



Financing Environmental Infrastructure Across the US-MEX Border Region

Key Drivers for Successful Project Implementation

April 4th, 2013

North American Development Bank (NADB)

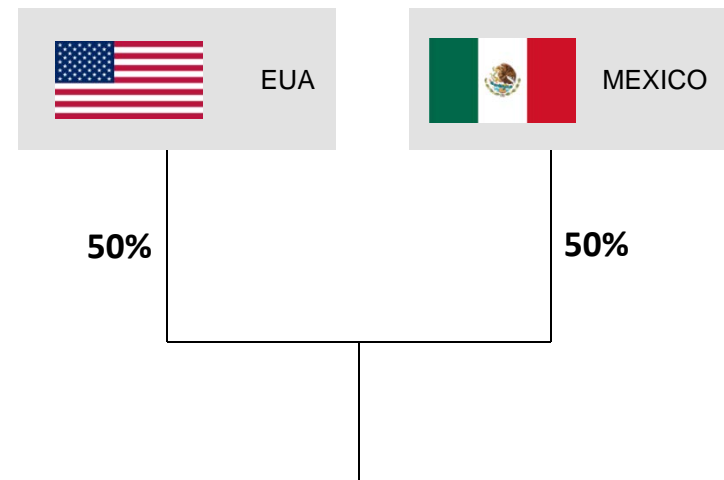


NADB

- Established in 1994 under the auspices of the North American Free Trade Agreement (NAFTA) between the United States and Mexico.
- NADB's objective is to facilitate financing for environmental projects along the US-MEX border region by promoting sustainable development among the communities throughout the region .

Structure

- Capitalized and governed equally by the governments of both the United States and Mexico.



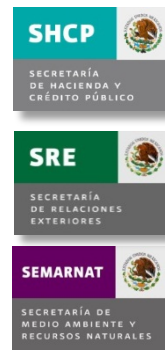
 North American Development Bank

NADB Board of Directors



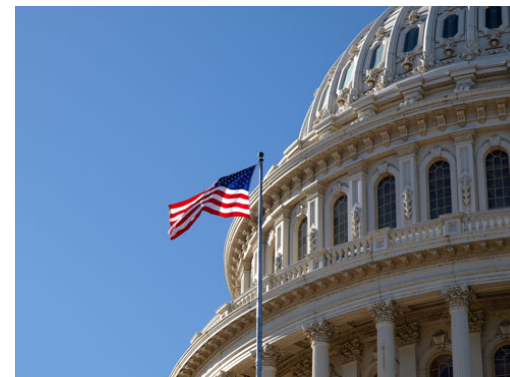
Mexico

- Secretary of Finance and Public Credit
- Secretary of Foreign Affairs
- Secretary of the Environment and Natural Resources
- Mexican Border State Representative
- Mexican Border Public Representative

