Annual Report
2006: Year one of a new stage

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Introduction

The BECC….the NADB……

The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB) were established through an *"Agreement Between the Government of the United States of America and the Government of the United Mexican States concerning the Establishment of a Border Environment Cooperation Commission and a North American Development Bank"* (the BECC-NADB Charter), enacted in 1993 and amended through the November 2002 Protocol of Amendment, which took effect on 6 August 2004. The BECC-NADB system is responsible for providing technical and financial support for developing environmental infrastructure in the border region between the two countries.

The specific purpose of the BECC is to help preserve, protect and ameliorate the environment in the border area between the United States and Mexico, which is defined as the region located between 100 km north and 300 km south of the international boundary between the two countries. To this end, BECC was given the following functions:

(1) With their concurrence, assisting states and localities and other public entities and private investors in coordinating, preparing, developing, implementing and overseeing environmental infrastructure projects in the border region;

(2) Certifying, by a decision of its Board of Directors, environmental infrastructure projects in the border region to be submitted for financing to the NADB, or to other sources of financing that request such certification.

A project to be developed and financed by the BECC and the NADB is defined as one that "will prevent, control or reduce environmental pollutants or contaminants, improve the drinking water supply, or protect flora and fauna so as to improve human health, promote sustainable development, or contribute to a higher quality of life."

The priority sectors are:

- Water pollution
- Wastewater treatment
- Municipal solid waste
- Water conservation
- Industrial and hazardous waste
- Domestic hook-ups to water and wastewater systems
- Recycling and waste reduction

Through expansion, the following sectors have been added to those listed above, to provide greater coverage to border communities:

- Air quality
- Clean and efficient energy
- Public transportation
- Municipal planning and development, including water management

The BECC-NADB model is an innovative mechanism in the long history of collaboration between Mexico and the United States. One the one hand, it enables the areas of collaboration assigned within the two binational agencies to be carried out at an institutional level with specific, complementary tasks designed for a specific region. This makes it possible to focus, analyze, and meet environmental infrastructure needs on the border based on a multidisciplinary perspective that takes into account all relevant factors on both sides of the border.

This work model has also enabled the participation of agencies at all three levels of government and civil society organizations in both countries on projects offering long-term solutions.

Because of the mandate it has received and its specific characteristics, BECC is an agency with a strong public following. This enables it to sponsor specialized forums for analyzing and discussing the most important border environmental problems. Its mandate also allows BECC to exercise a management, information and negotiation role that brings together the efforts of different stakeholders and channels them toward a specific purpose.

Lastly, it should be stressed that due to the progress in their project development, certification, and financing process, BECC and NADB allow communities to implement the environmental solutions that have been identified and to follow up on those solutions notwithstanding changes imposed by local political calendars. In addition, regional strategic planning has been promoted through an intensive citizen participation process intended to encourage stakeholders to be aware of and analyze projects and their impacts on communities.

An example of the results attained is the fact that as of 31 December 2006, BECC had certified 115 environmental infrastructure projects, at an estimated total cost of approximately US$2.6 billion. Moreover, BECC has approved approximately US$32.7 million in technical assistance to support project development in more than 130 communities.

……and the Border

Understanding the BECC-NADB model requires a thorough familiarization with the physical, social, and cultural characteristics of the regional setting where they operate. The U.S.-Mexico border is more than 3,000 km long, stretching from the cities of San Diego-Tijuana, at the Pacific Ocean, to Brownsville-Matamoros, at the Gulf of Mexico. More than 20 million people live

along the border[1] in two nations and ten states, six of which are in the Republic of Mexico—Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, and Tamaulipas (with 214 municipalities)— and four in the United States: California, Arizona, New Mexico, and Texas (with 48 counties).

The North American Free Trade Agreement (NAFTA) ushered in a process of structural transformation and exchange throughout the region that forced border cities to face global competition. As a result, the flows of people, goods, and capital have quickly increased, turning many of the urban areas on the border into truly global cities. The manufacturing industry is a good example. More than 80% of Mexico's manufacturing industry is located in border cities in its six northern states.

According to a study by the Southwest Center for Environmental Research and Policy (SCERP),[2] border counties and municipalities have a population of 12 million, and this number is expected to double by 2020. This is one of the fastest growing regions in North America, especially the border's twin cities.

In many ways, the border is an area of contrasts and asymmetries, requiring special sensitivity on the part of residents and authorities alike, since these differences frequently distort the intended results of development policies.

Thus, for example, the southwest region is among the poorest on the U.S. side, even if the prosperous San Diego metropolitan area is included,……..whereas on the Mexican side, the border region has the highest indicators nationwide for gross domestic product and per capita income.

In addition, real gross domestic product (GDP) for the Mexican border states grew 56.56% from 1993 to 2004 compared with 30.29% for the rest of the country. Mexico's six northern border states alone accounted for 24.7% of the country's aggregate GDP in 2004.

Moreover, on the U.S. side of the border, from 1990 to 2004, the Rio Grande Valley had a higher employment growth rate than did Mexico, Texas, or the United States overall. [3]

Total industrial output in the U.S.-Mexico border region is approximately US$143 billion per year. Much of this output comes from Mexico's maquiladora industry, which employs more than 900,000 people in assembly activities along the Mexican border. The electronics manufacturing sector accounts for 32% of all maquiladora employment, making electronics Mexico's most important sector. For its part, the transportation industry rivals the maquiladora industry and is

[1] For the purposes of the mandate of the Border Environment Cooperation Commission and the North American Development Bank, the border region is defined as the area within 100 km north and 300 km south of the shared border.

[2] The SCERP is composed of a consortium of American and Mexican universities that do research and disseminate information on environmental issues in the U.S.-Mexico border region. Website: www.scerp.org

[3] Aguilar B., Ismael. "Cátedra de Investigación Económica de la Frontera Norte." Instituto de Estudios Superiores de Monterrey. División Académica de Administración y Finanzas. Campus Monterrey, Nuevo León. January 2007.

cited as the second most important source of employment and economic growth in Mexico's border region.[4]

The fact that US$40 billion worth of products cross the border solely at El Paso-Cd. Juárez each year underscores the region's economic vitality.[5]

Despite the successes in economic development, current infrastructure is insufficient to meet this growing population's demand for services and to support bilateral trade on the border. Meeting the challenges posed by immigration and the demand for education, water, transportation, and border security will require, at a minimum, maintaining a consistently constant rate of investment in all of these areas.[6]

The environmental scenario is, in contrast, highly vulnerable. The lack of financial resources for infrastructure along with existing poverty levels have led to a deterioration in the quality of surface and underground waters. Compounding this problem is the failure to meet existing wastewater needs and the consequent discharges of raw wastewater.

The region known as El Paso del Norte, which comprises Ciudad Juárez, Chihuahua; El Paso, Texas; and Doña Ana County, New Mexico, is an example of a highly vulnerable binational watershed. This is particularly noticeable in water quality, the overexploitation of a shared aquifer (Hueco Bolsón), ecosystemic fragility, and socioeconomic development activities that require large amounts of infrastructure investments and water.[7]

Similarly, the persistence of air pollution problems is caused by suspended particulates from mobile sources, especially by a large vehicle fleet in poor condition, whose growth is spurred by substandard urban mass transit systems. As a result, many communities are unable to comply with air quality standards, leading to an increase in respiratory illnesses and a consequent general worsening of human health.[8]

According to government health data, in the cities of Mexicali, Nogales, and Ciudad Juárez in 2003, diarrheal diseases were among the primary causes of infant mortality and the second-leading cause of death among the general population, with much higher rates than those in cities across the border. Studies conducted in the Texas-Mexico border area indicate that drinking

4 Erin M Ward, Director, U.S.-Mexico Border Outreach and Project Coordination. Center for Latin American and Border Studies (CLABS). Box 30001, Las Cruces, NM 88003-8001. Sources: INEGI, U.S. Federal Reserve, and New Mexico State University.

5 Data provided by U.S. Assistant Secretary of Commerce David Bohigian, at a meeting with the Group of Binational Coordination for Commercial Security at the Border, Cd. Juárez, 16 January 2007.

6 See the proceedings of the conference "Framing the Future: Tomorrow's Border Economy." Robert W. Gilmer, Keith Phillips, Jesus Cane, Roberto Coronado (comp.). Federal Reserve Bank of Dallas. 2005. In early December 2004, some 175 persons attended a conference in El Paso, Texas, on issues related to the U.S.-Mexico border. The conference was hosted by the El Paso and San Antonio branches of the Federal Reserve Bank of Dallas in conjunction with the University of Texas at Brownsville. The focus of the conference was how recent global economic trends and trade patterns and post-9/11 security issues have reshaped the U.S.-Mexico border.

7 Vulnerability of Borderland Water Resources: Developing Indicators for Selected Watersheds on the US-Mexico Border — The El Paso del Norte Region. SCERP Project Number: W-03-02.

8 See Executive Summary. Conclusions and recommendations of the Third Border Institute of SCERP. San Diego University Press, 2003, pp. 13-15.

water sources and inefficient excreta disposal are risk factors for infectious diseases such as *Cryptosporidium parvum* and hepatitis.[9]

Moreover, it is clear that current border policies do not contain wastewater spills, and that air pollution can spread to neighboring communities and toxic pollutants can seep into the subsoil, generating environmental health risks. Transmittable diseases such as microscopic infectious organisms often defeat the most sophisticated border-control technologies. Border communities and authorities are increasingly aware of this reality and of the need to promote greater cooperation on public health. The establishment in 2000 of the United States-Mexico Border Health Commission shows the degree to which authorities are aware of these issues.[10]

Despite the efforts of both federal governments, the two regions have received insufficient local financial resources to meet the growing demands of their border communities. Moreover, although NAFTA has led to ongoing trade growth in both nations, which has provided an important boost for both domestic economies and spurred economic growth on the border, this growth has not brought the expected prosperity and development to the region.[11]

In response to the enormity of the problems in the region, the BECC-NADB model offers an option that has already produced important results, despite the initial sluggishness of the process. For example, from 1995 to 2005, in the 100 km area on the Mexican side, drinking water coverage increased from 91% to 96%; sewage coverage from 70% to 86%; and wastewater coverage from 31% to 80%.

These figures contrast with the situation in the next 200 km, covered by the regional expansion on the Mexican side: only 64% of the streets have some sort of pavement and 70% of the Mexican cities are covered with wastewater treatment.[12]

In recent years, border communities in the two countries have established important mechanisms for collaboration. The most noteworthy of these mechanisms address needs for cooperation on infrastructure (international bridges, transport, etc.), the environment (sewage treatment plants, air pollution, etc.), and public services (firefighters, water, etc.). Nevertheless, it should be stressed that such on-the-ground cooperation has faced complex legal hurdles inasmuch as the Mexican Constitution bars municipalities from establishing international collaboration or commitment instruments.[13]

[9] See Integrated Policy Approach Needed to Reduce Risk, Conflict at US.-Mexico Border. Sink or Swim: Environment, Health Sectors Part of Water Solution. Urinda Alamo and Enrique Cifuentes, IRC Americas, July 2005.
[10] See Julie Collins-Dogrul, Managing US-Mexico "border health": An organizational field approach, Social Science & Medicine (2006), doi:10.1016/j.socscimed.2006.07.031.
[11] Ibid.
[12] BECC-COCEF.
[13]See Diagnóstico Integral de la Frontera Norte: Una perspectiva regional, microregional y temática, in the Introduction and the chapter titled "Desarrollo Social." This e-document was drafted by El Colegio de la Frontera Norte and the Secretaría de Gobernación (Ministry of the Interior) (2002).

