

The Anatomy of a Relationship:

A Collection of Essays
on the Evolution of
U.S.-Mexico
Cooperation on
Border
Management



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About the Collection

The conventional wisdom among those who study the border is that following the terrorist attacks of September 11, 2001, the United States unilaterally imposed significant additional security requirements on the management of the U.S.-Mexico border, and that the measures taken to meet these requirements have made the border more difficult to cross for not only illicit but also licit traffic, including the trade and travel that is the lifeblood of cross-border communities. There is a great deal of truth in this interpretation, but it largely portrays Mexico as a passive receptor of U.S. policy, which could not be further from the truth.

Rather, the increasing relevance of transnational non-state actors—terrorist groups, organized crime networks—posing border and national security threats in the region have demanded increased international cooperation to monitor and mitigate the threats. At the same time, the U.S. and Mexican economies have become ever more deeply integrated, causing significant growth in cross-border traffic and placing the efficient management of the U.S.-Mexico border as a first-order national interest for both countries.

The post-2001 border management framework has pushed away from the traditional understanding of the border as a line in the sand and moved toward an approach that seeks to secure and (in the case of licit travel and commerce) facilitate flows. This focus on transnational flows has expanded the geographic scope of what were traditionally border operations and thus required an internationalization of border management, the development of partnerships and cooperative methods of border administration.

Mexico historically took a largely hands-off approach to its northern border, with virtually no entry processing required for the majority of travelers and a limited law enforcement focus on the border itself. After September, 2001, the U.S. sought cooperation from its allies in protecting the homeland, which in the case of Mexico predominately focused on the border. Mexico responded by offering support for U.S. security objectives, but also pressured for the creation of mechanisms to limit the economic and quality of life costs of increased security. More recently, Mexico has reciprocated by pushing for increased U.S. action to stop the southbound flows of weapons trafficking and illicit bulk cash.

At the U.S.-Mexico border, these changes meant that Mexico necessarily and for the first time fully got a seat at the table in discussions of border management. It took several years for the development to be fully institutionalized, but it was achieved through the formal creation of the Executive Steering Committee (with leadership in the White House and Los Pinos) and related binational committees for various aspects of border management in 2010 as part of the 21st Century Border initiative. Similarly, through the Merida Initiative, Mexico and the United States have jointly sought to strengthen public security in the border region, and through the High Level Economic Dialogue aimed to cooperatively strengthen the competitiveness of the regional economy. Cross-border cooperative environmental and resource management, which has roots stretching back more than a century, grew considerably after the

signing of the La Paz Agreement in 1983 and the creation of the North American Development Bank in 1994, but it too has reached new heights over the past decade as civil society has stepped up to join the governments as stewards of transborder resources and ecosystems and as the NADBank expanded its operations.

Over the past decade and a half, the United States and Mexico have transitioned from largely independent and unconnected approaches to managing the border to the development and implementation of a cooperative framework. With contributions from government officials and other top experts in the field, this collection of essays explores the development of cooperative approaches to the management of the U.S.-Mexico border. The essays will be released individually throughout 2015 and published as a volume in early 2016.

BECOMING A USEFUL TOOL FOR GOVERNMENTS: THE EVOLUTION OF THE NORTH AMERICAN DEVELOPMENT BANK

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INTRODUCTION

With the North American Free Trade Agreement (NAFTA) reaching its 20th anniversary in 2014, we have recently had the opportunity to reflect on its evolution and discuss its future prospects. There was no shortage of seminars and ceremonies in which the usual North American *movers* and *shakers* of bilateral relations relived their experiences and anecdotes, made their assessments and proffered their ideas for the future. This backdrop also provided the opportunity to take stock of what had been accomplished with a lesser known institution created in the context of the NAFTA negotiations: the North American Development Bank (NADB). Indeed, after two decades of operation, NADB celebrated its 20 anniversary with ample possibilities of becoming a more meaningful and useful tool for Mexico and the United States in their bilateral agenda and, more specifically, for their border communities. Furthermore, NADB is one of the few truly bilateral entities; its evolution provides good lessons for border management and for future institution-building.