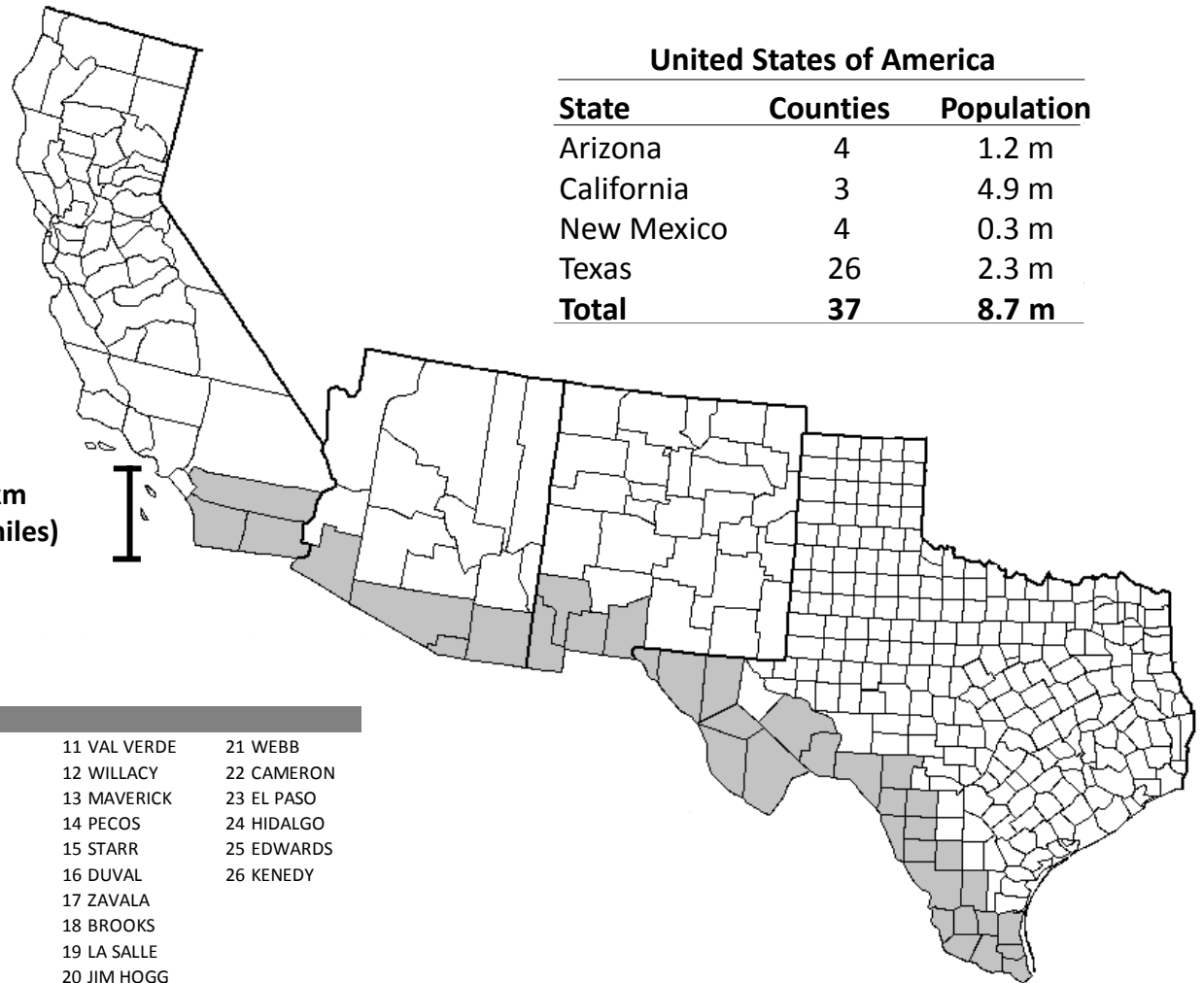


United States of America

- Secretary of the Treasury
- Secretary of State
- Administrator, Environmental Protection Agency
- U.S. Border State Representative
- U.S. Border Public Representative



NADB Jurisdiction in the U.S.



United States of America

State	Counties	Population
Arizona	4	1.2 m
California	3	4.9 m
New Mexico	4	0.3 m
Texas	26	2.3 m
Total	37	8.7 m

37 U.S. COUNTIES

STATE OF ARIZONA

- 1 COCHISE
- 2 PIMA
- 3 SANTA CRUZ
- 4 YUMA

STATE OF CALIFORNIA

- 1 IMPERIAL
- 2 RIVERSIDE
- 3 SAN DIEGO

STATE OF NEW MEXICO

- 1 DOÑA ANA
- 2 GRANT
- 3 HIDALGO
- 4 LUNA

STATE OF TEXAS

- | | | |
|--------------|--------------|------------|
| 1 TERREL | 11 VAL VERDE | 21 WEBB |
| 2 CULBERSON | 12 WILLACY | 22 CAMERON |
| 3 JEFF DAVIS | 13 MAVERICK | 23 EL PASO |
| 4 HUDSPETH | 14 PECOS | 24 HIDALGO |
| 5 KINNEY | 15 STARR | 25 EDWARDS |
| 6 PRESIDIO | 16 DUVAL | 26 KENEDY |
| 7 BREWSTER | 17 ZAVALA | |
| 8 DIMMIT | 18 BROOKS | |
| 9 ZAPATA | 19 LA SALLE | |
| 10 UVALDE | 20 JIM HOGG | |

Eligible Sectors



- Projects that may be certified by BECC and financed by NADB include those that will prevent, control or reduce environmental pollutants, improve drinking water supply, protect flora, fauna, and improve human health, promote sustainable development or contribute to a higher quality of life.
- The Charter gives preference to project relating to water pollution, wastewater treatment, water conservation, municipal solid waste and related matters.

