North American Development Bank
U. S. Trade Deficit Review Commission
January 21, 2000
Dallas, Texas

Key Points

Current Projects/Funding

• There are more environmental infrastructure projects under construction along the U.S. – Mexico border today than ever before in the history of the border.

• NADB has 22 projects in the construction stage
  • Impacting 5.5 million people along the border
  • Totaling $668 million in project costs
  • NADB Participation $182 million
  • NADB Disbursements $49.75 million
  • NADB “on-time – on-budget”

• Over the next 5 years, future projects likely to seek NADB assistance are estimated to total $1.144.9 billion. (As identified in NADB’s 1999 “Ten-Year Outlook: Environmental Infrastructure Funding Projections.”)

• Historically, Congress has provided the bulk of funding for border environmental infrastructure through domestic appropriations in the Clean Water Act.

• To date, Congress has appropriated $425 million for border infrastructure grant funds. Of these funds, EPA has committed $330 million with $95 million reserve.

• EPA funds can be used for wastewater and water supply projects ONLY.

• Given the current and projected economic condition of the border region, the BEIF grant component is essential to the NADB’s public sector program operations and viability.
Living Conditions

- According to a 1999 study:
  - 12% of border population did NOT have access to potable water
  - 30% lacked access to wastewater treatment facilities
  - 25% needed access to solid waste facilities

Growth

- More than 10 million people in 14 sister city pairs currently live within the border area.

- From 1990-1998, the following growth occurred (with the majority of that growth occurring in the last 2-3 years) in these border cities:

<table>
<thead>
<tr>
<th>City</th>
<th>Increase in Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Del Rio</td>
<td>14%</td>
</tr>
<tr>
<td>El Paso</td>
<td>19.3%</td>
</tr>
<tr>
<td>Brownsville</td>
<td>28.8%</td>
</tr>
<tr>
<td>Laredo</td>
<td>43%</td>
</tr>
</tbody>
</table>

- Comparatively, if Washington, D.C. or New York were to experience Laredo’s recent growth rate, for example, the population would grow from 550,000 to 786,500 or 7.4 million to 10.582 million, respectively, in a manner of 2 to 3 years. (Figures based on population of cities, not encompassing metropolitan areas.)

- Recent reports indicate that if all migration to the U.S. – Mexico border stopped (highly unlikely), the border population would still grow by 50% (5 million) people over the next 20 years.
Growth, cont.

- If migration patterns of the 1990 – 1995 period continue, the border population would grow by more than 100% (12 million more people) in the 20 years.

Traffic

El Paso
Northbound border crossing statistics for El Paso’s international bridges
- 1994 Vehicle passenger crossings: 15.9 million
  - (a 4% increase over 1993)
- Between 1991 – 1994 **Freight traffic increased by 160%**
  - From 81,400 to 211,600 crossings

Laredo
- **Largest and most efficient port of entry on the U.S./Mexico border.**
- In 1998, the Port of Laredo handled 1,452,000 cross border loaded truck shipments, 241,000 rail car shipments and 400,000,000 pounds of air freight.
- Including cars, more than 16 million vehicles crossed the Rio Grande at Laredo in 1996.

San Diego
- 3 Ports of Entry on the border of San Diego County and Mexico
  - San Ysidro-Puerto Mexico
  - Otay Mesa-Mesa de Otay
  - Tecate-Tecate

- This region experiences the greatest number of international crossings in the world.
ENVIRON. INFRA. FINANCING
KEY CHALLENGES

-utils' status:
  * efficiencies
  * planning & project development capabilities

-financing:
  * magnitudes, risks, guaranties, returns; payback; & lending mechanisms
  * budgetary constraints
  * access to capital markets & private sector participation: pricing, regulatory, contractual & political reforms needed

North American Development Bank
NADB PROGRAMS

- LOANS & GUARANTIES
  - INCLUDES BANK'S ROLE AS FINANCIAL & INSTITUTIONAL ADVISOR & INVESTMENT BANKER

- GRANTS (BEIF & SWEP)

- INSTITUTIONAL STRENGTHENING (IDP & UMI)
NADB LOANS & GRANTS
DECEMBER 1999

22 PROJECTS APPROVED:
- AGUA PRIETA, ALTON, BRAWLEY (2), CALEXICO, CD. JUAREZ,
  DEL RIO, DONNA, EL PASO J. R., EL PASO LOWER VALLEY,
  HEBER (2), MERCEDES, MEXICALI, NACO, PUERTO PEÑASCO,
  REYNOSA, ROMA, SAN DIEGO, TEXAS PLAN, TIJUANA AND
  WESTMORLAND