Experience and change

Maintaining an experience in place because of the usefulness of that experience can be as detrimental as changing for the sake of change. Likewise, thinking without acting can be as counterproductive as acting without thinking things through, or without thinking them through sufficiently. The BECC-NADB model faced this dilemma, which is inherent to any living organism, as it approached the tenth of anniversary its establishment. Although still a young institution, BECC had learned from an important number of experiences on the path to certifying and financing its first 100 projects. Its balance sheet included acknowledgments and successes, complaints and inefficiencies.

In the two-year period from 2002 to 2004, various stakeholders directly or indirectly involved in the BECC and NADB's work, and led by the two governments, took part in an intense process of analysis, discussion, and tabling of proposals. The task was not an easy one. The wealth of ideas generated by and the complexity of the institutions, the diversity of approaches, and the high degree of interaction generated by both institutions with the communities, by specialized agencies, and by the three levels of government in both countries produced a very broad range of proposals and counterproposals. Lastly, as normally occurs with processes of reflection and debate in societies open to participation, the range of proposals grew and evolved until reaching the delicate point at which a decision had to be made on whether to maintain existing experiences or incorporate new work methods.

As a result of this process, the Protocol of Amendment to the Charter establishing the BECC and NADB was enacted and went into force in August 2004. It contained the new proposals to reorganize the two institutions and increase their efficiency while revising criteria and procedures and updating management tools and the mechanisms for coordination between the them.

By early 2006, the institutions were ready to implement the innovations to the BECC-NADB model agreed on by the U.S. and Mexican governments. A single Board of Directors for the BECC and the NADB was established and the geographic area covered was increased to 300 km on the Mexican side of the border.

In terms of operations, something that had proven difficult to implement, despite the obvious need for doing so, was carried out: the redesigning of the project cycle in order for the certification of a project and the final approval of its financing to occur at the same time. Similarly, new policies and strategies were established to provide incentives for private sector participation in developing environmental projects and the criteria for project certification by BECC were updated to facilitate the development of projects in general and, in particular, that of projects in such sectors as air quality, hazardous waste, and clean energy.

Other important innovations introduced in 2006 include:

(a) Greater Support for the United States-Mexico Border 2012 Environmental Program

BECC increased its participation in the United States-Mexico Environmental Program: Border 2012, providing greater logistical support for events organized under this Program by various agencies and social actors. At the same time, and with the backing of the United States Environmental Protection Agency (EPA) and Mexico's Secretariat of the Environment and Natural Resources (SEMARNAT), BECC assumed direct responsibility for managing some

financial resources earmarked for projects identified in the Program's objectives and goals. Hence, more than US$1 million was approved for nearly 20 projects related to such issues as the used-tire disposal, water, soil, air, environmental health, and emergency preparedness. Another important area of BECC participation was the formulation of environmental and health indicators to measure the impact of infrastructure projects on those sectors.

(b) Updating of Certification Criteria

BECC updated its Project Certification Criteria, adopted originally in 1996, to ensure a basic level of consistency with the amendments to the Charter. Hence, it established criteria to promote project development in new environmental infrastructure sectors; facilitate private sector participation in this effort; provide incentives for projects with the greatest community impact; and encourage new, efficient practices in project-development and -certification processes. The new criteria were submitted to public consultation in November 2006 and are expected to be approved in early 2007.

(c) Institutional Efficiencies and Planning

As per the amendments to the Charter and in line with policies designed by both governments to implement those amendments, BECC carried out an intense effort to redesign its internal procedures and make its organizational structures more efficient. To this end, functions were regrouped, with the twofold purpose of making better use the staff's capabilities and optimizing financial resources. This is expected to provide greater impetus to high-priority areas. The result has been an 11% reduction in payroll expenses, while technical assistance funds have increased from US$1.14 to US$1.75 million.

In addition, regional planning concepts and tools have been adopted. This should not only improve the BECC's ability to respond to infrastructure needs on the border but it should also make it possible for local and state governments as well as the private sector to better plan and sequence work and efforts intended to improve the quality of the environment in this region.

(d) Implementation of the Electronic Format

Continuing with its policy of availing itself of more efficient channels for disseminating information, BECC will now distribute its annual report in two formats: a printed version with a general summary of the BECC's actions in 2006 and an electronic version with a more detailed description of and more in-depth information on these actions.

First Meeting of the Board of Directors

Against this backdrop of innovation, the first meeting of the new single Board of Directors of BECC and NADB was held on 21 June 2006 in San Antonio, Texas. Each country is represented by three federal agencies, one border state representative, and one border public representative. For the first time, Mexico's Ministry of Foreign Affairs and the U.S. State Department took part directly as Board members. Also for the first time, the Board certified a project in the new 300-km area: the expansion of the treated wastewater distribution system Monterrey, Nuevo León.

Project Certification

In 2006, BECC concluded the development stage of and issued certification for 10 projects, worth an approximate investment of US$261 million. Of the ten projects, five addressed air

quality by providing street-paving; four will provide sanitation and treated wastewater conveyance; and one is related to municipal solid waste management.

Technical Assistance.
Regarding technical assistance, in 2006 BECC approved approximately US$2,049,000.00 in technical assistance for the development of 28 projects in 25 communities. These funds were used for environmental impact assessments, preliminary projects, final design projects, and community participation processes, among others purposes.

I. Strategic Planning and Efficiency

As part of the changes implemented in 2006, the Department of Quality Assurance, Information Systems and Strategic Planning was transformed into the Department of Planning and Technical Assistance. In addition, the Technical Assistance Department was merged into this new department, which is responsible for coordinating BECC contacts, and part of the Systems Department was transferred to the Communications Department. The new areas for which the Department of Planning and Strategic Assistance is responsible are the development and implementation of strategic initiatives within BECC (most notably, the Balanced Scorecard [BSC]; project monitoring and technical-document standardization); the management of the Quality Management System (QMS); regional-planning initiatives; the complete management of projects identified by the Border 2012 Program; and the administration of grant funds.

Its structure, staff, and specific objectives make the Planning and Technical Assistance Department an agent for change at BECC and a factor in favor of its ongoing improvement. The programs administrated by this Department are described below, in particular the new strategic initiatives.

Quality Management System (QMS)

Based on the 2006 Strategic Plan, BECC updated the objectives of the QMS in accordance with the Seventh Strategic Goal (*Institutions capable of spearheading the Border strategic plan*) and its three strategic objectives, as described below:

Strategic Objectives	New Objectives of the QMS
1. Identify and implement effective environmental infrastructure projects	1. Weekly reviews of the Project Management Information System (PMIS) by the Project Managers and Project Engineers, semimonthly reviews by the Directors, and monthly reviews by the General Manager 2. Preparation of eight projects for certification per year 3. Identification of five “effective administration" practices models (one per project sector) 4. Increased participation in public forums related to border environmental issues
2. Identify and facilitate strategic initiatives, projects, and special programs	1. Development of at least one regional environmental infrastructure plan (stakeholder acceptance, program and need) per border state 2. Development of an institutional strengthening strategy (stakeholder acceptance, program and need) for at least one community per state
	1. Revision and updating of the key processes (certification criteria,

3. Achieve operational excellence	standardized BECC-NADB operational procedures, PMPM, Strategic Plan) 2. Provision of training opportunities at least four times a year 3. Implementation of the current programs in fulfillment of the agreements or terms thereof (indicators: audits, customer satisfaction, acceptance) 4. Revision and auditing of the QMS as required 5. Development of at least one new PBB tool to improve personnel management in each operations area 6. Identification/securing of at least one new funding source 7. Documentation of high-quality staff performance (at least once a year for each staff member)

The following routine QMS activities throughout 2006 stand out:

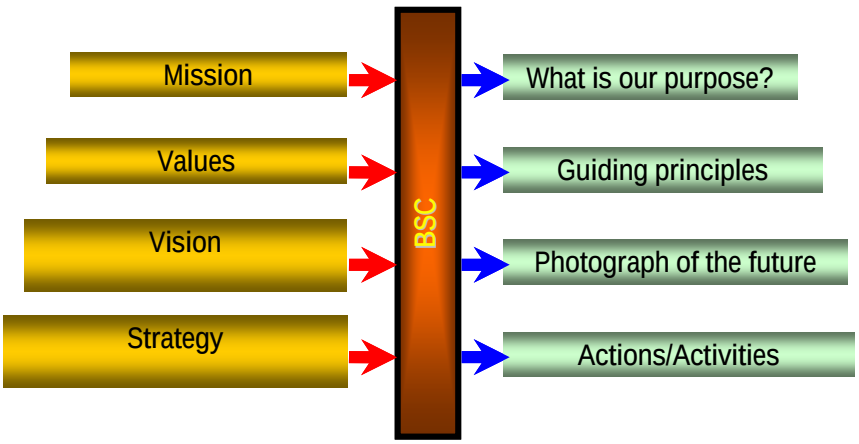
- Monthly internal audits of the PMIS
- Two internal audit cycles of the QMS, as required by ISO 9000 standards, from 15 to 24 March and from 28 August to 13 September
- Two monitoring surveillance audits with the external auditor of American Quality Assessors - Mexico (AQA), on 27 April and 13 October

Balanced Scorecard

The Balanced Scorecard (BSC) is a modern management method for measuring an organization's performance parameters. It helps monitor the fulfillment of strategic objectives, expenses, costs, productivity, customer satisfaction, internal processes, employee motivation, and training.

In November 2006, a BSC seminar was given at the BECC by José Raymundo Von Bertrab, a specialist from the *Instituto Tecnológico de Estudios Superiores de Monterrey* (ITESM). At the seminar, the Commission's strategic objectives were determined, in terms of who will help meet those objectives, what role those persons will play, how the objectives will be gauged and measured, for how long, and what actions will be taken; in addition, the objectives were tailored to ensure effective monitoring and evaluation.

Hence, the BSC translates the organization's vision, values, mission, and strategy into indicators that make it possible to determine the degree of progress in fulfilling the strategic objectives.