Renewable Energy

- Wind
- Solar
- Hydroelectric
- Geothermal
- Bio-fuels
- Biomass
- Methane capture
- Energy storage

Energy Efficiency

- Public lighting
- Equipment replacement
- Water efficiency programs

Residential, industrial and hazardous waste

- Landfills
- Recycling
- Site remediation
- Equipment
- Waste management
- Toxic / hazardous waste disposal

Air quality

- Street paving
- Pavement rehabilitation
- Road bypasses
- Urban mass transit systems
- Border crossings

Water and Sewage

- Potable water treatment plants
- Sewage and wastewater treatment
- Water conservation
- Storm drainage systems

NADB Programs

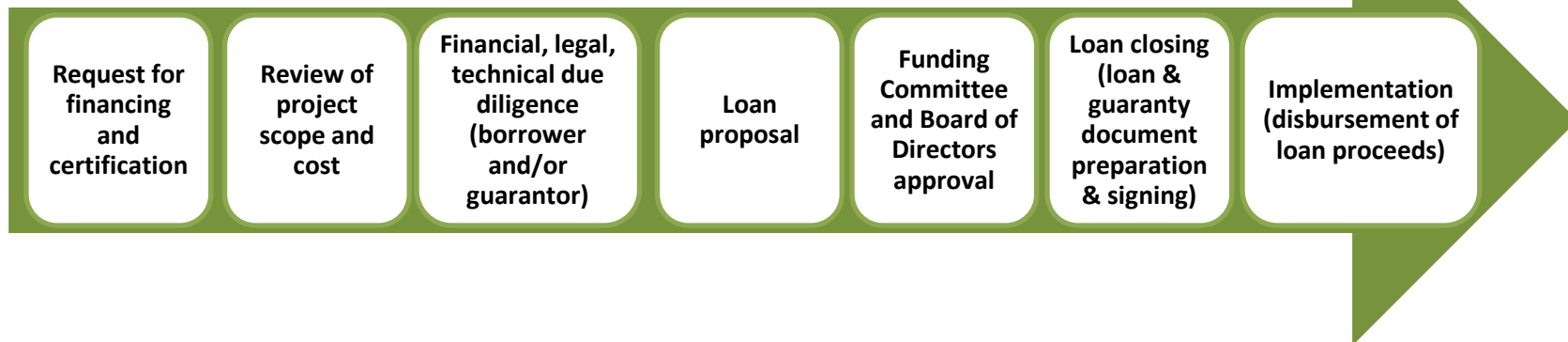
Loans

- Fixed and variable competitive rates
- Loans up to the lesser of **85% of project cost or US\$ 289.5 M (Public) US\$ 173.7 M (Private)**
- Term up to 20 years
- In MXN pesos or US dollars

Technical Assistance

- NADBank supports borrowers in project development (final designs, bidding)
- Fiduciary responsibility of US-EPA grant program Border Environmental Infrastructure Fund (BEIF)
- Technical training for utility management (**UMI**)

NADB Loan Process



Drivers for Successful Project Implementation



Driver	Considerations
<p>Sponsor</p>	<ul style="list-style-type: none"> ▪ Sponsors with significant resources, time and reputation invested in the project. ▪ Demonstrated ability to provide cash equity as required by the project ▪ Active involvement of other stakeholders of the project (State, County, Municipality, etc.) ▪ Sponsors that remain locked into the project during the key risk periods are preferred.
<p>Long-term supply</p>	<ul style="list-style-type: none"> ▪ Tire supply has to be guaranteed for the lifecycle of the project. ▪ Preferably at a near-zero or even negative (subsidized) cost for the project sponsor. ▪ Project location is key to ensure minimum transportation costs to the site. ▪ Having more than one supplier can reduce bargaining power
<p>Long-term demand</p>	<ul style="list-style-type: none"> ▪ Financially strong and stable purchasers (government entities, or investment grade firms) ▪ Long-term purchasing contract is desirable especially when having only one purchaser. ▪ Market approach is considered to be of higher risk.
<p>Material Delivery Agreement</p>	<ul style="list-style-type: none"> ▪ Bankable material purchase contract. ▪ Long-term fixed priced or limited cost-based contract with adequate cost overrun contingencies, provide cash flow certainty. ▪ Contractual term length according to project lifecycle. ▪ Standard and clear early termination, force majeure provisions.
<p>Technology</p>	<ul style="list-style-type: none"> ▪ Technology has sufficient operating track record (third party assessment). ▪ Performance guarantees for key equipment provided by manufacturers. ▪ External validation from Independent Engineer. ▪ Equipment warranties and insurance / guarantees

Drivers for Successful Project Implementation



Driver	Considerations
Regulatory/ Environmental	<ul style="list-style-type: none">▪ All permits, land ownership, environmental authorizations, and regulatory approvals.
Debt Structure	<ul style="list-style-type: none">▪ Amortizable debt (not a revolving line of credit or bullet)▪ Debt maturities according to the project's lifecycle.▪ Debt service reserve fund and reserves for O&M and major maintenance as required.

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