



NORTH AMERICAN DEVELOPMENT BANK

**PROJECT CERTIFICATION
CRITERIA AND PROCESS**



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PROJECT CERTIFICATION CRITERIA AND PROCESS

Introduction

The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB) were created in 1993 under 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). Both institutions were established to help preserve, protect and enhance the environment of the U.S.-Mexico border region, in order to advance the well-being of the people of the United States and Mexico through the development and financing of environmental infrastructure projects.

On November 10, 2017, by virtue of an amendment to the Charter, BECC became a standing subsidiary component of NADB. The unified institution assists local, state, federal and private entities in evaluating, developing, financing, implementing, overseeing and measuring the results of environmental infrastructure projects. Prior to receiving NADB financing, a project must be certified by its Board of Directors. The criteria and process for such certification is set forth in this document.

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1. Basic Eligibility

1.1. Project Type

Projects presented for development, certification and financing must constitute an environmental infrastructure project, which is defined as a project that will:

- a) prevent, control or reduce environmental pollutants or
- b) improve the drinking water supply or
- c) protect flora and fauna,

provided that such project will also:

- i) improve human health or
- ii) promote sustainable development or
- iii) contribute to a higher quality of life.

Consistent with this definition, projects eligible for certification include, but are not limited to, those listed in Table 1.

TABLE 1: ELIGIBLE PROJECT SECTORS*	
▪ Water pollution	▪ Air quality
▪ Wastewater treatment	▪ Clean and efficient energy
▪ Water conservation	▪ Public transportation
▪ Municipal solid waste	▪ Municipal planning and development, including water management
▪ Industrial and hazardous waste	
▪ Residential water and wastewater hookups	
▪ Recycling and waste reduction	

** Sectors listed in the first column are given preference in accordance with Chapter III, Article II, Section 2(d) of the Charter.*

Additional types of projects that may qualify as environmental infrastructure projects under the Charter include:¹

- Renewable energy generation;
- Energy transmission or distribution infrastructure;
- Public transportation infrastructure, including international border crossings;
- Production of goods and services designed to enhance or protect the environment, if the project also provides a net environmental benefit to the border region; and

¹ Projects must be fully consistent with NADB guidelines for documenting human health and/or environmental benefits.

- Other infrastructure designed to minimize future negative environmental impacts in the border region.

1.2. Project Location

Projects must be located in the U.S.-Mexico border region, which is defined by the Charter as the area in the United States within 100 kilometers north and the area in Mexico within 300 kilometers south of the international boundary. Projects located outside the border region may be considered upon a decision by the NADB Board of Directors that the project would remedy a transboundary environmental or health problem.

1.3. Legal Authority

To be eligible for certification, a project shall observe or be capable of observing the environmental and other laws and regulations of the place where it is to be located or executed, including necessary operating permits, licenses and other regulatory requirements related to land acquisition and rights of way. Project sponsors must have the legal authority to develop the project, provide the proposed services and/or receive financing. Additionally, the project's conformance to any applicable international treaties and agreements must be documented.

2. Project Development

Project development requirements are determined on a project-by-project basis, taking into account industry standards, regulatory or funding source requirements and specific project sponsor needs. Projects that have completed their necessary development tasks may achieve certification and financing approval in a shorter timeframe than those for which tasks are pending. Project development activities may include, but are not limited to, those listed in Table 2:

TABLE 2: PROJECT DEVELOPMENT ACTIVITIES		
▪ Facility plans	▪ Public participation	▪ Capital/ operation & maintenance cost estimates
▪ Environmental impact studies	▪ Final design	▪ Financial and legal analysis*
▪ Design criteria definition	▪ Value engineering	
	▪ Plans and specifications	

*The applicable financial policies and guidelines can be found at www.nadb.org.

A unique application and project development process exists for drinking water and wastewater projects sponsored by public entities seeking grant funding through the Project Development Assistance Program (PDAP) and Border Environment Infrastructure Fund (BEIF), which are funded by the U.S. Environmental Protection Agency (EPA) and managed by NADB. Eligible projects are prioritized for grant funding assistance through a process

typically carried out in two-year cycles. Information on the BEIF/PDAP Prioritization and Project Development Process can be accessed via the NADB website (www.nadb.org).