The implementation of the BSC at the BECC has included the following elements:

- A strategy map, in which the strategic objectives are broken down into four perspectives, which allows the strategy to be clarified and the cause-effect relationships among the objectives to be highlighted
- Strategic objectives, identified and interconnected by cause-effect relationships on the strategy map
- Quantifiable indicators (measurements), intended mainly to ensure that the strategic objectives are developed and that the changes called for in them may be monitored, evaluated, and adjusted
- Strategic initiatives, which are the actual changes described by the strategic objectives

The BECC's BSC is consistent with four perspectives:

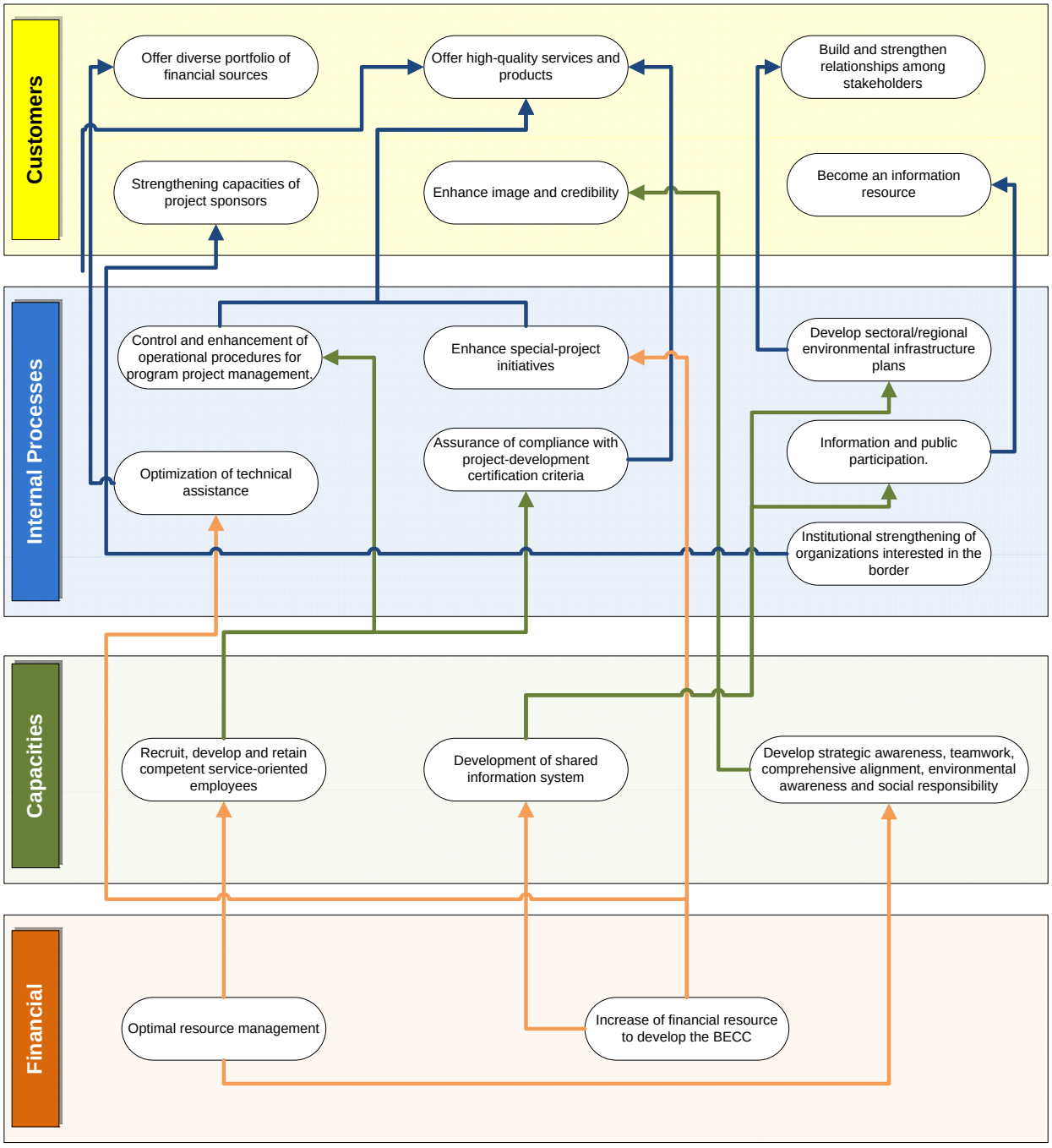
- Customer Perspective: Measurements of factors that directly impact customers and customer satisfaction (e.g., survey results, ranking regarding other, similar entities on the border)
- Internal Process Perspective: Measurements that reflect the organization's performance of key processes (e.g., execution times)
- Learning, Innovation and Growth Perspective: Measurements that indicate the organization's learning curve (e.g., number of suggestions from employees, hours of training)
- Financial Perspective. Measurements that reflect financial performance, in accordance with the recognition that this element is fundamental for the success of the organization (e.g., cash flow and return on investment)

The BECC's BSC contains 18 strategic objectives and 48 performance indicators; 15 of the performance indicators (corresponding to 11 strategic objectives) were selected in a prioritization process and will be carried out in 2007 (see related chart). Importantly, the objectives of the QMS are perfectly attuned to the objectives and indicators of the BSC.

Much of the benefit of the BSC stems from the method of implementing it, which makes the strategy an ongoing process, guides the entire organization in carrying out the strategy, and promotes making the strategy the objective of the entire staff, day in and day out. Strategy constitutes the core of the BSC.

Strategy Map

General Objective:
Protect, Conserve and Improve Human Health and the Environment in the Border Region



Project Monitoring

To optimize resource use and improve budgetary control in project design, BECC created a catalogue of needs describing the number of man-hours required per project developed. The activities of each stage of project development were broken down and it was concluded that a typical water or wastewater project, from planning to certification, requires 1,111 man-hours. The breakdown of the man-hour budget by stage of the process is given in the following table:

Breakdown of man-hour budget by stage of the process

Stage of the Process	Total
Application/RAP	139
Technical Assistance	152
Planning	159
Final Design Project	317
Federal EIS	62
State EIS	48
EID	70
Public Participation	165
Total	1,111

The establishment of man-hour project budgets will make it possible to accurately monitor projects, to gauge progress at each stage, and to generate reports with updated information.

Information Standardization

The standardization initiative involves a complete redesigning of the methods for preparing and storing various documents BECC produces in its project certification and development processes. The initiative simplifies operational procedures and records all numeric and conceptual information from the technical reports in predefined cells of SQL databases (as opposed to traditional graphs and word-processor texts); this will, in turn, simplify information management, significantly increasing the quality and accuracy of documents produced and expediting report preparation.

In 2006 the procedures related to the Project Application and Rapid Assessment Process were standardized, and BECC will continue with this effort in 2007 in order to incorporate the BECC's remaining operational and administrative procedures.

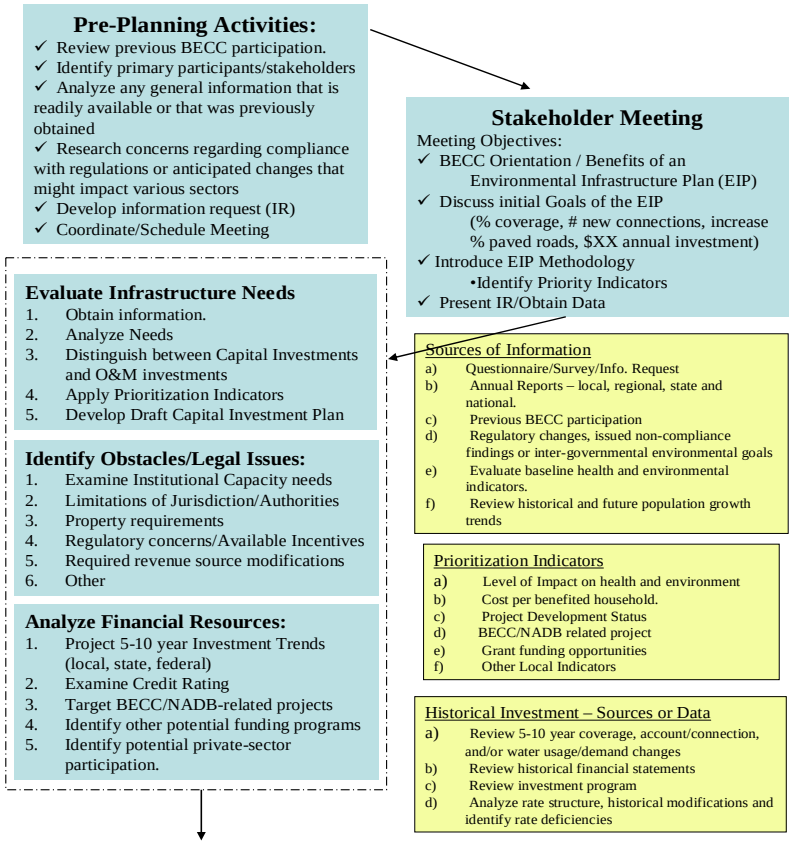
Regional Planning

The BECC has undertaken a regional planning effort along the border to identify existing environmental problems and develop strategies for successful implementation of projects that will address environmental needs and help meet the challenges posed by demographic growth. The ultimate objective of regional planning is to identify projects, including implementation strategies and costs, that will make it possible to achieve 100% drinking water, wastewater, sewerage, and solid waste infrastructure coverage.

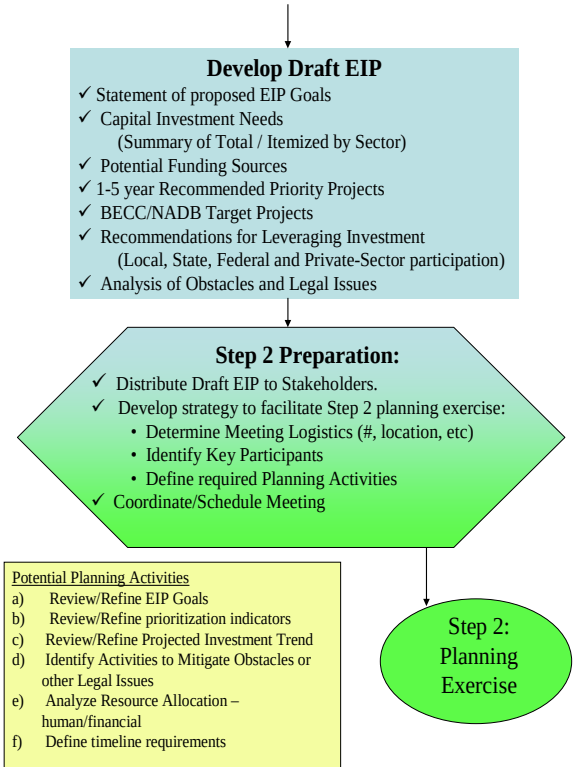
The elements of the regional plans and its execution stages are described below:

Step 1: Develop the Decision-Making Tool

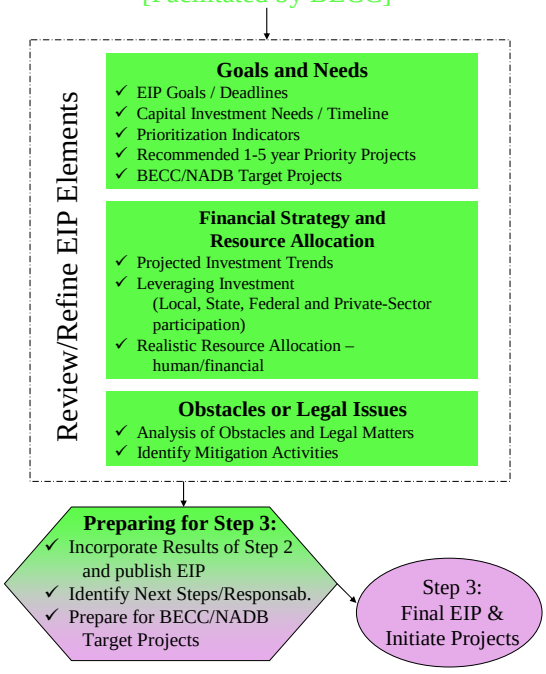
[BECC-led Activity]

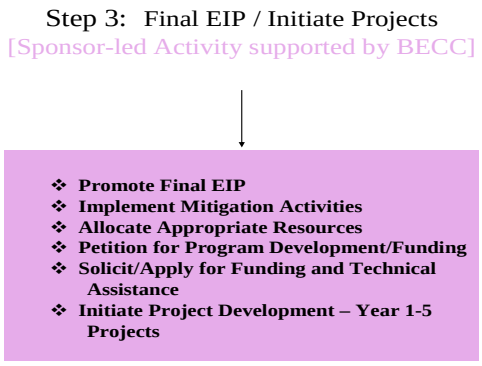


Step 1: Develop the Decision-Making Tool (Continued)



Step 2: Planning Exercise with Stakeholders [Facilitated by BECC]





Glossary

Project Management Procedures Manual (PMPM)
Performance Based Budget (PBB)
Quality Management System (SGC)
Balanced Score Card (BSC)
Project Management Information System (PMIS)

a. Needs Assessment: The first stage of regional planning involved utilities and regional governments, with whom work meetings were held, and consisted of identifying short-, medium- and long-term needs. The main objective of this stage was to identify existing needs in border communities; once these needs have been identified, the validation, analysis, prioritization, programmatic certification, study development, financing and construction stages will be carried out.