This paper is divided into three parts. First, I recap why and how NADB came to be. As is often the case, the context in which an institution is created is extremely important. It is no secret that NADB and its sister institution, the Border Environmental Cooperation Commission (BECC), were but one piece of a bigger puzzle in securing the passage of NAFTA. While the context was broad, these institutions were designed with a clear focus on the border, where—then as now—creative solutions are needed to tackle the shared challenges both countries face. Second, I talk in greater length about NADB’s evolution. The institution has gone

through various phases as part of its natural evolution: creation, consolidation, and growth. These phases are not neatly defined in chronological terms and overlap substantially. But what I really wish to emphasize is that such phases are only natural when building these types of institutions and also reflect—at least to some extent—changes in the border region. Third, I review NADB’s more recent developments and explain why NADB is better positioned today, as compared to twenty years ago, to be relevant and useful in the bilateral agenda.

“The North American Development Bank is one of the few truly bilateral entities; its evolution provides good lessons for border management and for future institution-building.”

This is not an academic paper. I am writing from a practitioner’s perspective, based on my own experience in border management and as Managing Director of NADB. I have also relied on conversations with people who have been involved with NADB over the years, my own recollection of events, and the book: *A Celebration of Progress*, published by NADB and BECC for our 20th Anniversary. Most of the relevant data cited comes from this book; however, when appropriate, I cite other sources.

One final clarification is in order. Although this paper—including its title—refers to NADB, the Bank cannot be conceived nor understood without BECC. Presently, and rightly, the institutions are in the middle of a merger process that I am convinced will make them more efficient and effective in fulfilling their mission. This paper, I hope, will explain how we got to this point.

NAFTA, THE BORDER AND THE NADB

NAFTA and the terrible events of September 11, 2001 (and its aftermath) are the two factors that have had the greatest structural impact on U.S.-Mexico relations and the border region over at least the last half century. The latter event raised a new set of security concerns—mostly shared by the two countries—that fundamentally altered the movement of goods and people across the border and how this movement is perceived. It modified traditional relations among counterpart-agencies in the U.S. and Mexican governments—with the creation of the new Department of Homeland Security—and unfortunately the response to those events also disrupted life for border communities. Needless to say, at times, border security has created tense and difficult moments in bilateral relations. Other more able contributors to this book are addressing this topic. But let me just say that I believe the learning curve is proving useful, and thankfully both sides, by and large, have remained constructive as they pursue their interests while accommodating those of their neighbor.

Going back to NAFTA, we can say that in many ways it has had an even more profound and lasting effect on the relationship. The most obvious result is the tremendous growth in trade and investment through the establishment of one of the largest and most sophisticated trading blocs in the world. As is frequently cited, U.S. and Mexico trade in goods and services averages US\$1.4 billion every day. Economic integration, however, is not the only legacy of NAFTA. As Linda J. Allen points out in

The North American Agreement on Environmental Cooperation: Has It Fulfilled Its Promises and Potential? An Empirical Study of Policy Effectiveness, NAFTA was the first trade agreement that explicitly linked trade to environmental protection goals.

In October 1992, in a ceremony in San Antonio, Texas, attended by the three North American leaders, NAFTA was initialed by their respective trade ministers, marking the formal conclusion of negotiations. However, the reconfiguration of the political landscape in the U.S. after the November 1992 election complicated the scenario. In particular, U.S. congressional approval required the negotiation of side agreements on labor and environmental standards. The North American Agreement on Environmental Cooperation came into force precisely with the objective of supporting the environmental goals of NAFTA and fostering trilateral cooperation to conserve and protect the environment.