3. Certification Process

Projects must meet each criterion listed in Section 4, and sponsors must provide appropriate evidence of compliance. Demonstrating compliance with the criteria primarily involves submission of information or documentation that should be readily available as a result of project development activities. Furthermore, documentation to demonstrate compliance with the criteria may vary based on the type, size and complexity of a project, as well as on the level of project development.

When the necessary project development tasks have been completed as discussed in Section 2, NADB staff develop a project proposal based on information provided by the project sponsor. The proposal provides information on project eligibility, compliance with the criteria, activities related to public consultation and a results measurement matrix. NADB releases a summary of the project proposal, including a list of the most relevant project documents available, for a 30-day public comment period.² Based on the results of the public comment period and subject to endorsement of the respective certification proposal by the NADB Chief Environmental Officer (CEVO), the proposal is submitted to the NADB Board of Directors for approval. Consistent with the Charter, certification and financing approval is a decision exclusive to the Board of Directors.

Non-disclosure of Confidential Information

A project sponsor may request a designation of confidentiality from NADB for certain business or proprietary information, trade secrets or information of a commercial or financial nature. Requests for confidentiality designation will be addressed in accordance with NADB Policies regarding Disclosure and Confidentiality, which are available on its website (www.nadb.org). Information that is designated as confidential will be entitled to protection from public disclosure. These provisions apply exclusively to the NADB process and do not extend to non-disclosure and confidentiality rules followed by regulatory or other government agencies.

² A 14-day public comment period applies for projects considered for funding under the NADB Community Assistance Program (CAP). Program guidelines for the CAP can be found at www.nadb.org.

4. Certification Criteria

Every project is required to meet certain technical, environmental and financial criteria.

4.1. Technical

The technical criteria contain elements necessary to establish the technical feasibility of the project.

A. Project Description

The sponsor must provide:

- a description of the geographic location and general profile of the community where the project will be implemented, as well as of its specific location in relation to the U.S.-Mexico border;
- a description of the scope of the project, its cost and the site layout, indicating the project details and other information that will visually reflect the project;
- the status of project development activities and a schedule of pending activities; and
- a list and schedule of construction components to be implemented.

B. Technical Feasibility³

To demonstrate technical feasibility, the sponsor shall provide a description of the technology selected or under consideration; the methodology for technology selection; and documentation related to the technical development of the proposed project, such as feasibility studies, engineering design or applicable design criteria.

C. Land Acquisition and Right-of-Way Requirements

The project sponsor must provide documentation of land and right-of-way acquisition or demonstrate the ability to acquire the necessary property or permits in a timely manner to implement, operate and maintain the project. Documentation such as property deeds, purchase agreements, leases, eminent domain authority, etc. must be provided.

D. Management and Operation

The project sponsor must demonstrate the capacity to implement the project, as well as operate and maintain the infrastructure and related equipment, with an appropriate/sufficient budget to cover operation and maintenance expenses. Appropriate information related to project management and institutional capacity must be provided.

³ The project sponsor may be required to have a review conducted by an independent engineer. This review will be performed in coordination with NADB.

4.2. Environmental

The environmental criteria contain elements to verify compliance with applicable environmental laws and regulations and to establish the anticipated environmental results and potential health benefits to be achieved by the proposed project.

A. Compliance with Applicable Environmental Laws and Regulations

NADB is not a regulatory agency and does not require any additional permits or regulatory authorizations. The project sponsor must:

- identify all local, state and federal environmental and cultural resource (i.e., historical, archeological and ethnic) requirements applicable to the project and necessary to obtain regulatory or funding authorizations;
- demonstrate compliance or the ability of the project to comply with all such regulatory requirements, including permits and environmental clearances; and
- provide a schedule of pending environmental tasks and authorizations.

Documentation, such as regulatory agency findings or rulings, project authorizations, or a description of compliance activities and the status of meeting compliance requirements must also be provided. NADB may assist the sponsor in coordinating the process with the applicable agencies.

B. Environmental Effects/Impacts

Based on the information and clearances provided by the sponsor, NADB, in consultation with the sponsor, will prepare a description that will document:

- existing human health and/or environmental conditions to be addressed by the proposed project, as well as an evaluation of the no-action alternative;
- the anticipated direct or indirect environmental benefits expected to be achieved by the project;
- any measures to mitigate potential environmental impacts of project implementation or operation;
- if applicable, natural resource conservation measures for the project, such as green building practices; water conservation; waste reduction, reuse, recycling; clean and efficient energy; and other clean technologies;
- if applicable, the anticipated direct or indirect human health benefits expected to be achieved by the project; and
- if applicable, any transboundary environmental effects.