To identify current needs and to have a complete overview of environmental infrastructure, the following critical information was gathered:

- Inventory of environmental infrastructure (determination of what information exists and how the system is structured —this information is important for finding ways to optimize the operation and performance of existing infrastructure)
- Coverage of drinking water, wastewater, sewerage and solid waste infrastructure (this effort began with the questionnaires applied in April 2006)
- Population growth rates (to determine if utilities are effectively using their resources to address the issue of population growth)
- List of scheduled work, including costs, for 2007 and 2008 (short-term)
- Projects identified for implementation in the medium-term (2009-2012)
- Investments made in the last three years (measurement of the impact of project infrastructure implementation and utilities' capacity to implement projects)
- Annual budgets for project-related work and maintenance
- Basic performance indicators (operational aspects and technical capacity)

The information obtained will be incorporated into a database; in turn, the database will allow for also incorporating the information into a georeferenced system during the analysis stage.

b. Validation: Once short-, medium- and long-term needs have been identified, the process of validating the information gathered will begin. This process is particularly important in that it makes it possible to determine if the information gathered is truly consistent and to ensure that it was gathered under conditions that in fact conform to established parameters. The process also makes it possible to determine if the techniques applied have led to distortions or omissions that affected the outcome. Hence, the information is validated with official figures from Mexico's National Institute of Statistics, Geography and Informatics (INEGI), National Population Council (CONAPO), and National Water Commission (CNA). Any inconsistencies found in the data are analyzed directly with the utilities.

c. Assessment and Analysis: The assessment and analysis stage is of the utmost importance for regional planning and gives the BECC the opportunity to add value to the information obtained. The fundamental purpose of this stage is to leverage the experiences of border communities and state governments, and BECC's close contact with them, so as to incorporate new proposals that will strengthen the projects and ensure that they provide the greatest benefit to communities and effectively help meet needs in the border area.

Once the information has been validated, it will be analyzed, in order to:

- obtain generic project costs (through the use of index costs);
- prioritize projects so as to determine: evaluation parameters —priority sectors, tasks with the highest cost-benefit, reliability, operating and maintenance costs, implementation time, environmental benefit, etc.);
- identify programs that make it possible to support work implementation (projects eligible for BEIF, Habitat, etc.);
- change the focus of projects so as to obtain the greatest benefit per amount invested;
- generate a proposal for new projects and initiatives to solve existing problems by utilizing similar experiences from other border cities;
- incorporate a prevention-based perspective (timely-maintenance programs and wastewater reuse projects, allowing the expansion of water and wastewater treatment plants to be postponed);
- incorporate a geographic information system (through the Universidad Autónoma de Ciudad Juárez [UACJ]);
- bring environmental infrastructure proposals in line with existing urban-development plans in each locality.

This analysis will lead to more precise and comprehensive proposals, which will include cost, environmental benefit, implementation time, and possible funding sources, among other elements.

d. Prioritization: The next step in this process is particularly sensitive in that it entails prioritizing projects based not only on their impact on the environment and the well-being of the communities but also on their capacity to effectively be executed in accordance with state government programs. This requires working very closely with state governments to allow their agencies to better budget available financial resources and thus support tasks identified as high priority.

To this end, prioritization workshops will be held, and state entities responsible for environmental infrastructure (the Ministry of Urban Development, the Finance Ministry, the Ministry of the Environment, utilities, etc.) will be invited. At the workshops, the results of the efforts to identify needs, validate methodology, and assess and analyze priorities, as well as a preliminary roster of proposed projects, will be presented. Each workshop should produce a matrix with short-, medium- and long-term tasks. The resulting information will be the cornerstone of the regional border plan.

e. Regional Plans: For the preparation of regional plans, the following table of contents will be used as a guideline:

- Description
- Communities
- Current situation (performance and service indicators)
- Validation and prioritization methodology
- Projects scheduled in 2007
- Projects scheduled for the medium term
- Projects scheduled for the long term
- Cost analysis
- Opportunities and threats
- Conclusions

f. Citizen Participation: In accordance with community consultation and public information principles, regional plans will be posted on the BECC's webpage for public comment; similarly, regional planning forums will be held for the presentation of regional plans.

g. Programmatic Certification: Once a regional plan has been drawn up, programmatic certification will be considered; that is, groups of projects will be submitted for certification under a common strategy, rather than having each project certified individually. This methodology, to be implemented by BECC and NADB, offers clear advantages: the reduced time required to attend to a series of identified projects; the possibility of opening credit lines for individual programs and not necessarily for individual projects; the possibility of automatically accessing loans as project stages are completed and conditions are fulfilled; and the fact that these programs are part of broader state programs and hence involve all relevant stakeholders from the outset.

Technical Assistance

The BECC's Technical Assistance Program has been an innovative and significant element of the two institutions' model. It was designed to avoid the repetition of past experiences, in which funds were provided for projects to be carried out but the means for seeing the project through to completion were lacking. Thanks to the grant funds provided by the BECC program and the technical support offered to border communities, these communities have been able to ensure that their projects are effectively completed. The principal areas eligible to receive BECC technical assistance include planning studies, preliminary projects, environmental impact studies, community participation activities, and final design, including value engineering.

The BECC receives funding for its Technical Assistance Program from two sources: the Project Development Assistance Program (PDAP) and its operating budget.

By far most Technical Assistance funds granted by BECC come from the PDAP, which was established in 1997. In turn, the PDAP is funded with EPA resources and its aim is exclusively to assist water and wastewater projects that address the most severe human and environmental health conditions in the border region. Hence, a prioritization process was established to allocate the limited available resources to water and wastewater projects effectively eligible to receive funds from the PDAP and the Border Environment Infrastructure Fund (BEIF), which is managed by the NADB and also funded by the EPA.

Regarding its operating funds, BECC has been given access to a limited amount of discretionary budgetary funds to support the development and certification of projects not eligible for funding from other sources but that nonetheless must be carried out because of their community impact and critical importance. The amount of these budgetary funds has varied greatly. Whereas in 2005 BECC had no funding to support project development, in 2006 the SEMARNAT increased its contribution to BECC's operating budget. This made it possible to allocate US$350,000 for technical assistance, and these funds began to be disbursed in 2006.

In June 2006, the BECC and NADB's Board of Directors approved the creation of a Special Technical Assistance Program to support the development of projects that are not eligible to receive PDAP resources or that are intended to address solid waste issues as well as the sectors served through the BECC's expansion. This new program was originally funded with a US$1.14 million technical assistance reserve from the 2006 operating budget, which was subsequently increased to US$1.7 million with savings from FY2006. These funds will be used to support project development for three years beginning in 2007.

During 2006, the BECC's Technical Assistance Department administrated 79 contracts with a total value of US$4.1 million. These contracts were for services related to developing projects for water and wastewater infrastructure and sanitary landfills, as well as special contracts for used tire cleanup and recycling, air quality studies, street paving, solid waste management, and direct support for the Border 2012 Program. The Technical Assistance Department is also responsible for drafting contracts for the procurement of goods and services required in BECC's daily operations.

The following chart lists projects that are candidates for certification and for which technical assistance funds were allocated in 2006:

Technical Assistance Approved between January and December 2006

MEXICO

BAJA CALIFORNIA

COMMUNITY	FUND	TYPE	DESCRIPTION	AUTHORIZED AMOUNT	DATE OF AUTHORIZATION
Mexicali	PDAP	Wastewater	Transboundary Environmental Document	$53,132.47	29-March-06 / 23-May-06
Tijuana	PDAP	Wastewater	Additional activities for the Transboundary Environmental Assessment	$41,635.00	5-March-06
Tijuana	BECC	Air Quality	Public Participation	$3,500.00	23-May-06
Tijuana	BECC	Solid Waste	Public Participation	$3,500.00	23-May-06
Tecate	PDAP	Wastewater	Transboundary Environmental Document and Mexican Environmental Document	$55,671.43	28-July-06
SONORA					
San Luis Río Colorado	PDAP	Potable Water and Wastewater	Value Engineering	$56,826.00	30-June-06
Puerto Peñasco	BECC	Solid Waste	Diagnostic, Regulation Plan and Final Design	$34,324.81	29-June-06
Sonoyta	PDAP	Wastewater	Facility Plan	$27,149.91	11-Aug-06
CHIHUAHUA					
Palomas	BECC	Solid Waste	Final Design and Mexican Environmental Document	$19,608.00	7-June-06
Praxedis	PDAP	Wastewater	Transboundary Environmental Document	$20,074.00	18-Sept-06
El Porvenir	PDAP	Potable Water/Wastewater	Transboundary Environmental Document	$21,946.09	18-Sept-06
Colonia Esperanza	PDAP	Wastewater	Transboundary Environmental Document	$19,580.46	18-Sept-06

Ascensión	BECC	Solid waste	Additional activities related to the Mexican Environmental Document	$4,440.00	19-May-06 / 15-Nov-06
COAHUILA					
Cinco Manantiales Region	BECC	Solid waste	Final Design and Mexican Environmental Document	$75,019.19	25-Sept-06
Región Carbonífera	BECC	Solid waste	Additional activities related to the Mexican Environmental Document	$59,804.56	25-Sept-06
TAMAULIPAS					
Reynosa	BECC	Air Quality	Public Participation	$5,000.00	6-Jan-06
Frontera Chica	BECC	Solid waste	Final Design and Mexican Environmental Document	$68,417.91	27-July-06
Miguel Alemán	PDAP	Wastewater	Additional activities for Transboundary Environmental Assessment	$7,806.13	27-July-06
Río Bravo and Nuevo Progreso	PDAP	Wastewater	Additional activities for Transboundary Environmental Assessment	$8,353.74	3-Oct-06
Mier	PDAP	Wastewater	Transboundary Environmental Assessment	$38,488.34	6-Nov-06
Río Bravo	BECC	Solid waste	Final design project and environmental impact statement	$50,668.82	19-Dec-06

