



NORTH AMERICAN DEVELOPMENT BANK

SOLID WASTE ENVIRONMENTAL PROGRAM OPERATING GUIDELINES

INTRODUCTION

The North American Development Bank (NADB) was created by the United States and Mexico to facilitate financing for the development of environmental infrastructure projects in the border region that have been certified by the Border Environment Cooperation Commission (BECC). NADB's overall goal is to support a clean, healthy environment in the border region. In their activities, BECC and NADB give preference to water, wastewater and municipal solid waste projects that are integrated, sustainable and fiscally responsible.

The development of affordable, self-sustaining municipal solid waste infrastructure in the U.S.-Mexico border region is inhibited by the lack of resources for such projects. In light of this, NADB established the Solid Waste Environmental Program (SWEP) in 1999 as a pilot program for the purpose of providing limited, subsidized financial assistance for solid waste projects that otherwise could not be implemented at an affordable cost to the community. Given the successful and effective implementation of the program, as well as the substantial pipeline of projects that require financial assistance, NADB made the program permanent in June 2006.

The strategy for financing solid waste projects through the SWEP has three main lines of action:

- A.- Direct financial assistance:** Through the SWEP, NADB offers limited grant assistance to complement other sources of funding for the implementation of solid waste projects sponsored and managed by public entities.
- B.- Promotion of joint public/private projects:** NADB promotes joint investment by public authorities and the private sector by assisting project sponsors in developing the financing, management and operation of solid waste projects in a manner that involves public or private operators.
- C.- Promotion of waste source reduction/recycling projects:** NADB encourages and facilitates solid waste source reduction and/or recycling projects. The permanent reduction of the municipal waste stream is a means of increasing the sustainability of waste management systems by extending the useful life of the sanitary landfills. In addition, waste recycling may provide a source of revenue for utilities, while also reducing the volume of the waste disposed of in sanitary landfills.

PROGRAM OBJECTIVE

The main purpose of the SWEP is to support the financing and construction of sustainable solid waste infrastructure projects. As a complementary objective, SWEP also serves to strengthen the ability of border communities to provide municipal solid waste collection, transfer, transportation and disposal services in a sustainable and fiscally responsible manner.

DEFINITIONS

For purposes of this program, the following definitions apply:

A.- Solid waste includes the following categories:

- 1.- Municipal solid waste as defined in the U.S. refers to common garbage or trash generated by households, businesses, institutions and industries. Hazardous waste and construction debris are specifically excluded.
- 2.- Urban solid waste as defined under Mexican law refers to waste generated in the home resulting from the disposal of materials used in household activities and products that are consumed and their containers, packaging and packing; the waste generated by any other activity inside establishments or waste generated on public thoroughfares with household characteristics; and the waste resulting from cleaning streets and public places, provided that it is not considered another type of waste under Mexican law.*
- 3.- Waste requiring special handling as defined under Mexican law refers to waste generated in productive processes that does not meet the characteristics for hazardous waste or urban solid waste, or waste generated by large producers of urban solid waste.**

B.- Solid waste project encompasses all facilities, equipment and related works designed to collect or dispose of municipal or urban solid waste or waste requiring special handling. A solid waste project may include, among others, the construction of landfills, purchase of garbage collection and disposal equipment, development of final designs, closure of open-air dumps, and facilities for separating, recycling, or recovering useful material from municipal waste.

C.- Technical assistance refers to NADB's or other agencies' assistance programs available for institutional strengthening of utilities, state and local government agencies, and other project sponsors involved in solid waste management, as well as programs that support project planning and design.

* General Law for the Prevention and Comprehensive Management of Waste, Article 5, XXXIII

** General Law for the Prevention and Comprehensive Management of Waste, Article 5, XXX

PRINCIPLES

The SWEP will be implemented based on the following principles:

- A.- Funding:** SWEP grants will be specifically designed to complement other sources of funding in support of solid waste projects in the border region.
- B.- Coordination:** NADB will coordinate its efforts with funding and assistance offered by public and private sources for solid waste projects. NADB will also coordinate its own technical assistance with other technical assistance programs.
- C.- Integrated approach:** The establishment of procedures for the integrated management of solid waste projects, including adequate operational management of new projects and closure of existing substandard disposal sites, will be encouraged.
- D.- Financial sustainability:** Fiscally responsible measures to ensure the proper operation of solid waste infrastructure will be required.
- E.- Leveraging of funds:** NADB will leverage funds allocated to projects by evaluating and implementing cost-effective ways of acquiring needed components, including land, equipment and design.
- F.- Recycling and waste source reduction:** Solid waste projects that include recycling and waste flow reduction measures will be encouraged.
- G.- Regionalization.** Regional projects that serve more than one community and/or outlying areas currently not served will be encouraged whenever they prove to be more effective and efficient.
- H.- Private participation:** Large generators of waste (industrial and commercial sectors) and the private sector in general will be encouraged to participate in the financing, operation and management of solid waste projects, where appropriate.