The project sponsor shall provide all information, documents and input necessary to support evaluation of compliance with this criterion.

Upon implementation of the project, the anticipated environmental and/or human health benefits will be assessed pursuant to Section 6, Project Closeout and Results Measurement, in consultation with the sponsor.

4.3. Financial

The purpose of the financial criteria is to ensure that a project meets financial standards in terms of viability, sustainability, security and legal structure. In accordance with its procedures and guidelines, NADB conducts a detailed financial analysis that seeks to ensure that the project has sufficient revenue, equity, grants or other financial support at the time of funding to demonstrate reasonable assurance of project completion and loan repayment, as well as the long-term sustainability of the infrastructure and related equipment. In consultation with the sponsor, NADB documents project costs, sources of revenue, uses of funds and any potential impacts to public utility rates or service fees. Project sponsors seeking loan financing from NADB must comply with NADB loan policies and procedures (www.nadb.org).

5. Public Access to Information

In accordance with the Charter and NADB Procedures regarding Public Notice, NADB will ensure, to the extent possible, the availability of information and reasonable opportunity to comment on all projects for which certification and financing is requested.

To ensure adequate access to information, NADB and the project sponsor will conduct the following activities.

5.1. Public Consultation

To ensure adequate access to project information, NADB will release a summary of the project proposal, including a list of the most relevant project documents available, for a 30-day public comment period.⁴ Public consultation will be conducted in accordance with NADB Policies regarding Disclosure and Confidentiality discussed under Section 3 above. Upon conclusion of the public comment period, NADB will provide the Board of Directors with the comments received, along with the appropriate response to those comments. For purposes of responding to public comments, NADB may consult with the project sponsor as necessary.

5.2. Summary of Outreach Activities

Voluntarily, or pursuant to legal, regulatory or funding requirements, the project sponsor may have conducted public outreach efforts such as the use of local steering committees, meetings with local organizations, surveys, public meetings, social media or other activities to disseminate information about the project.⁵ In such cases, the sponsor shall provide NADB,

⁴ A 14-day public comment period applies for projects considered for funding under the NADB Community Assistance Program. Program guidelines for the CAP can be found at www.nadb.org.

⁵ Project sponsors seeking grant funding through PDAP and BEIF are required to document sufficient public outreach efforts by incorporating a variety of the tools listed in this section, which typically includes two public

as applicable, with information on the activities conducted, including a summary of any public feedback received.

Project sponsors can request assistance from NADB for any additional community outreach and consultation efforts that the sponsor deems appropriate, based on project complexity, rate impacts, local political dynamics, environmental and community impacts, or other factors. NADB has developed detailed public participation guidelines that may be used to facilitate and guide those efforts.

NADB is responsible for informing the Board of Directors of the results of public consultation and outreach activities, which will be documented in the certification and financing proposal submitted for Board approval.

6. Project Closeout and Results Measurement

NADB has implemented a results measurement framework as a systematic approach for establishing, monitoring and documenting the achievement of results related to environmental infrastructure projects. For every project that is submitted to the NADB Board of Directors for certification and financing approval, a results matrix is included, which identifies project objectives, anticipated inputs, outputs, outcomes and related indicators at the time of approval. Timeframes and the methodology for measuring results, as well as any expectations regarding information required from the sponsor are clearly defined in the results matrix.

As part of the post-certification and project implementation activities, a closeout review is performed after project completion to assess and document the achievement of the fundamental objectives of a project with respect to the investments made and the infrastructure built, or equipment and services provided. Normally, closeout efforts are conducted 12 months after the project has initiated operations. The closeout process is an effective tool for measuring results as it provides an opportunity to confirm the extent to which physical targets were met and the intended results have been achieved, compared to those projected in the results matrix at certification.

NADB will notify the project sponsor of the information that is required to complete closeout and results measurement tasks. The project sponsor shall provide NADB with all information, documents and input necessary to support results measurement and closeout activities. This information could include infrastructure performance indicators (i.e., number of households connected, volume of flows, energy generated), regulatory compliance and financial statements.

meetings during the project development process. NADB will inform the sponsor of those requirements in the early stages of project development.