In the U.S.-Mexico sphere, legislators and non-governmental organizations (NGOs) in the U.S. demanded that solid waste and water management problems in the border region be addressed in some way as part of the negotiations. The solution was the creation of BECC and NADB, through the *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 Charter). Indeed, these institutions were chartered with the mission of helping develop and finance environmental infrastructure in order to preserve, protect and enhance the environment of the border region.

“NAFTA was the first trade agreement that explicitly linked trade to environmental protection.”

The context and reasons behind their creation bear some consideration. First, the fact that NADB and BECC were not part of the initial vision of NAFTA, but rather a side product of a broader policy goal, weighed in the governments’ initial attitude towards the institutions and in their impetus to get them going. Second, in spite of this fact, the concerns about water and solid waste management in the border region that were voiced at the time were certainly valid. For example, according to BECC and NADB estimates based on data ^{from Mexico’s} National Water Commission (COANGUA), only about 21% of wastewater in Mexican border cities was being treated in 1995. Consequently, a significant amount of untreated water was flowing into and contaminating shared river basins. Proponents of these institutions were rightly concerned not only about the existing deficit in basic infrastructure at the time, but also by the fact that population growth and urbanization in the border region would increase as a result of NAFTA. In other words, the effects of economic integration would naturally be stronger in the border region and would result in additional infrastructure needs. For example, the *State of the Border Report* estimated that the population of U.S. counties along the border grew at an average rate of 1.62% between 2000 and 2010, as compared to the national average of 0.97%. In the case of Mexico’s border municipalities, these figures are 2.24% and 1.52%, respectively. The same can be said for population growth in the border states and in the geographic area in which NADB operates (100 km north of the

border and 300 km south). Third, given the transboundary nature of many environmental issues, it is only natural that such issues are more prevalent in the border region and, thus, within the geographic scope of these institutions. Fourth, transboundary issues in general are not only more strongly felt in the border region, they are also more politically visible. Then, as now, the manner in which both governments approach their shared challenges in the border region is reflected in the overall bilateral agenda and frequently shapes public opinion on the bilateral relationship. In addition, it can be said that the border region frequently complains about being neglected by both federal governments. The fact that NADB and BECC were created as border institutions helps mitigate this sense of neglect. Fifth, it is safe to say that the governments are careful—even reluctant—to broach the creation of new international institutions, especially if they imply money, permanent staff and physical offices. The fact that both governments committed these elements when creating NADB and BECC is in itself important and noteworthy.

“...the effects of economic integration would naturally be stronger in the border region and would result in additional infrastructure needs.”

I have sometimes commented—even as its managing director—that the creation of NADB was the result of a very particular set of political and bilateral circumstances. Nevertheless, and especially in hindsight, the objectives for which it was created were relevant then and, I would argue, they are even more relevant today.

NADB'S EVOLUTION

NADB and BECC formally initiated operations in 1994 and began what I would call an initial or *construction* phase. Beyond the agreement of both countries to create them and the broad objectives and functions set forth in their Charter, there was not much of a blueprint.

Naturally, it was necessary to install their respective boards, establish their offices, hire personnel—including the first management teams—and develop policies and procedures in accordance with their objectives, functions and responsibilities as set forth in the Charter. BECC developed its first set of certification criteria, while NADB developed loan and guaranty policies and operating procedures based on sound banking principles and standard market practices. The first project certification did not take place until 1995, and the first loan—for a water treatment plant in Brawley, California—was not contracted until 1997.

As part of their initial efforts, BECC and NADB encountered various obstacles that had to be addressed in order to certify and finance viable projects. The most salient of these challenges were: lending in sectors historically considered difficult from a banking standpoint; in some cases limited institutional capacity on the part of local project sponsors to plan and develop projects; limited fiscal resources and creditworthiness at the local level; and, in general, a lack of projects ready for financing and implementation. Clearly, there was substantial need for safe drinking water, adequate wastewater treatment, and proper solid waste disposal facilities, but relatively few projects had been developed to address these deficiencies. In many cases, projects were mere concepts with no actual design

and only preliminary cost estimates. These problems were—and to a large extent are—more prevalent in Mexico. However, in the U.S., NADB encountered difficulty in providing competitive terms and value added as a development bank, given the existence of a well-developed municipal bond market that offers tax benefits and a comprehensive array of financial advisors.