OPERATING GUIDELINES

A - Eligibility

Projects must be sponsored by public entities, located within 100 kilometers (62 miles) of the U.S.-Mexico border, and certified by BECC to be eligible for SWEP support. Projects may be designed to serve one or more communities within the border region.

Private sponsors may receive NADB loans but will not be eligible for SWEP grant support. SWEP funds may be used only to support the public portion of a joint public-private project.

B - Priorities

Specific project priorities will be reviewed in conjunction and cooperation with federal, state, and local authorities, as well as with BECC.

Preference will be given to existing projects that have completed final design and where co-financing partners have already been identified but additional financial support is still required.

C - Sustainability

All projects must include measures to ensure their environmental, financial and operational sustainability. Proper design and operation, as well as the cooperation of regulatory agencies, will be essential to ensure environmental sustainability. Strengthening of a utility's financial position and procedures and training of utility staff may be also required. NADB may facilitate financial and managerial training through its technical assistance programs.

D - Form of Assistance

NADB will provide grant assistance through the SWEP to complement other sources of funding for the project. SWEP support may be in the form of a direct grant to cover the costs of construction, land or equipment. SWEP support may also be in the form of a grant that subsidizes the interest rate on a loan. For grants that subsidize the interest rate on loans, the amount of SWEP resources used shall be the amount of the interest rate subsidy, and the Bank's Loan Policies and Procedures shall apply.

"Other sources of funding" may include NADB loans. However, a NADB loan is not required to accompany a SWEP grant.

E - Determination of Grant Amount

The amount of any direct grant will be determined through an analysis of the project's feasibility, based in part on a community's financial condition and the project's expected cash flows. The availability of other funding sources, grants and loans, will also be considered in the determination of the grant amount.

The amount of SWEP assistance will be calculated and included in the project financial structure prior to certification. Specific project information, including the estimated amount of SWEP assistance, will be made available for public comment through the BECC certification process.

The SWEP grant may cover up to 50% of the total cost of a project. The remaining project costs must be covered through loans or other funding sources. The sponsor may apply for a loan from NADB. In accordance with NADB Loan Policy and Procedures, NADB may provide a loan for up to 85% of the eligible costs of a project.

In-kind contributions such as land, equipment, design and other project components costs may be considered as funds covering project costs, at the discretion of NADB.

All other sources of funding for the project must be identified and committed in order to receive SWEP assistance.

NADB's technical assistance awards will not be included in the funding limitations of the SWEP.

F - Maximum Grant Amount

Grant funding will be limited to \$1 million per community under this program. In order to promote regional facilities with higher construction and operational efficiencies, multiple eligible communities may pool their grant awards towards the construction of a single shared facility. In this case, the grant limit per project will be \$2 million.

G - Eligible Uses

SWEP assistance is intended to facilitate the financing of comprehensive solid waste infrastructure projects. In coordination with other available funding, SWEP grants may be used to finance the construction and equipment components of projects, including but not limited to:

- construction of sanitary landfills, transfer stations, facilities for separating, recycling, or recovering useful material from waste, and other solid waste management infrastructure;
- purchase of landfill and collection equipment, including garbage trucks, bulldozers, trash compactors, street sweeping equipment, etc.;
- closure of existing landfills or substandard municipal solid waste disposal sites;
- development of final design; and
- construction management and supervision.

SWEP assistance may NOT be used to cover operation and maintenance costs.

OPERATING PROCEDURES

- A.- The SWEP program will be funded out of NADB's retained earnings, in amounts periodically approved by the BECC-NADB Board of Directors.
- B.- NADB's project managers will work with project sponsors and BECC in developing the projects prior to certification.
- C.- NADB will collaborate with the sponsor in defining the financial feasibility and financial structure of projects.
- D.- Grant proposals will be presented to NADB's Funding Committee for initial recommendation prior to submission to the BECC-NADB Board of Directors for final approval and certification.
- E.- The procurement of any goods and services under the program will be carried out in accordance with NADB's procurement policies and procedures.