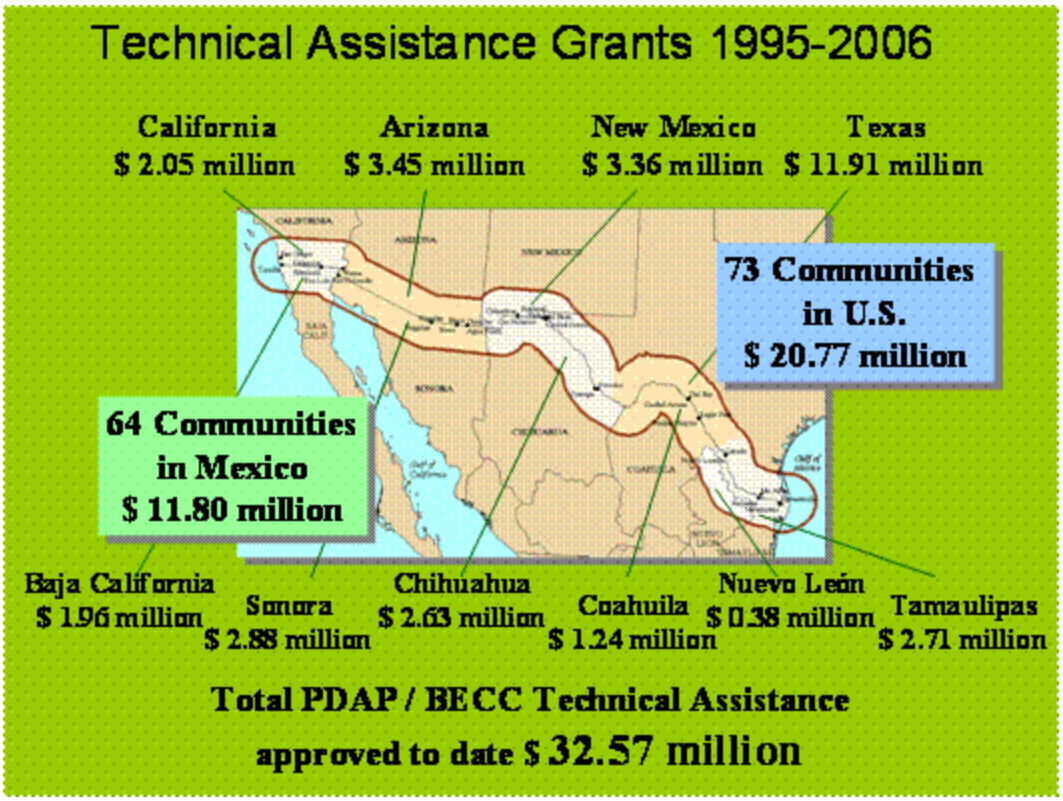
UNITED STATES

ARIZONA					
Nogales	PDAP	Wastewater	Support for the bidding process and for geotechnical research	$172,041.30	13-Feb-06 / 8-March-06
CALIFORNIA					
Imperial	PDAP	Potable Water	Environmental Assessment and Preliminary Engineering Report	$214,189.80	13-April-06

TEXAS					
Starr	BECC	Solid Waste	Final Design	$55,209.00	22-May-06
Donna	PDAP	Wastewater	Final Design	$300,000.00	4-April-06
Pharr	PDAP	Wastewater	Value Engineering Study	$63,871.00	28-April-06 / 8-June-06
Rio Grande	PDAP	Wastewater	Archeological Research	$29,028.33	31-May-06
La Grulla	PDAP	Wastewater	Final Design	$500,000.00	7-Dec-06

AUTHORIZED IN MEXICO	**$**	**674,947**
AUTHORIZED IN THE UNITED STATES	**$**	**1,334,339**
TOTAL AUTHORIZED	**$**	**2,009,286**

PDAP AUTHORIZED	**$**	**1,629,794**
BECC AUTHORIZED	**$**	**379,492**
TOTAL AUTHORIZED	**$**	**2,009,286**



United States-Mexico Border 2012 Environmental Program

The BECC's Heightened Role

Since the Border 2012 Program was created six years ago by the U.S. and Mexican governments, BECC has played an increasingly important role in implementing it. An important step in assigning new responsibilities to BECC came in September 2005, when BECC and EPA-Region 9 signed a collaboration agreement making BECC responsible for managing EPA-assigned funds for projects addressing Border 2012's goals and objectives.

In the framework of this agreement, in early 2006 BECC coordinated the initiation of 10 projects in California, Baja California, Arizona, and Sonora. Close to 30 environmental projects, covering highly diverse areas, are currently in progress: air pollution and water quality monitoring, urban solid waste management, emergency response, hazardous waste management, and environmental education, among others.

Projects Initiated in 2006

Description	Border Program 2012 Objective
ARIZONA – SONORA	
Biodiesel Demonstration Project in the Ambos Nogales region. Pilot Project. Subgrantee: Rio Rico Fire Dept.	1
Educational program focused on schools and children living near brick kilns in San Luis Rio Colorado, Son. Subgrantee: University of Arizona	1
Promotion of law enforcement, case development, capacity building, and research support through WSP. Subgrantee: Western States Project	1
Removal of vehicles and trash abandoned by undocumented migrants and drug smugglers in the Tohono O'odham Nation. Subgrantee: Tohono O'odham Nation	1
Abandoned scrap tire cleanup in Sonora border municipalities.	3
CALIFORNIA – BAJA CALIFORNIA	
Waste tire pile cleanup in Centinela, Mexicali, B.C. Subgrantee: SEMARNAT	3
Rio Hardy water quality monitoring. Project will assess water quality in this river before and after the operation of the wastewater treatment plant in Algodoncitos, Mexicali, B.C. Subgrantee: CIAD, Guaymas, Son.	1
Environmental brick kiln construction and emissions reduction in Mexicali/Tecate. Subgrantee: Ministry of Environmental Protection, Baja California State Government	1
Emissions inventory in Imperial Valley-Mexicali.	1
Ongoing project consisting mainly of providing financial support to the Imperial Valley-Mexicali Emergency Preparedness Task Force. Subgrantee: Department of Civil Protection, Mexicali, B.C.	1
Remedy analysis, selection, and design for Metales y Derivados (includes the development of the final design for the comprehensive rehabilitation of the site). Subgrantee: SEMARNAT	4
Capacity building and water system improvements in indigenous communities of Baja California. Subgrantee: Pala Band	1
PM_{10} emissions reduction via paving of parking lots in Imperial County. Subgrantee: Imperial County Air Pollution Control District.	1
Establishment of Border Emergency Management Institute for the area of Tijuana, B.C.-San Diego, CA. Subgrantee: UABC	3
Drain rehabilitation and solid waste collection to reduce trash in the New River. Subgrantee: Municipality of Mexicali, B.C.	1

Another area of Border 2012 in which BECC has played a substantially enhanced role has been in planning and implementing events carried out by this Program throughout 2006.

The most important example of this involvement is the logistical support provided by BECC to the National Coordinators Meeting of the United States-Mexico Border 2012 Environmental Program, held from 25 to 27 April in Ensenada, BC. The event was organized by SEMARNAT with support from EPA Region 9. The Commission's role was instrumental, as it coordinated

lodging at the host hotels, plane reservations for Region 9 co-leaders, the simultaneous interpretation service, and the drafting of flow charts, logistics tables, and setup diagrams: It also was responsible for badges and nameplates and for coordinating the setup of the meeting area and the reproduction and distribution of the informational material.

The BECC also provided logistical support for the following meetings held by the state group composed of Texas, Coahuila, Nuevo León, and Tamaulipas, corresponding to EPA Region 6:

- Meeting of the Gulf Subgroup held on 1 March, in Brownsville, TX.
- Meeting of the Falcon Dam Subgroup, held on 6 March, in Nuevo Laredo, Tamps.
- Meeting of the Amistad Dam Subgroup, held on 5 April, in Eagle Pass, TX.

In addition, BECC provided logistical support at the Co-Leaders' Environmental Meeting on 13 June, in Laredo, TX; at the Regional Workshop on Tire Use and Disposal held on 14 August in Matamoros, Tamps.; at the Regional Meeting of Co-chairs and Co-Leaders of the Group of Three States (Chihuahua-Texas-New Mexico) on 29 September in Sunland Park, NM; at the Public Meeting held on 9 November in Santa Teresa, NM; and at the meeting of the Environmental Education Task Force held on 14 November at the Municipal Research and Planning Institute (IMIP) in Cd. Juárez, Chih.

For its part, EPA Region 6 held four workshops in November on hazardous waste along the border: on 2 Nov. in El Paso, TX; 8 Nov. in Laredo, TX; 9 Nov. in Brownsville, TX; and 16 Nov. in Cd. Juárez, Chih. At all of these workshops, BECC handled the logistical support, including simultaneous interpretation services, the drafting of minutes, and photo testimonies.

Two workshops were held on environmental health: on 16 and 17 February in Brownsville, TX, and on 14 November in Harlingen, TX. BECC handled the required logistic arrangements for both workshops.

Its support for another type of meetings began in February, from the 23rd to the 25th of that month, in Las Cruces, NM, at the Border Governors Agriculture Tabletop. The BECC coordinated the simultaneous interpretation service and provided equipment for the meeting. This workshop generated a series of documents and manuals that were translated from English into Spanish.

The Joint Advisory Committee for the Improvement of Air Quality (JAC) met on three occasions in 2006. The support required for the meetings was limited to the taking of minutes and photographs. The meetings were held on 16 February in Sunland Park, NM, 25 May in Cd. Juárez, Chih., and 14 September in El Paso, TX.

II. Project Development

In 2006, BECC's Operations Department made important efforts in three key areas: concluding the various steps for certifying projects that are in the final process; advancing toward better coordination of the action plans of the 65 projects currently being developed; and laying the foundation for identifying, coordinating, and prioritizing short- and medium-term initiatives. As a result, six projects are ready for certification, another six are in the final stage of the preparation process, and ten are in the executive project stage.

Moreover, with the assistance of the EPA, the technical staff began the prioritization process for fiscal years 2007-2008. This will make it possible to select the water and wastewater projects that will receive BEIF and PDAP funding. The list of candidate projects to receive these funds is currently being reviewed by the EPA.