To address these issues, NADB began pursuing several program initiatives aimed at bolstering the creditworthiness of project sponsors and making infrastructure more affordable for border communities. At the same time, BECC looked for ways to improve the planning and design of projects submitted for certification. Both institutions began offering technical assistance grants to communities and local utilities. BECC mainly concentrated on project development activities aimed at increasing project readiness for certification and financing, while NADB focused on institutional capacity-building measures aimed at helping utilities improve service efficiency and increase revenue streams, thereby enhancing their creditworthiness and long-term sustainability.

In 1996, NADB and BECC engaged the U.S. Environmental Protection Agency (EPA) and other potential grant agencies in discussions regarding appropriate mechanisms through which available grant resources could be channeled to projects in both countries. As a result, EPA awarded BECC an initial US\$10 million grant to support development of water and wastewater projects on both sides of the border through the Project Development Assistance Program (PDAP). Likewise, EPA signed a cooperative agreement with NADB establishing the Border Environment Infrastructure Fund (BEIF) with an initial contribution of US\$170 million in grant

funding for water and wastewater facilities in both the U.S. and Mexico. During this period, BECC and NADB also continued to strengthen relationships with other agencies, local stakeholder groups and advocacy organizations working on environmental issues in the border region and became instrumental in convening these organizations on a regular basis to discuss shared objectives and resolve issues. The role played by EPA through its funding was significant, as it catalyzed investment from the Mexican National Water Commission (CONAGUA) for water and wastewater projects in the Mexican border region. BECC and NADB became effective advocates for the interests of the border region, helping to bring border infrastructure issues to the attention of state and federal agencies, as well as elected officials who could contribute to the successful development and implementation of projects. These programs and the collaboration with EPA and CONAGUA allowed BECC and NADB to begin implementing many priority water and wastewater projects in the border region and have been quite successful throughout the 20 years of operation.

NADB, working with its board, was also able to resolve issues associated with its lending to state and local public entities in Mexico. Mexico's Treasury Department (SHCP) agreed to extend an exchange risk coverage mechanism (FOAEM) to include NADB, thus allowing the Bank to use its dollar resources to make loans in pesos, while keeping financing costs low. The NADB Board approved the creation of a "SOFOL," a type of Mexican financial institution authorized to make loans to a specific sector—in this case, environmental infrastructure. By 1998, *Corporación Financiera de América del Norte, S.A. de C.V. SOFOL* (COFIDAN) was fully

established, serving as a mechanism to channel NADB loans to state and local public entities in Mexico.

NADB took its capacity-building efforts a step further in 1999 by launching the Utility Management Institute (UMI), which provides an annual series of seminars on financial administration and planning for water utilities. That same year, the NADB Board approved using a limited portion of the Bank's retained earnings to establish the Solid Waste Environmental Program (SWEP) to help compensate for the lack of government funding available in the solid waste sector.

Given the heavy reliance on grants in the water and solid waste sectors, coupled with growing concerns that the Bank's resources were being underutilized, NADB and BECC began working with stakeholders to explore additional environmental sectors within the scope of the Charter where the institutions could have a positive impact. The NADB Board brought together experts in various fields to assess potential new areas of activity for the two institutions. By the end of 2000, the BECC and NADB Boards had approved resolutions expanding the sectors that the institutions could serve, while maintaining drinking water, wastewater treatment and solid waste management as priorities. Projects qualifying as "related matters" under the Charter were defined as water conservation, water and sewer hookups, waste recycling and reduction, and hazardous waste. A second group of environmental projects was also added to include air quality, clean and efficient energy, public transportation and municipal planning.