TOTAL VALUE: $668 MILLION

RESIDENTS TO BENEFIT: 5.5 MILLION

NADB PARTICIPATION: $182 MILLION

NADB DISBURSEMENTS: $49.75 MILLION
NADB PROJECTS
(12/99)

- INSTITUTIONAL DEVELOPMENT PROGRAM PROJECTS (30)
- NADB LOANS & BEIF APPROVED (22)
# NADB TRANSACTIONS SCHEDULE

(US$ M)

(As of 12/99)

<table>
<thead>
<tr>
<th>NADB CLOSING</th>
<th>SECTOR</th>
<th>NADB $ (Millions)</th>
<th>CONSTR.</th>
<th>DISBURS.</th>
<th>OPER.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1997 &amp; 1998:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRAWLEY (Loan)</td>
<td>W</td>
<td>1.00</td>
<td>In Progress</td>
<td>Jan. 1997</td>
<td>April 2000</td>
</tr>
<tr>
<td>MERCEDES (Loan)</td>
<td>W &amp; WW</td>
<td>1.87</td>
<td>In Progress</td>
<td>May 1997</td>
<td>In Operation</td>
</tr>
<tr>
<td>TIJUANA (BEIF)</td>
<td>WW</td>
<td>16.00</td>
<td>In Progress</td>
<td>March 1999</td>
<td>April 2000</td>
</tr>
<tr>
<td>EL PASO L.V. (BEIF Trans.)</td>
<td>W &amp; WW</td>
<td>2.00</td>
<td>In Progress</td>
<td>Sept. 1998</td>
<td>In Operation</td>
</tr>
<tr>
<td><strong>JAN. 1999:</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>CALEXICO (BEIF)</td>
<td>W</td>
<td>6.48</td>
<td>In Progress</td>
<td>March 1999</td>
<td>June 2000</td>
</tr>
<tr>
<td>EL PASO L.V. (BEIF Constr.)</td>
<td>W &amp; WW</td>
<td>15.50</td>
<td>In Progress</td>
<td>July 1999</td>
<td>In Operation</td>
</tr>
<tr>
<td><strong>FEBRUARY:</strong></td>
<td></td>
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<td></td>
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<tr>
<td>ALTON (BEIF)</td>
<td>WW</td>
<td>0.26</td>
<td>In Progress</td>
<td>April 1999</td>
<td>In Operation</td>
</tr>
<tr>
<td>DONNA (BEIF Constr.)</td>
<td>W &amp; WW</td>
<td>1.97</td>
<td>In Progress</td>
<td>April 1999</td>
<td>In Operation</td>
</tr>
<tr>
<td><strong>MARCH:</strong></td>
<td></td>
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</tr>
<tr>
<td>AGUA PRIETA (Loan)</td>
<td>SW</td>
<td>0.50</td>
<td>Completed</td>
<td>July 1999</td>
<td>In Operation</td>
</tr>
<tr>
<td><strong>APRIL:</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>PUERTO PEÑASCO (Loan)</td>
<td>SW</td>
<td>0.52</td>
<td>In Operation</td>
<td>July 1999</td>
<td>In Operation</td>
</tr>
<tr>
<td>SAN DIEGO (BEIF)</td>
<td>WW</td>
<td>17.20</td>
<td>January 2000</td>
<td>June 1999</td>
<td>May 2001</td>
</tr>
<tr>
<td><strong>MAY:</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>TIJUANA (Loan)</td>
<td>WW</td>
<td>2.50</td>
<td>Jan. 2000</td>
<td>April 2000</td>
<td></td>
</tr>
<tr>
<td><strong>OCTOBER:</strong></td>
<td></td>
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</tbody>
</table>
PROJECT MANAGEMENT OBJECTIVE
“ON TIME - ON BUDGET”

PROJECTS IN CONSTRUCTION OR COMPLETED

- TIJUANA
  On Time - Slightly Over Budget
- JUAREZ WW PLANTS
  On Time - On Budget
- JUAREZ LINES
  Ahead of Schedule - On Budget
- AGUA PRIETA
  On Time - Under Budget (operating)
- PUERTO PEÑASCO
  On Time - Under Budget (operating)
- NACO
  Behind Schedule - On Budget
- BRAWLEY
  Behind Schedule - Under Budget
- CALEXICO
  Ahead of Schedule - On Budget
- MERCEDES
  Behind Schedule - On Budget
- SAN DIEGO
  On Time - On Budget
- EL PASO LV
  On Time - Under Budget
SOLID WASTE ENVIRONMENTAL PROGRAM (SWEP)