REGION I

CALIFORNIA

Community	Project Type	Certification Amount	Certification Date	Current Status
Bard ID, Winterhaven, CA	Water Conservation	$8.06 million	12/5/2003	Under construction
Brawley, CA (2)	Water/Wastewater	$13.6 million	9/30/1999	Under construction
Brawley, CA (1)	Water	$24.8 million	9/28/1995	In operation
Calexico, CA	Water	$11.3 million	6/24/1998	Under construction
Desert Shores, CA	Wastewater	$1.06 million	6/26/2002	In operation
Heber, CA (1)	Water/Wastewater	$3.38 million	3/26/1999	In operation
Heber, CA (2)	Water/Wastewater	$4.34 million	9/30/1999	In operation
Imperial ID, CA	Water Conservation	$5 million	9/25/2003	Under construction
San Diego, CA	Wastewater	$99.6 million	6/18/1997	In operation
Seeley, CA	Water/Wastewater	$2.18 million	12/15/2003	In operation
Westmorland, CA	Wastewater	$4.98 million	8/11/1999	In operation

BAJA CALIFORNIA

Baja California State: Tijuana, Mexicali, Rosarito, Ensenada, Tecate	Air Quality	$61.17 million	4/3/2003	Under construction
Ensenada, BC	Wastewater	$8.19 million	9/28/1995	Inactive
Mexicali, BC	Water/Wastewater	$26.5 million	9/25/2003	Under construction
Mexicali, BC (1)	Wastewater	$50.4 million	12/5/1997	Under construction
Tecate, BC (1)	Water/Wastewater	$8.11 million	6/22/2000	Under construction
Tecate, BC (2)	Solid Waste	$2.57 million	9/25/2002	Inactive
Tijuana, BC (1)	Wastewater	$19.65 million	6/18/1997	In operation
Tijuana, BC (2)	Wastewater	$42.01 million	10/16/2001	Under construction
Tijuana, BC (Ecoparque)	Wastewater	$180 thousand	6/18/1997	Inactive
Tijuana, BC (4)	Air Quality	$54.54 million[14]	6/21/2006	Recently Certified
Tijuana, BC (5)	Solid Waste	$4.54 million[15]	6/21/2006	Recently Certified
Playas de Rosarito, BC	Water/Wastewater	$3.30 million	10/26/2006	

[14] 1 Dollar = $ 11.00 pesos
[15] 1 Dollar = $ 11.00 pesos

REGION II

ARIZONA

Community	Project Type	Certification Amount	Certification Date	Current Status
Bisbee, AZ	Wastewater	$26.47 million	9/25/2003	Under construction
Douglas, AZ (1)	Water/Wastewater	$2 million	12/18/1996	In operation
Douglas, AZ (2)	Water/Wastewater	$8.85 million	6/20/2001	Under construction
Gadsden, AZ	Wastewater	$5.34 million	12/6/2002	In operation
Nogales, AZ (1)	Wastewater	$46.1 million	6/24/2000	Under design
Nogales, AZ (Potrero)	Water	$950 thousand	6/26/2002	In operation
Patagonia, AZ	Wastewater	$1.55 million	1/27/2000	In operation
Somerton, AZ (1)	Wastewater	$1.36 million	11/9/1996	Inactive
Somerton, AZ (2)	Water	$3.43 million	9/14/2000	Under construction
Somerton, AZ (3)	Wastewater	$8.10 million	6/19/2003	Under construction
Yuma County Assoc.	Water Conservation	$6.16 million	9/25/2003	Under construction
Yuma, AZ (Gila Canal)	Water Conservation	$1.75 million	3/19/2004	Under construction

SONORA

Agua Prieta, Son. (1)	Solid Waste	$1.96 million	11/9/1996	In operation
Agua Prieta, Son (2)	Air Quality	$17 million	12/17/2002	Under construction
El Sásabe, Son.	Wastewater	$900 thousand	3/27/2001	Under construction
Naco, Son.	Solid Waste	$560 thousand	7/30/2004	Under construction
Naco, Son.	Water/Wastewater	$650 thousand	11/15/1995	In operation
Nogales, Son	Water	$39 million	1/18/1996	Under construction
Nogales, Son (2)	Wastewater	$10.8 million	7/30/2004	Under design
Nogales, Son. (3)	Air Quality	$9.73 million	7/30/2004	Under construction
Puerto Peñasco, Son.	Solid Waste	$1.4 million	11/9/1996	In operation
Puerto Peñasco, Son.(2)	Air Quality	$4.54 million[16]	6/21/2006	Recently Certified
San Luis Rio Colorado, Son. (1)	Wastewater	$15.74 million	6/22/2000	Under construction
San Luis Rio Colorado, Son. (2)	Solid Waste	$4.1 million	10/16/2001	Under construction
San Luis Rio Colorado, Son. (3)	Air Quality	$15.65 million[17]	6/21/2006	Recently Certified
Sonoyta, Son	Son.	$2.18 million[18]	6/21/2006	Recently Certified

[16] 1 Dollar = $11.00 pesos
[17] 1 Dollar = $11.00 pesos
[18] 1 Dollar = $11.00 pesos

REGION III

NEW MEXICO

Community	Project Type	Certification Amount	Certification Date	Current Status
Doña Ana Co., N.M.	Wastewater	$1.95 million	12/3/1998	Under construction
Elephant Butte ID, N.M.	Water Conservation	$8.49 million	6/19/2003	Under construction
La Union, N.M.	Wastewater	$7.31 million	12/6/2001	Under construction
Salem/Ogaz, N.M.	Wastewater	$2.9 million	6/20/2001	In operation
San Pablo, N.M.	Wastewater	$3.11 million	6/26/2002	Under construction
South Central Regional Solid Waste Authority, Doña Ana County, N.M.	Solid Waste	$2.65 million	6/19/2003	In operation
South Central, Doña Ana Co., N.M.	Wastewater	$28.24 million	6/20/2001	Under construction

TEXAS

El Paso, TX (EPISO)	Wastewater	$160 thousand	7/18/1996	In operation
El Paso, TX (JRWTP)	Water	$37.82 million	12/5/1997	In operation
El Paso, TX (LVWD)	Water/Wastewater	$98.35 million	6/24/1998	In operation
El Paso, TX (NW)	Wastewater	$11.68 million	11/15/1995	In operation
Fabens, TX	Water/Wastewater	$9.1 million	3/20/2002	Under construction
Tornillo, TX	Wastewater	$12.74 million	9/25/2002	Under construction

CHIHUAHUA

Ciudad Juarez, Chih. (1)	Wastewater	$31.16 million	9/30/1997	In operation
Ciudad Juarez, Chih. (2)	Solid Waste	$1.86 million	10/16/2001	Under redefinition
Ciudad Juarez, Chih. (SUMA)	Air Quality	$14.2 million	12/17/2002	Under construction
ID #005 Delicias, Chih.	Water Conservation	$144 million	10/17/2002	Under construction
Ojinaga, Chih. (1)	Solid Waste	$1.83 million	10/16/2001	Under construction
Ojinaga, Chih. (2)	Wastewater	$4.94 million	9/25/2002	Under construction
Puerto Palomas, Chih.	Wastewater	$5.18 million	12/7/2000	In operation
Ciudad Juárez (Anapra), Chih.	Wastewater	$6.30 million	10/26/2006	

REGION IV

TEXAS

Community	Project Type	Certification Amount	Certification Date	Current Status
Del Rio, TX	Water	$40.3 million	3/31/1998	In operation
Del Rio, TX	Solid Waste	$2.04 million	6/20/2003	In operation
Eagle Pass, TX	Water/Wastewater	$103.11 million	3/20/2002	Under construction
Marathon, TX	Water/Wastewater	$1.95 million	6/20/2003	Under construction
Maverick, TX. ID #1	Water Conservation	$1.04 million	3/19/2004	Under construction
Sanderson, TX	Wastewater	$3.6 million	3/24/2000	In operation
Uvalde, TX	Solid Waste	$3.41 million	6/20/2001	In operation
Texas Plan	Water/Wastewater	$8.8 million	12/2/1999	Under construction

COAHUILA

Ciudad Acuña, Coah.	Wastewater	$80.35 million	3/24/2000	Under construction
Piedras Negras, Coah.	Wastewater	$57.41 million	3/24/2000	Under construction
Reg. 5 Manantiales, Coah.	Wastewater	$17.50 million	6/22/2000	Under construction

NUEVO LEON

China/General Bravo, NL	Solid Waste	$1.63 million	6/20/2001	In operation
Monterrey, N.L.	Wastewater	$65.14 million[19]	6/21/2006	Recently Certified

[19] 1 Dollar = $ 11.00 pesos

REGION V

TEXAS

Community	Project Type	Certification Amount	Certification Date	Current Status
Brownsville ID, Brownsville, TX	Water Conservation	$2.35 million	6/19/2003	Under construction
Bayview ID, Los Fresnos, TX	Water Conservation	$1.43 million	12/5/2003	Under design
Alton, TX	Wastewater	$14.77 million	6/18/1997	In operation
Cameron County ID #2 Pump Station, San Benito, TX (1)	Water Conservation	$11 million	9/25/2003	Under construction
Cameron County ID #2, San Benito, TX	Water Conservation	$4.32 million	9/25/2003	In operation
City of La Feria, TX	Water	$18.63 million	4/3/2003	Under construction
Delta Lake ID, Edcouch, TX	Water Conservation	$7.12 million	9/25/2003	Under construction
Donna, TX	Water/Wastewater	$23.85 million	6/24/1998	Under construction
Harlingen ID, Harlingen, TX	Water conservation	$3.5 million	6/19/2003	Under construction
Hidalgo Co. ID #1, Edinburg, TX	Water Conservation	$5.77 million	6/19/2003	Under construction
Hidalgo Co. ID #2 (Lateral "A" Canal), San Juan, TX	Water Conservation	$3.37 million	6/19/2003	In operation
Hidalgo Co. ID #2 (Wisconsin Canal) San Juan, TX	Water Conservation	$3.37 million	6/19/2003	Under construction
Hidalgo Co. ID #6, Mission, TX	Water Conservation	$3 million	9/25/2003	Under construction
Irrigation District #1, Donna, TX	Water Conservation	$5.09 million	3/19/2004	Under construction
Irrigation District #9, Hidalgo and Cameron Cos., TX	Water Conservation	$2.5 million	3/19/2004	Under design
Irrigation District #6, Mission, TX	Water Conservation	$3.48 million	3/19/2004	Under design
Jim Hogg Co. TX	Solid Waste	$1 million	7/30/2004	Under construction
La Joya, TX	Wastewater	$92.77 million	9/25/2003	Inactive
Laredo, TX	Water/Wastewater	$21.58 million	9/14/2000	Under construction
Mercedes, TX	Water/Wastewater	$4.3 million	11/9/1996	In operation
Raymondville, TX	Water	$7.45 million	10/16/2001	Under construction
Roma, TX	Water/Wastewater	$33.97 million	9/30/1999	Under construction
San Benito, TX	Water/Wastewater	$32.44 million	9/25/2002	Under construction
Santa Rosa, TX	Water/Wastewater	$10.02 million	9/25/2002	Under construction
Valley Municipal ID, Brownsville, TX	Water Conservation	$2.45 million	12/5/2003	Under construction

TAMAULIPAS				
Matamoros, Tamps. (1 [FINSA])	Wastewater	$1.10 million	1/18/1996	In operation
Matamoros, Tamps. (2)	Solid Waste	$13 million	12/3/1998	Under redefinition
Matamoros, Tamps. (3)	Water/Wastewater	$76.6 million	6/19/2003	Under construction
Nuevo Laredo, Tamps.	Wastewater	$57.7 million	7/30/2004	Under construction
Nuevo Laredo, Tamps.(2)	Wastewater (pluvial)	$43.60 million[20]	6/21/2006	Recently Certified
Reynosa, Tamps.	Wastewater	$83.39 million[21]	3/31/1998	Under construction
Reynosa, Tamps (2)	Air Quality	$60.35 million[22]	6/21/2006	Recently Certified

Projects certified in 2006

In the period covered by this report, ten projects were certified for an investment calculated at US$261.19 million: five air quality projects, for an estimated US$140.37 million; four projects related to wastewater management, conveyance and treatment, for US$116.32 million; and one solid waste project for US$4.5 million.

The following chart describes the certified projects in greater detail.