Several observations can be made about this initial or *construction* phase. First, it can be

argued that NADB was the first *green bank* ever created. Yet, as I mentioned earlier, there was not much of a blueprint. Implementing what the Charter establishes took more time than was probably expected. Secondly, if one looks at the raw numbers for the first five years of operations, the results are mixed. By the close of 2000, NADB had approved only seven loans totaling US\$11 million—a very small fraction of the banks approved paid-in capital. BECC had certified 43 environmental infrastructure projects, representing a total investment of more than US\$968 million. The sponsors of 35 of those projects had requested financing from NADB, but mainly in the form of grants from the BEIF program, though which 25 grants totaling US\$274 million had been contracted. Third, water and solid waste management—priority sectors according to the Charter—traditionally relied heavily on grants in both countries. Therefore, the structuring of bankable projects in these sectors has always been a challenge. The decision to gradually open operations for new environmental infrastructure sectors proved to be a turning point in making these institutions more useful. Fourth, in spite of the relatively modest results in terms of the actual financing contracted (especially in loans), the decision to promote specific technical assistance efforts and resources—whether for project development or institutional strengthening of potential project sponsors—has become a crucial part of the value added provided by both institutions. Finally, the unique arrangement established under the Charter—namely that of having two separate institutions and boards with the same objectives sharing responsibility for different parts of the same process, has implied a long learning curve. I will comment more about this later.

“...it can be argued that NADB was the first green bank ever created.”

Along with significant advances in infrastructure in the border region came recognition that there was still much to accomplish. Public discussion intensified among elected officials, policy research and advocacy groups, and other border stakeholders regarding *maximizing the capacity* of BECC and NADB to support the development of needed infrastructure. This renewed interest was also spurred by the start of new presidential administrations in both countries. These discussions culminated in a set of initiatives agreed to by Presidents George W. Bush and Vicente Fox in March 2002. Most notably, the agreement called for the establishment of a single board of directors for the two institutions and expansion of their geographic mandate to 300 kilometers south of the border into Mexico.

While these reform initiatives worked their way through the respective legislatures of Mexico and the U.S., projects continued to be certified and financed, including the first air quality improvement projects through street paving. Additionally, drought conditions in the Rio Grande watershed prompted the creation of the Water Conservation Investment Fund (WCIF), which would direct US\$80 million in retained earnings from NADB toward infrastructure improvements in irrigation districts on both sides of the border that would ultimately yield significant water savings on an annual basis. The reform initiatives were approved by the Mexican Senate and the U.S. Congress, and the amended BECC-NADB Charter went into effect on August 6, 2004.

The Charter reform was crucial in the *consolidation* of NADB and BECC. Not only did it provide for a better operational structure and increase the potential pipeline of environmental infrastructure projects by expanding the geographical mandate in Mexico, it also represented the renewed commitment of both governments to the institutions and their purpose. In fact, prior to the reform, there were discussions about the possibility of closing NADB in Mexico's government. Personally, I have always argued that closing NADB would have been a very bad decision, reflecting poorly on the overall bilateral relationship and contributing to a sense of negligence regarding the border region. Nevertheless, one cannot deny the central argument behind this idea. At that time, NADB's loan portfolio was much lower than its paid-in capital, and its loan income was not sufficient to cover its operating expenses. Fortunately, discussions were turned towards making the institution operate better and more efficiently.

"[The charter reform] represented the renewed commitment of both governments to the institutions and their purpose."

In this sense, the new board of directors approved a series of recommendations derived from a comprehensive business process review of both institutions. Among the most significant changes were steps taken to streamline the project development process by making project certification and financing approval a simultaneous action of the board. Standardized operating procedures were also approved, aligning BECC's project certification process with NADB's financial analysis into a single, integrated project development cycle. In addition, the certification criteria were

revised to recognize the distinct nature of projects sponsored by private-sector entities, while the Bank's loan policies and procedures were revised to make its lending program more accessible to qualified borrowers.

