S. Dollars

	1998	1997
<i>Funds Used in Operations:</i>		
Deficiency of Contributions Over Expenses	\$ (141,443)	\$ (137,157)
Charges (Credit) to Operations Which did not Require Cash:		
Depreciation	88,338	82,312
 Total Used In Operations	 (53,105)	 (54,845)
 <i>Changes in Assets and Liabilities:</i>		
(Increase) Decrease in Accounts Receivables	(105,941)	15,465
(Increase) Decrease in Prepaid Expenses	(10,531)	820
(Increase) Decrease in Accounts Payable	(117,646)	712,017
 Total of Changes in Assets and Liabilities	 (234,118)	 728,302
 Total (Used in) From Operating Activities	 (287,223)	 673,457
 <i>Investing Activities:</i>		
Equipment	59,821	20,991
 (Decrease) Increase in Cash and Short-Term Investments	 (347,044)	 652,466
 <i>Cash and Short-Term Investments, at Beginning of Year</i>	 2,859,630	 2,207,164
 <i>Cash and Short-Term Investments, at End of Year</i>	 <u>\$ 2,512,586</u>	 <u>\$ 2,859,630</u>

See Accompanying Notes to Financial Statements.

Notes to Financial Statements

For the Years Ended December 31, 1998 and 1997

In U.S. Dollars

1. Summary of Significant Accounting Policies, Practices and Operations

Incorporation and Operations

The Border Environment Cooperation Commission was created as a result of an Agreement between the governments of Mexico and the United States signed in 1993. The main activity of the Commission consists of coordinating and developing environmental infrastructure projects along the U.S.-Mexico border region.

Under the provisions of that agreement, the Border Environment Cooperation Commission has full legal capacity to sign agreements, buy and sell real estate properties as well as to commence legal procedures. Also, its assets and contributions are tax exempt and are not liable for any payment, withholding of any tax or rights established.

Financial Statements Presentation

The Border Environment Cooperation Commission, is a Bi-National non-profit organization. The financial statements were prepared on the historical-cost basis of accounting and, therefore, do not recognize the effects of inflation on the financial information, consequently, the financial information is not intended to be prepared in accordance with accounting principles generally accepted in Mexico as such information is deemed irrelevant by the Board of Directors and Management.

Currency

The accounting records are maintained in Ciudad Juarez, Mexico, where the office of the Border Environment Cooperation Commission is located and the currency of City is the Mexican Peso; however, the Commission selected the Dollar as currency to keep the accounting record, because the main transaction and all contribution from both Governments are made in U.S. Dollar, therefore, the U.S. Dollar is considered the functional currency.

Short-Term Investments

The investments are stated at cost plus accrued interest and are shown as short-term investments when their maturity is less than three months. The interests are recorded as the investment maturity.

Contributions

Contributions from both Governments are recorded when then are received.

Equipment

Depreciation on equipment is computed on the straight-line method over the estimated useful life of the assets, at the following annual rates.

Office Equipment	10%
Transportation Equipment	20%
Computer Equipment	25%

Retirement Plan-Saving Fund

The Border Environment Cooperation Commission, established in 1995, a Defined Contribution Retirement Plan (401 A) retirement-plan saving fund with benefits covering all employees. This retirement plan meets the requirements of the U.S. Internal Revenue Code and is maintained by an independent insurance company. Contributions are made by both The Border Environment Cooperation Commission and the employee's and are remitted on a monthly basis to the insurance company. Contributions are based on a percentage of the salary earned by the employees. For the years ended December 31, 1998 and 1997, the contributions were \$124,733, by Border Environment Cooperation Commission and \$91,996, by the employees and \$102,774, by The Border Environment Cooperation Commission and \$94,003 by the employees respectively.

Any other payments to which employees may be entitled in the event of separation, disability, or death are charged to expenses of the year in which they are paid.

Foreign Currency Transactions and Exchange Gain or Losses

The exchange fluctuations arising from transactions in a currency other than the U.S. Dollars are recorded at the exchange rate at the date of the transaction. Foreign currency assets and liabilities are translated at the exchange rate in force at the balance sheet date.

2. Office Building Acquisition

As of December 31, 1998 and 1997, the cash accounts and accounts payable includes \$673,334, and \$600,328, respectively that the Mexican Government provided for acquisition of The Border Environment Cooperation Commission offices. Since October 1996, these funds are used to pay current office rent.

3. Commitments

The Border Environment Cooperation Commission, leases office space in Ciudad Juarez, Mexico, and the rental expenses for the years ended December 31, 1998 and 1997, were for \$89,194 and \$111,946 respectively. The lease agreement expired in March 16, 1999. The rents aforementioned were offset against the amount provided for by the Mexican Government to acquire the headquarters office. Please see Note 2.

On December 17, 1997, The Border Environment Cooperation Commission entered into a lease agreement for one year with the right to exercise a purchase option within the term of lease or at end of the agreement for the building in which The Border Environment Cooperation Commission, permanent office will be located. The 1999 amount of rent would amount to \$19,800, U.S. Dollars (from January through March), at the exchange rate of \$10.00, pesos per one U.S. Dollar. In the event that the devaluation of the Mexican Peso exceeds the 10%, the BECC and Landlord agree to share it a basis of 50% each. The purchase option of the building has been estimated at the amount of \$620,000, U.S. Dollars.

The Border Environment Cooperation Commission has established a technical assistance program to certify environmental projects, which in the event that they comply with the requirement established by The Border Environment Cooperation Commission and the Environmental Protection Agencies, (EPA) of the United States of America, these projects may be funded through an EPA fund of \$10,000,000 U.S. Dollars. The Border Environment Cooperation Commission, will review and submit to the EPA, those projects which qualify for this program.