[20] 1 Dollar = $ 11.00 pesos
[21] 1 Dollar = $ 11.00 pesos
[22] 1 Dollar = $ 11.00 pesos

Certified Projects		
Project Name	**Cost, Millions of Dollars**	**Project Description**
San Luis Río Colorado, Sonora – Air Quality (street paving)	$15.65	Objective: To pave 1.6 million square meters of streets that are an important source of air pollution. The paved area will increase from 24% to 35%, benefiting 175,000 residents.
Puerto Peñasco, Sonora - Air Quality- (street paving)	$4.54	Objective: To pave 237,634 square meters of streets, benefiting more than 37,000 residents. The paved area will increase from 17% to 21%.
Sonoyta, Sonora – Air Quality (street paving)	$2.18	Objective: To pave 115,865 square meters of streets; the paved area will increase from 10% to 35%, benefiting 10,817 residents.
Reynosa, Tamaulipas – Air Quality (street paving)	$66.00	Objective: To pave 1.7 million square meters of streets. The paved area will increase from 40% to 74%, benefiting 160,000 residents.
Nuevo Laredo, Tamps. – Stormwater Collection System.	$48.00	Objective: To construct seven stormwater sewers, with a total length of 35.8 km, benefiting 373,419 residents. The sewers will avoid the serious problems of flooding in the city and spills into the Rio Grande.
Tijuana, BC – Air Quality (street paving)	$52.00	Objective: To pave 2.19 million square meters of streets and thoroughfares. The paved area will increase from 40% to 44.4%, benefiting 1.5 million residents.
Tijuana, BC – Solid Waste (equipment)	$4.50	Objective: To renovate Tijuana's solid waste collection vehicle fleet to collect the 1,500 tons generated in Tijuana, BC, benefiting 1.3 million residents.
Monterrey, NL – Expansion of the Treated Wastewater Distribution System	$52.00	Objective: To expand to 160 km the Treated Wastewater Distribution System to supply water to industrial parks and irrigation for green areas in the Monterrey metropolitan area, benefiting 3.5 million residents.
Col.. Anapra, Cd. Juárez, Chih. Wastewater Project	$6.30	Objective: To construct a wastewater treatment plant and a treated wastewater collection system for Colonia ANAPRA, Cd. Juárez, Chih., benefiting 40,000 residents.
Playas de Rosarito, BC - Extension of the Water and Wastewater Systems.	$10.02	Objective: To improve the wastewater collection system (77 km) and the water distribution system (14.2 km) and extend these systems to unserved areas in Playas de Rosarito, BC, benefiting 73,000 residents.
Total Projects: 10	**261.19**	

Project pipeline

As of December 31, 2006, BECC has 65 projects in the pipeline, 16 in the United States and 49 in Mexico. Fifteen of these projects address solid waste needs, 21 correspond to the new sectors, and 29 are for water and wastewater (seven do not comply with BEIF-grant requirements). The pipeline projects have an estimated cost of US$1.28 billion, of which US$484.05 million corresponds to the projects in the United States and US$803.69 million to those in Mexico. Texas is the U.S. state with the most projects, with 12 under development. In Mexico, Chihuahua has 13 projects, while Sonora and Baja California have 7 and 8.

State	No. of Projects				
	SW	NS	W/WW		Total
			Non-BEIF	BEIF	
U.S.	**3**	**6**	**1**	**6**	**16**
California	0	0	0	1	1
Arizona	1	0	0	1	2
New Mexico	0	0	0	1	1
Texas	2	6	1	3	12
Mexico	**12**	**15**	**6**	**16**	**49**
Baja California	0	3	1	4	8
Sonora	1	1	2	3	7
Chihuahua	3	1	3	6	13
Coahuila	2	2	0	0	4
Nuevo León	3	5	0	0	8
Tamaulipas	3	3	0	3	9
TOTAL	**15**	**21**	**7**	**22**	**65**

Project Prioritization

Background: In 2004, a water and wastewater infrastructure project prioritization process was implemented to ensure that U.S. Congressional appropriations for the "Border Fund" are used more efficiently. Hence, BECC and the EPA, in conjunction with the NADB, the CNA, and other related agencies, agreed to establish a methodology to select the water and wastewater projects considered to be the most urgent for public health and the environment. This first prioritization process concluded in July 2005.

Current Situation: The amount of funding needed for developing and carrying out water and wastewater projects continues to outstrip the amount of funds available. Consequently, BECC, in conjunction with the EPA, the NADB and the CNA, introduced a new prioritization process in which the funds available for fiscal years 2007 and 2008 were taken as the benchmark.

Prioritization criteria and methods were modified to broaden the scope of the program and to make the process more responsive and efficient and benefit project sponsors. The support and documentation conditions required for determining the category in which a project is placed were more clearly defined and the ranking parameters were adjusted in order for funding status to be more precisely determined. Moreover, a new concept related to the sustainable

development activities of proposed projects was included and a new model application that includes a better definition of categories was drafted.

In April 2006, the 2007-2008 prioritization process was announced and 11 workshops were held throughout the border region to provide information on and explain the changes to the process. Support was also given to project sponsors in the initial application stage, and applications began to be received in May of that year with a delivery deadline of 30 June. In the last quarter of 2006, the BECC and the EPA coordinated their efforts to conclude prioritized project ranking. The final selection process is still being developed, given the time required for the approval of BEIF-PDAP funds by the U.S. Congress.

The applications eligible to be considered in the prioritization process for 2007-2008 represent the following water infrastructure needs, including categories 1, 2 and 3:

Water Infrastructure Needs, 2007-2008 Prioritization Process
(millions of dollars)

	No. of Projects	Estimated Construction Cost	Estimated BEIF Needs [23]
Mexico	**97**	**$407.2**	**$138.45**
B.C.	**38**	**$94.2**	**$32.03**
Son.	**12**	**$50.8**	**$17.27**
Chih	**12**	**$66.5**	**$22.61**
Coah.	**16**	**$55.8**	**$18.97**
Tamps.	**19**	**$139.9**	**$47.57**
U.S.	**55**	**$254.9**	**$86.67**
CA	**5**	**$9.0**	**$3.06**
AZ	**2**	**$8.6**	**$2.92**
NM	**16**	**$54.5**	**$18.53**
TX	**32**	**$182.8**	**$62.15**
Total	**152**	**$662.1**	**$225.12**

Prioritization Criteria

The objective of the two-step process that was developed to select water and wastewater projects eligible to receive BEIF/PDAP funds is to help address the needs of border residents as comprehensively and efficiently as possible, given the limited availability of funds.

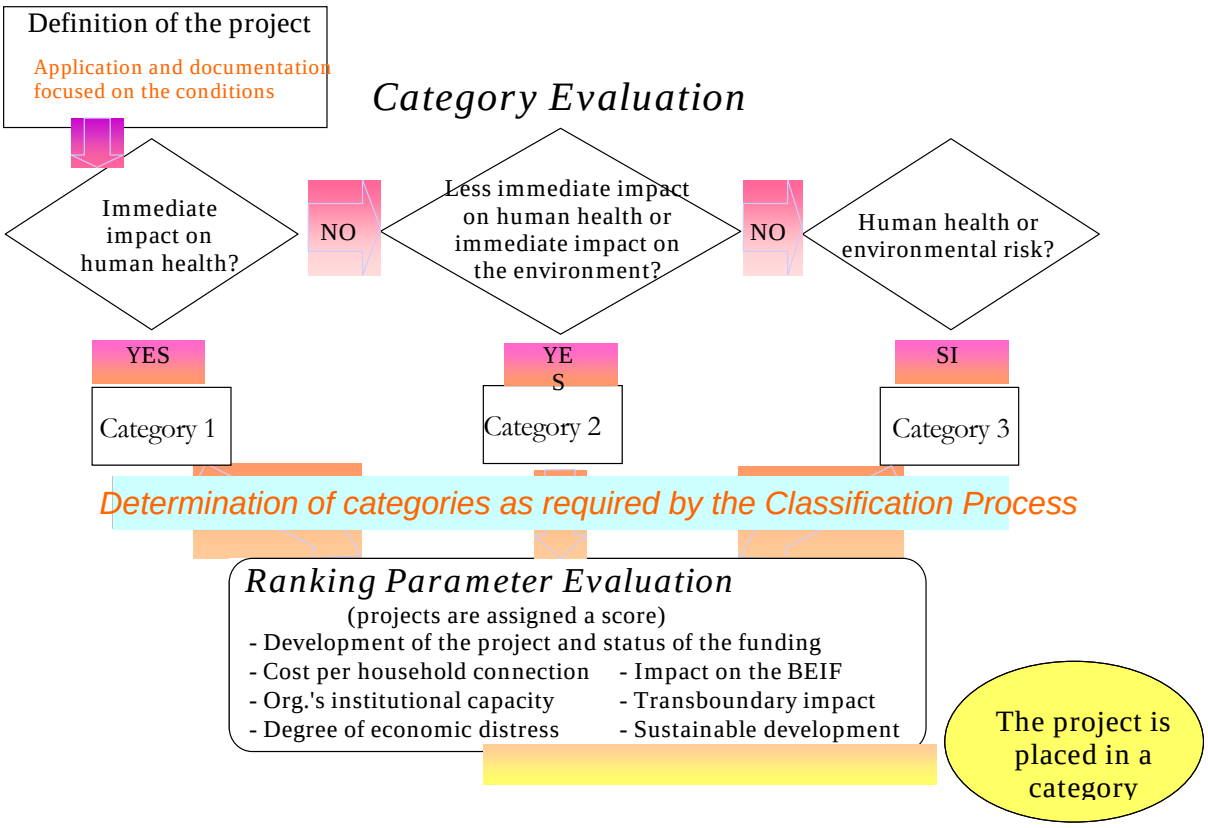
In the first stage, Category Evaluation, projects are evaluated and assigned to one of three categories: (1) those that correct an immediate adverse health effect; (2) those that correct an adverse health effect that is less than immediate or an acute environmental effect; (3) those that

[23] Estimated BEIF need was calculated using a historical average of 34% of overall project funding from BEIF grants. The exact amount of BEIF funds received by each project is considered on a case-by-case basis, according to the availability of funds and through an affordability analysis carried out by the NADB during the development of the project.

correct a human health or environmental risk when such a corrective action is required. In the second stage, Ranking Parameter Evaluation, each project is placed in a category based on six parameters: development of the project and status of the funding; cost per household connection; impact on the BEIF; degree of economic distress (of the community); the utility's institutional capacity; sustainable development.

To consult a complete description of the prioritization process, click on the following link.

[Link to the Prioritization Document on the BECC website]



Update of Project Prioritization for FY05-06

In the BEIF-PDAP prioritization process for FY05-06, 12 projects were originally selected to receive BEIF and PDAP funds, and 10 others were selected to receive PDAP funds only. However, because funds were freed up for the program, in February of 2006 the 10 projects that were to receive PDAP funds only, as well as four other projects, were added to the group of projects slated to receive BEIF grants. Altogether, the 24 projects represent more than US$208 million in investments for technical support and work that will benefit some 740,000 border residents.