By December 2006, BECC had certified 115 environmental infrastructure projects, and NADB had approved US\$260.7 million in loans for 37 projects, US\$493.9 million in BEIF grants for 55 water and wastewater projects, US\$4.5 million in SWEP grants for nine solid waste projects and US\$76.4 million in WCIF grants for 19 water conservation projects. At the close of 2006, 43 BECC-certified projects financed by NADB had been completed and were in operation.

With the project development process fully aligned under a single board of directors, project certification and financing began to grow at a consistent pace. Projects in the air quality and renewable energy sectors, along with an increase in construction starts in the water and wastewater sector, catalyzed growth in lending. Operationally, the two institutions made important strides in efficiency and in reducing the time between funding approval and disbursement. Consequently, the Bank's loan portfolio grew 284% in the three-year period between December 2006 and 2009.

Working with state and federal agencies, as well as local border communities, BECC and NADB initiated a results measurement program to assess and report on the impact of completed projects. Through this process, clear goals and indicators for each certified project are established, and information on results helps shape the development of future programs and resource strategies and serves as a tool for reporting on the

effectiveness of the two institutions in accomplishing their mission.

Additionally, during this period, BECC demonstrated its added value beyond the certification of projects through its support of EPA and the Mexican Ministry of Environment and Natural Resources (SEMARNAT) in the administration of the U.S.-Mexico Border 2012 Program (now the Border 2020 Program), which included various studies, such as paving and needs assessments in the Mexican border states, in order to more effectively channel assistance to community needs. This successful collaboration has continued and grown, with BECC identifying, procuring and managing specific projects within the goals of the program in the areas of water, soil, air, environmental health, emergency response, and other environmental management issues.

RECENT DEVELOPMENTS AND FUTURE OUTLOOK

Steady growth in the number of projects certified and seeking NADB financing required the Bank to look to the financial markets to leverage its capital subscriptions into additional funding for its lending program. To facilitate this effort, NADB obtained its first credit ratings—Aaa from Moody’s Investor Service and AA+ from Standard & Poor’s—and placed its first public debt issuance for US\$250 million in February 2010. By the close of 2010, BECC had certified a total of 175 projects, and NADB had contracted US\$1.22 billion in loans and grants to finance 149 of those projects. NADB’s loan portfolio stood at US\$470.2 million, representing an average annual growth rate of 56% for the four-year period between December 2006 and 2010. A total of 99 projects had been fully implemented.

As new leadership took the helm at both BECC and NADB towards the end of 2010, it was determined that the capacity of the institutions to accomplish their mission would depend on their ability to adapt to four key factors: (a) a drastic reduction in the funding available for the BEIF program; (b) the need to work increasingly with private-sector sponsors and project finance structures and a general trend towards the use of public-private partnerships for infrastructure financing; (c) improved follow-up on projects after financial closing, during implementation and in assessing their impact; and (d) better use of technical assistance resources by focusing them more on project development.

Based on these factors, a series of strategic initiatives were promoted. One of the most important was achieving the full integration of both institutions. The decision to establish them as separate institutions was largely a matter of circumstance and not necessarily based on elements of structural and operational efficiency. Over the years, enabling both institutions to better fulfill their mission had, to a great extent, required the U.S. and Mexican governments to make decisions and take actions aimed at integrating various institutional and operational aspects of BECC and NADB. In 2014, the board of directors approved a resolution recommending that the governments of the United States and Mexico proceed with the integration of NADB and BECC.