- ESTABLISHED IN OCTOBER 1999
- $5 M FROM NADB RETAINED EARNINGS
- 50% TOTAL PROJECT COST:
  - CONSTRUCTION OF SANITARY LANDFILLS INCLUDING CONSTRUCTION MANAGEMENT
  - CLOSURE OF EXISTING DISPOSAL SITES
  - PURCHASE OF COLLECTION & DISPOSAL EQUIPMENT
- $500,000 PER COMMUNITY ($1.5 M PER REGIONAL FACILITY)
- 11 PROJECTS IN PIPELINE FOR 2000-2001
INSTITUTIONAL DEVELOPMENT PROGRAM (IDP)

ENHANCE FINANCIAL & ADMINISTRATIVE CAPABILITIES

- SYSTEM REVIEWS & ACTION PLANS
- INTERNAL ORGANIZATION & PROCEDURES ANALYSES
- LEGAL FRAMEWORK & REGULATION ANALYSES
- MANAGEMENT STUDIES
- ACCOUNTING
- BILLING & COLLECTION
- MANAGEMENT INFORMATION SYSTEMS & EQUIPMENT
- O & M MANUALS
- RATE STUDIES & USER REGISTRY UPDATES
- WATER LINE & WATER LOSS SURVEYS
- TRAINING: UTILITY MANAGEMENT INSTITUTE
INSTITUTIONAL DEVELOPMENT PROGRAM (IDP) (12/99)

80 PROJECTS IN 59 COMMUNITIES

- 14 CONCLUDED BRAWLEY, CALEXICO, CD. ACUÑA #1, CD JUAREZ #1, DOUGLAS, EL PASO LV #1, MERCEDES #1, MEXICALI, NACO SON. #1, PUERTO PEÑASCO #1, REYNOSA, ROMA #1, SOMERTON & WESTMORLAND

- 66 IN PROGRESS OR IN BIDDING PROCESS AGUA PRIETA (2), ALTAR, ALTON, ATIL, BACOACHI, BAVISPE, BISBEE, CABORCA, CANANEA, CD. ACUÑA #2, CD. CAMARGO, CD. JUAREZ #2, CD. MIGUEL ALEMAN, CD. MIER, DEL RIO, DIAZ ORDAZ, DONNA (2), EAGLE PASS, EL PASO LV #2, ENSENADA (2), FRONTERAS, HEBER (2), IMURIS, LAS CRUCES, MAGDALENA, MATAMOROS (2), MERCEDES (2), NACO SON. (2), NACOZARI, NOGALES AZ. (2), NOGALES SON. (3), NUEVO CD. GUERRERO, NUEVO LAREDO, NUEVO PROGRESO, OJINAGA (2), OQUITOA, PATAGONIA, PITUQUITO, PUERTO PEÑASCO #2, ROMA #2, SAN BENITO, SAN LUIS RIO COLORADO (2), SANTA ANA, SANTA CRUZ, SARIC, SONOYTA, TECATE, TERRELL, TX OMBUDSMAN TA PLAN, TIJUANA, TUBUTAMA, VALLE HERMOSO (2) & WEBB

20 REQUESTS FOR ADDITIONAL PROJECTS
UTILITY MANAGEMENT INSTITUTE (UMI)

- IMPLEMENTED IN AUGUST 1999
- MANAGERIAL & FINANCIAL TRAINING FOR UTILITY PROFESSIONALS
  - PLANNING, DESIGNING & IMPLEMENTING A UTILITY
  - FINANCIAL ADMINISTRATION & PLANNING
  - LEADERSHIP IN THE UTILITY

- AUG. - DEC. 1999: 96 PARTICIPANTS FROM 34 COMMUNITIES
### NADB Participation by Country (12/99)

<table>
<thead>
<tr>
<th></th>
<th>Communities</th>
<th>Tech. Assist. $</th>
<th>Loans &amp; Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEXICO</strong></td>
<td>39</td>
<td>70%</td>
<td>49%</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td>21</td>
<td>30%</td>
<td>51%</td>
</tr>
</tbody>
</table>
ATTENTION TO KEY CHALLENGES: PAYMENT CAPACITY & FINANCIAL CONDITIONS