In 2006, all the tasks necessary for the development of the selected projects began: planning, obtaining environmental authorizations, and project designs. On October 26, 2006 the Board of Directors certified and approved financing for the following prioritized projects:

- Wastewater collection and treatment project for Colonia Anapra, Ciudad Juárez, Chihuahua
- Water and wastewater project for Playas de Rosarito, Baja California (two components)

The status of the other projects selected through 31 December 2006 is shown in the following table:

Community/ Sponsor	Description	Cost $ (millions)	Current Status	Type of TA Contracted	TA Approved	TA Progress (% complete)
California						
Imperial County	Expansion of the water distribution system	2	Planning	Preliminary engineering	$214,190.00	79%
Arizona						
Yuma	Expansion of wastewater collection system	5.3	NEPA	Environmental documents for NEPA and public participation	$34,498.00	100%
New Mexico						
Lordsburg	Improvements to the water distribution system	2	Final design, NEPA public comment	Environmental documents for NEPA and public participation	$30,000.00	64%
Texas						
La Grulla	Expansion of wastewater collection system and wastewater treatment plant	5.2	Final design	Final design	$494,490.00	0%
Rio Grande	Expansion of wastewater collection system and wastewater treatment plant	10.8	NEPA concluded, [SOW] for final design under development	Archeological survey	$29,028.00	100%
Pharr	Improvements to the wastewater collection system	48.5	Final design	Final design and value engineering	$563,871.00	100%
Baja California						
Tijuana 1	Expansion of wastewater collection system	8.3	Final design, NEPA	Transboundary environmental impact study	$117,340.00	80%
Tijuana 2	Expansion of wastewater collection system and wastewater treatment plant	6	Final design, NEPA	Environmental Impact Assessment	$19,336.68	100%
Mexicali	Expansion of wastewater collection system	24.3	Final design, NEPA, Environm. impact assessment	Environmental impact assessment, and transboundary assessment	$53,132.00	61%
Tecate	Expansion of wastewater collection system	5.5	Final design, NEPA, Environm. impact assessment	Environmental impact assessment, and transboundary assessment	$55,671.43	39%
Sonora						
Agua Prieta	Expansion of sewer lines	1	Final design, NEPA	Transboundary environmental impact study	$27,379.00	100%
San Luis Río Colorado	Expansion of wastewater collection system and wastewater treatment plant	15.6	Final design, NEPA	Transboundary environmental impact study and value engineering	$88,072.00	100%

Community/ Sponsor	Description	Cost $ (millions)	Current Status	Type of TA Contracted	TA Approved	TA Progress (% complete)
Sonoyta	Expansion of sewer lines	1.4	Planning	Preliminary design and environmental study	$27,150.00	40%
Chihuahua						
Guadalupe	Expansion of wastewater collection system and wastewater treatment plant	3.2	Final design, NEPA	Preliminary engineering and transboundary environmental impact assessment	$27,477.00	100%
Porfirio Parra	Expansion of wastewater collection system and wastewater treatment plant	2.3	Final design, NEPA	Preliminary engineering and transboundary environmental impact assessment	$27,477.00	100%
Praxedis G Guerrero	Expansion of wastewater collection system and wastewater treatment plant	1.94	Final design, NEPA	Preliminary engineering and transboundary environmental impact assessment	$32,524.00	38%
Col. Esperanza	Expansion of wastewater collection system and wastewater treatment plant	1.94	Final design, NEPA	Preliminary engineering and transboundary environmental impact assessment	$30,667.00	39%
San Isidro	Improvements and expansion of water and sewer system	3.68	Final design, NEPA	Preliminary engineering and transboundary environmental impact assessment	$27,477.00	100%
Porvenir	Improvements and expansion of water and sewer system	3.1	Final design, NEPA	Preliminary engineering and transboundary environmental impact assessment	$21,946.00	0%
Tamaulipas						
Miguel Alemán	Expansion of sewer lines	5.21	Final design, NEPA public comment	Transboundary environmental impact assessment	$50,031.13	100%
Río Bravo	Expansion of water distribution system, sewer system and wastewater treatment plant	29.2	Final design, NEPA	Transboundary environmental impact assessment	$50,578.74	90%
Mier	Expansion of water distribution system, sewer system and wastewater treatment plant	4.84	Final design, NEPA	Transboundary environmental impact assessment	$34,989.40	60%

In February 2006, another four projects were added, and the projects that initially were to only receive PDAP funds succeeded in receiving BEIF support because funds were freed up for this program. These 14 new BEIF-PDAP projects represent an additional US$100.2 million investment in work that will benefit another 292,677 border residents.

Development activities

During the year, the Operations staff held meetings with municipal, state and federal officials as well as with representatives of other entities of both countries. The wide range of topics addressed at the meetings reflects the diversity of the activities carried out by BECC.

The activities carried out at some of the meetings are outlined below:

- For the first time in its history, BECC has succeeded in coordinating budget plans with participating states in Mexico. In October and November, the Operations staff met separately with the governments of the Mexican states of Chihuahua, Baja California, Sonora, Nuevo León, Coahuila, and Tamaulipas, as well as with the CNA, the NADB, and municipal authorities from each state. The purpose of these meetings was to identify budgets for upcoming projects and establish financing agreements with the states, which were preparing their annual budgets.

- BECC's Operations staff met four times over the year with the CNA, the EPA and the NADB to discuss the progress with the projects selected to receive BEIF and PDAP funds in fiscal year 2005-2006.

- In January, the staff attended a workshop course on verification of compliance with NOM-083-SEMARNAT-2003 in Ciudad Juárez, Chihuahua, and shared its experiences with professionals from other municipalities in the State.

- In March, the staff attended the World Water Forum in Mexico City, and shared its experiences with professionals from various countries.

- Also in March, the BECC's Operations staff attended a seminar on environmental impact assessment (NEPA) principles sponsored by the EPA.

- In November, BECC's Operations staff attended a course on urban solid waste management planning in Matamoros, Tamaulipas, given by Gustavo Rosiles, director for solid waste of the Ministry of Social Development (SEDESOL).

III. Communication and Community Management

Community Management

During its more than ten years of experience with public participation and community consultation, enhanced through social validation forums for projects submitted for certification and documented in the Public Participation Manual, BECC has made substantial progress in disseminating these practices among border communities.

This topic, to which BECC paid particular attention, is also part of the process of experience and change mentioned in the Introduction of this Annual Report. In light of the larger number of private projects that are now submitted for BECC certification, various areas were identified where procedures needed to be adjusted in order to improve efficiency without having a detrimental impact on public interest and environmental conservation.

Accordingly, it was necessary to look for ways to surpass rigid approaches that ignored differences between public and private projects; simplify normal procedures for public projects; and at the same time preserve the right of communities to express their opinions and to be listened to regarding projects that might have a negative impact on their milieu.

Calls were heard for change and innovation in line with new circumstances; for an increase in the number of environmental projects for the communities in the border region; and for speedier project development. Accordingly, BECC ratified, before all social, economic, and government stakeholders of the region, its commitment to transparency, public participation, and equity in community participation processes.

As a result, in 2006 10 projects were certified, all of which fully complied with regulations established to ensure sufficient information for communities. For this reason, 13 citizens' committees were established, 78 local organizations were contacted, 30 public meetings were held (an average of three meetings per certified project), and an informational video that incorporated a regional perspective was filmed.

However, there remains an important challenge for BECC in light of communities' growing interest in sustainable development, the environment, and health: encouraging public participation through the commitment and promotional work of other institutions and social key players. This is undoubtedly a prerequisite for ensuring long-term sustainability and favoring the continuity of social projects.

Interagency Coordination

The magnitude of the endeavors to be carried out in the border region to achieve the environmental infrastructure objectives assigned to BECC and the NADB is so great and involves so many issues and such diverse duties that substantial progress could not be made were it not for the participation, the commitment, and the coordination of highly diverse agencies in both countries. In keeping with this vision, BECC has put much effort into promoting communication, a convergence of initiatives, and collaboration with all regional, state, and federal stakeholders involved in attaining this overriding purpose.

The following interagency-coordination actions carried out in 2006 are examples of this commitment:

Actions at the state and local level:

- Work meetings to assess projects being developed by BECC and NADB, as well as the prospecting of new projects, with the governors of Nuevo León, Natividad González Paras; of Coahuila, Humberto Moreira Valdés; and of Sonora, Eduardo Bours.

- The participation of the BECC's General Manager in working groups on Water and Environment, during the XXIV Border Governors' Conference, held on 25 August in Austin, TX.

- Report on BECC activities presented by its General Manager at the fourteenth meeting of the Border Legislative Conference, held in December in Phoenix, AZ.

Actions at the binational level:

- A work meeting held at the offices of EPA Region 6 administrator in Dallas, TX., on 4 August, and a work meeting at the offices of the EPA Region 9 administrator in San Francisco, CA, on 26 September, to review progress in project prioritization, environmental infrastructure needs, budget issues, and technical assistance, as well as the BECC's outlook for the future.

- A Meeting of BECC's General Manager with the Secretary of the California Environmental Protection Agency, Linda Adams; the Deputy Director of EPA Region 9; and the Secretary of Ecology of the State of Baja California, Enrique Villegas, on 12-13 December in Ensenada, BC., to review the status of projects and work carried out under the United States-Mexico Border 2012 Environmental Program in those states.

- A visit by BECC and NADB Board members to the Juárez-Doña Ana County-El Paso region in September and October.

- Visit to the BECC by Andrew Rushing, an international economist at U.S. Department of the Treasury who is responsible for issues related to the BECC and of NADB on 21-22 September.

- Visit to the BECC by the Chairperson the Board of Directors, Liza Morris, and Board members Jacob Monty and Larry Larranaga, as well as several officials from the U.S. Departments of State and Treasury and the EPA on 25 October.

- Visit to the BECC by EPA officials Judi Davis, Ben Hamn, Jason Donaldson, Beverly Fletcher, Lisa Almodovar, Mike Weckesser, Gilbert Tellez, Marvin Waters, José Rodríguez, Carlos Rincón, and Maria Sisneros, on 13-14 November.

Actions with specialized institutions and agencies:

- Holding of a Consultation Workshop on National Environmental Education Strategy in Ciudad Juárez, Chih., on 6-7 March, organized by BECC and the SEMARNAT's Center for Education and Training on Sustainable Development.

- Workshop on Water Quality in the Paso del Norte Region, held on 28 November in Ciudad Juárez, Chih, organized by the Colegio de la Frontera Norte (COLEF) and BECC.

- Workshop on Water Governance in the Paso del Norte Region, held on 6 December in Cd. Juárez, Chih., organized by the COLEF and BECC.

- Participation of BECC in the Coahuilagua Forum in February in Saltillo.

- Participation of BECC in the World Water Forum, held in Mexico City in March.

- Participation of BECC in the Water Expo Fair, held in Tijuana in August.

- Presence of BECC at an event in October in Monterrey, organized by the *Fondo Mexicano de Bonos de Carbón* (Mexican Carbon Credit Fund).

- Attendance of BECC at a congress of the Mexican Water Association, held in November in Cuernavaca, Morelos.

Agreements Entered into by the BECC:

- The General Manager of the BECC and the Pan-American Health Organization signed a Memorandum of Understanding on the Establishment of a Virtual Health Library for the U.S.-Mexico border. The signing took place on 15 August in El Paso, TX. The purpose of the library is to increase the availability of information on border-related health indicators and for this information to be used to prioritize and develop projects submitted for certification.

- On the same occasion, BECC signed a Memorandum of Understanding with the PAHO to train BECC's staff in geographic information systems technologies and the use of binational maps. In addition, PAHO will provide consultancy on the development of a system to allow information to be disseminated through the Virtual Library.

- On 15 December, at its headquarters in Ciudad Juárez, BECC signed an agreement with the United States-Mexico Foundation for Science (FUMEC) to enhance institutional capacities and promote the exchange of experiences and the development and transfer of technology. This MOU

will also promote the training of human resources of water utilities on the border.

IV. Financial Statements

(See PDF Document)