During this period, BECC and NADB entered the renewable energy field with the certification and financing of its first solar project, a 23-megawatt photovoltaic plant in Imperial Valley, California. The development of clean and renewable energy had become a policy priority for both

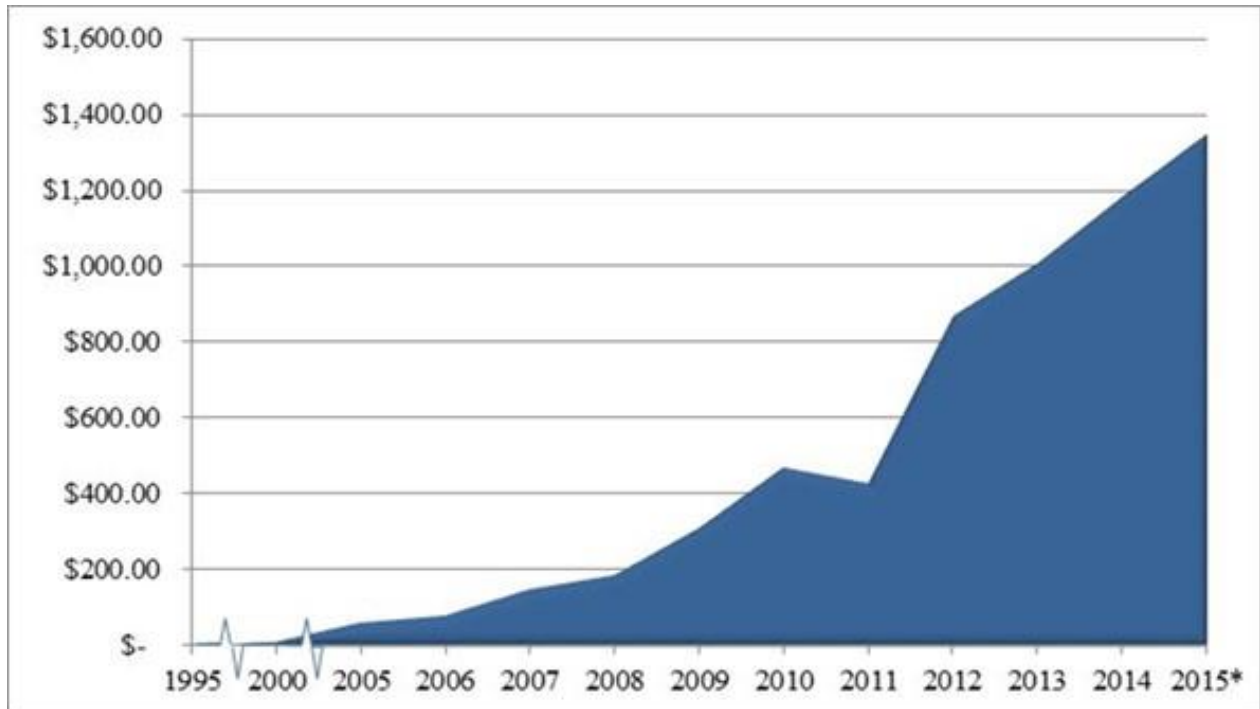
countries, and the border region offered ideal conditions for solar and wind energy projects. This expansion was endorsed by the board of directors through a resolution in support of energy transmission and distribution infrastructure, public transportation, and the production of goods and services in the border region designed to enhance or protect the environment.

Parallel to this growth, NADB and BECC expanded efforts to serve smaller communities with little or no debt capacity. The Community Assistance Program (CAP) was created to provide grants for the implementation of small, but critical environmental infrastructure projects in low-income communities. In the same action, the board agreed to consolidate all the Bank’s grant financing activity funded from its retained earnings under the new program.

In the past few years, NADB has experienced significant growth in its lending operations. As a result, the Bank has now tapped the international markets through successful bond issuances amounting to more than one billion dollars. Similarly, NADB is increasingly working with other financial institutions—both public and private—to co-finance projects. This collaboration is important considering the emphasis that the Charter gives to leveraging other sources of funding, including private sources. From a financial standpoint, NADB has become a more complex operation. Whereas in 2000, the amount of loans outstanding per employee was US\$0.15 million, in 2014 this figure had reached US\$20.43 million. In this regard, NADB initiated a review of its operational risk profile and created a new risk management area.