- ACCESS TO FINANCING
- REVENUE & CREDITWORTHINESS
- EXCHANGE RATE COVERAGE
- FINANCING MECHANISM

BEIF + LOW MARGINS + MATURITIES + FOAEM + FIN. PACKAGING

BEIF: TRANSITION ASSISTANCE

FOAEM

NADB: SOFOL (COFIDAN)
ATTENTION TO KEY CHALLENGES: A JOINT BECC - NADB PROCESS

- SUSTAINABILITY
- PROJECT FORMULATION
- INSTITUTIONAL DEVELOPMENT

REFORMS, RESERVES & DEBT COVERAGE
BECC & NADB TECH. ASSISTANCE (PDAP & IDP)

North American Development Bank
MANDATE

BORDER
DEMOGRAPHICS &
ECONOMICS

GROWING NEEDS
NADB CAPITAL BASE

WATER & WASTEWATER
- $1 B IN SUBSIDIES NEEDED OVER
  10 YEARS
- TRAINING (UMI)
- CONSTRUCTION MGT.

SOLID WASTE PROGRAM
- BANK'S NET EARNINGS
- PRIVATE SECTOR PARTNERSHIPS
- RECYCLING INDUSTRY

MUNICIPAL FINANCE REFORMS
- UTILITY DISTRICTS
- RELATED AREAS
<table>
<thead>
<tr>
<th>City</th>
<th>State</th>
<th>Estimated Population 7/1/98</th>
<th>Census Population 4/1/90</th>
<th>Percent Population Change</th>
<th>If U.S. Non-Border Cities/Areas Were To Experience Laredo's Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tucson</td>
<td>AZ</td>
<td>460,466</td>
<td>415,444</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>Pima County (included Tucson)</td>
<td>AZ</td>
<td>790,755</td>
<td>666,957</td>
<td>18.6</td>
<td></td>
</tr>
<tr>
<td>San Diego</td>
<td>CA</td>
<td>1,220,666</td>
<td>1,110,623</td>
<td>9.9</td>
<td></td>
</tr>
<tr>
<td>San Diego County</td>
<td>CA</td>
<td>2.8 million (to date)</td>
<td>2,498,016</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Washington</td>
<td>DC</td>
<td>523,124</td>
<td>606,900</td>
<td>-13.8</td>
<td>867,867</td>
</tr>
<tr>
<td>Chicago</td>
<td>IL</td>
<td>2,802,079</td>
<td>2,783,726</td>
<td>.7</td>
<td>3,980,728</td>
</tr>
<tr>
<td>Annapolis</td>
<td>MD</td>
<td>33,585</td>
<td>33,195</td>
<td>1.2</td>
<td>47,469</td>
</tr>
<tr>
<td>New York</td>
<td>NY</td>
<td>7,420,166</td>
<td>7,322,564</td>
<td>1.3</td>
<td>10,471,267</td>
</tr>
<tr>
<td>New York Metropolitan Area</td>
<td>NY</td>
<td>33.4 million (to date)</td>
<td>33 million</td>
<td>1.3</td>
<td>47.19 million</td>
</tr>
<tr>
<td>Portland</td>
<td>OR</td>
<td>503,891</td>
<td>485,975</td>
<td>3.7</td>
<td>694,944</td>
</tr>
<tr>
<td>Laredo</td>
<td>TX</td>
<td>175,737</td>
<td>122,893</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Nuevo Laredo</td>
<td>Coahuila, Mexico</td>
<td>358,118 (to date)</td>
<td>228,625</td>
<td>56.6</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td>State</td>
<td>Estimated Population 7/1/98</td>
<td>Census Population 4/1/90</td>
<td>Percent Population Change</td>
<td>If U.S. Non-Border Cities/Areas Were To Experience Laredo's Growth</td>
</tr>
<tr>
<td>--------------</td>
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<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Brownsville</td>
<td>TX</td>
<td>137,883</td>
<td>107,027</td>
<td>28.8</td>
<td></td>
</tr>
<tr>
<td>Matamoros</td>
<td>Tam, Mexico</td>
<td>350,000 (to date)</td>
<td>266,055</td>
<td>31.5</td>
<td></td>
</tr>
<tr>
<td>El Paso</td>
<td>TX</td>
<td>615,032</td>
<td>515,342</td>
<td>19.3</td>
<td></td>
</tr>
<tr>
<td>Juarez</td>
<td>Chih, Mexico</td>
<td>1.1 million (to date); Fourth Largest City in Mexico</td>
<td>798,499</td>
<td>37.75</td>
<td></td>
</tr>
<tr>
<td>Del Rio</td>
<td>TX</td>
<td>34,990</td>
<td>30,705</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Ciudad Acuña</td>
<td>Coahuila, Mexico</td>
<td>131,248 (to date)</td>
<td>52,983</td>
<td>147.7</td>
<td></td>
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</tbody>
</table>