NADB Loan Portfolio

(US\$ Millions)



*June 2015

At the governance level, the United States and Mexico have continued to demonstrate strong shareholder support for BECC and NADB. In September 2013, the two governments launched a High-Level Economic Dialogue (HLED) to advance strategic economic and commercial priorities central to promoting mutual economic growth, job creation and global competitiveness. Making effective use of BECC and NADB was also recognized as an objective within the HLED framework.

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In this context, the rapid growth of its portfolio combined with a robust pipeline of projects prompted NADB to propose its first capital increase, which at the time this essay was written was being discussed as part of the federal budget in Mexico and the United States.

At 20 years of operation, BECC and NADB have evolved into institutions that are having a transformative impact on the quality of life in the border region. At the close of 2014, BECC had certified 243 projects and NADB had contracted US\$2.40 billion in loan and grant financing to support the implementation of 204 of those projects. These projects are producing tangible results, especially with regard to wastewater treatment coverage along the Mexican border, which has increased from 21% in 1995 to 87% in 2012. Water savings in irrigation districts are estimated at 371,000

acre-feet a year, sufficient to supply drinking water to four million residents. Solid waste projects are enabling proper management of 1,550 tons of waste a day. In air quality, paving projects in various Mexican communities are helping eliminate about 170,000 tons of vehicular dust (PM₁₀) a year. Finally, renewable energy projects are helping to avoid the release of 2.1 million metric tons/year of carbon dioxide and other greenhouse gases.

Despite these important accomplishments, much remains to be done. Moreover, as I mentioned in the introduction, the reasons why NADB and BECC were created are even more important now than twenty years ago. Good environmental stewardship has rightly gained prominence worldwide and in the bilateral agenda. Water will continue to be a priority for the border region, beyond supplying safe drinking water and adequate wastewater collection and treatment, areas where we have traditionally concentrated. The border region is in need of a comprehensive sustainability plan with conservation and efficient water management as the key objective. This will require significant cooperation among different authorities from both sides of the border, as well as considerable investments in infrastructure. Given its bilateral nature and the experience accumulated over 20 years, NADB can and should continue to play an important role.

Also, in recent years, Mexico and the United States have taken a prominent role in addressing climate change and global warming, and this has naturally become part of the bilateral agenda. Both countries now have legislation or regulations at the state and federal level with ambitious clean energy standards. In recent years NADB has

proven its capacity to help develop and finance projects that support achievement of these standards. A good example is the Bank's leading role in the first trans-border renewable energy project, which produces wind energy in Mexico that is sold to the United States. In this same realm, energy efficiency is fast becoming an important objective for both the private and public sector. Most of the efforts that NADB and BECC have conducted so far have been in technical assistance, intended to develop eligible projects in industrial plants (i.e. *maquiladoras*), public lighting, and water utilities, which consume substantial amounts of electricity. In the area of solid waste management, dynamic economic activity demands creative solutions for recycling, for example in e-waste. As bilateral trade continues to grow, improving port-of-entry (POE) infrastructure has become a key element of the regional competitiveness equation. In spite of significant efforts by both governments, in some cases, congestion and thus border wait-times continue to be a problem, which not only affects border communities and businesses, but also has adverse effects on the air quality in the border region. NADB is poised to play a more active role in helping both governments develop POE projects and structure innovative schemes to finance them.

The U.S.-Mexico border is frequently referred to as unique, complex, dynamic and full of challenges and opportunities. The manner in which both governments face these challenges and capitalize on these opportunities, frequently reflects upon the overall bilateral relationship and how it is perceived in our countries and worldwide.

NADB has over the years made important contributions to the border region and the bilateral relationship, and it is today well positioned to serve an even larger role in this ongoing endeavor.

“NADB has over the years made important contributions to the border region and the bilateral relationship, and it is today well positioned to serve an even larger role in this ongoing endeavor.”

ABOUT THE AUTHOR

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