



**NORTH AMERICAN DEVELOPMENT BANK**  
**COMMUNITY ASSISTANCE PROGRAM (CAP)**  
**PROGRAM GUIDELINES**

The Community Assistance Program (CAP or the “Program”) was established by the North American Development Bank (NADBank) to support critical environmental infrastructure projects for economically distressed communities in the U.S.-Mexico border region. Funding for the CAP and other NADBank grant programs is administered through the *Environment Investment & Capacity Facility (EICF)*.

This document provides details about program requirements, financing options and the process for requesting funds, as well as the prioritization approach applied for recommending project selection and funding approval.

**ELIGIBILITY**

In order to be eligible for a CAP grant, a project must meet the following criteria:

A. *Project Location*

Within the U.S.-Mexico border region, defined as the area within 100 kilometers north and 300 kilometers south of the international boundary between the United States and Mexico (the “border region”).

B. *Financial Need*

The Program is intended to support projects that may not be affordable without the participation of CAP resources. Project sponsors with the greatest financial need—for example, disadvantaged or underserved communities with a low median household income or with limited or no debt capacity—will be given higher priority for traditional CAP grant financing.<sup>1</sup> Additional financing options with CAP resources may be considered and are described in the Financing Options section, below.

C. *Environmental Infrastructure Need*

Infrastructure projects with a direct environmental or health benefit to a border community in one of the following categories:

Category	Infrastructure Needs
<b>Drinking water</b>	Supply, treatment, transmission, storage, distribution, metering, conservation, point-of-use technologies
<b>Wastewater</b>	Connections/on-site systems, collection, conveyance, treatment, reuse
<b>Stormwater</b>	Piped systems, retention basins, culverts, canals, berms, erosion control, flow velocity control, green infrastructure

<sup>1</sup> Additional detail regarding prioritization is provided in Annex A.

Category	Infrastructure Needs
<b>Solid Waste</b>	Collection containers and equipment, transfer stations, landfills, site closure, infrastructure for waste stream reduction such as organic composting or recycling
<b>Ancillary work to above sectors</b>	Operational equipment, alternative energy source, climate change resiliency, system/source security
<b>Innovative solutions</b>	Innovative technologies or processes; environmental technology pilot projects for water and solid waste needs.
<b>Emergency infrastructure repairs</b>	Repairs to critical infrastructure, when: <ul style="list-style-type: none"> <li>• operational failure is due to an act of nature or unforeseen external influence (e.g., earthquake, storm event, power failure/surge, vandalism), and</li> <li>• failure has caused or, if not repaired promptly, will cause an acute environmental or human health effect.</li> </ul>

These projects may include the construction of new infrastructure and acquisitions, as well as investments for rehabilitation or to improve operations.

Any project receiving a grant from the Border Environment Infrastructure Fund (BEIF) is not eligible for a grant from the CAP. Additionally, project sponsors in non-compliance with any other NADBank financing agreement, such as debt service payments, reporting, reserve requirements or infrastructure performance expectations, must have an acceptable corrective action plan in progress to be eligible for CAP funding.

### **USES OF FUNDS AND CONSTRUCTION MANAGEMENT**

Grants may be used for project construction and related costs, project management and supervision, as well as other project components, such as equipment or materials acquisition and/or installation.

NADBank requires qualified supervision services to be procured by the project sponsor for every CAP project. With the assistance of the supervision company, the project sponsor is obligated to submit monthly progress reports during the implementation of the project. Costs for supervision shall be included as part of the total project cost and considered an eligible use of the grant awarded. CAP projects for the sole purpose of acquiring equipment may or may not require supervision, as determined by NADBank prior to certification.

### **MAXIMUM GRANT AMOUNT AND PROJECT SPONSOR CONTRIBUTION**

The CAP grant will be awarded for a maximum amount in U.S. dollars. Projects may receive a CAP grant for no more than 90% of the project costs with a maximum of US\$750,000. In the case of emergency repairs, the CAP grant is limited to US\$250,000.

The project sponsor must cover at least 10% of the total project cost in the form of cash or provide evidence of cash expended for purposes of achieving the project scope proposed for certification. The sponsor contribution must be available no later than the date of project

certification by NADBank and will be expended prior to or in proportion with CAP resources. The sponsor is responsible for funding cost overruns in project implementation and, as applicable, any shortfalls in the contract amount due to currency exchange rate for contracts quoted in Mexican pesos. On a case-by-case basis, in-kind contributions such as design, land, equipment or other tangible assets or cost components of a project may be considered towards fulfilling this contribution.

## FINANCING OPTIONS

Subject to the maximum amounts established in the preceding section, CAP funds may be awarded as a traditional non-reimbursable grant, as a component of a blended loan or to address an emergency infrastructure repair. The appropriate option will be determined based on the characteristics of the project sponsor and benefited population or the acute nature for infrastructure repair, as described below.

Funding Type	Economic Characteristics
<b>Traditional grant</b>	Disadvantaged or underserved community, strong financial need, no/minimal debt capacity, no/low credit rating
<b>Blended financing</b>	Financial need and limited credit capacity; subsidy required to achieve affordable rate and repayment structure for a high impact project; operational performance standards may be applied
<b>Emergency need (grant)<sup>2</sup></b>	The sponsor has demonstrated that CAP funds are necessary as the funding of last resort to address repairs to critical infrastructure in order to prevent or mitigate an acute environmental or human health effect.

While the “emergency need” grant is intended to be non-reimbursable to NADBank, project sponsors receiving the grant will be required to establish or increase funding for a Repair and Replacement Reserve (RRR) in an amount equal to or greater than the CAP grant. Funding the RRR for future emergency needs will be required within an established time period, typically within two to three years after the CAP award, as defined in the grant agreement and taking into consideration the financial capacity of the sponsor to comply with this requirement. Documentation evidencing the appropriately funded and managed RRR will be required in order to be eligible to receive CAP grants for future projects.

## APPLICATION, PROJECT SELECTION AND FUNDING APPROVAL PROCESSES

### 1. Application Process

An initial call for CAP grant applications will be announced by NADBank. The program guidelines and access to the on-line CAP Project Application, including a detailed list of documents required for full evaluation of the project, will be available on the NADBank

<sup>2</sup> For more information about the emergency need projects, see subsection 4 of Application, Project Selection and Funding Approval Process.

website. Applicants will have a period of 90 days after the initial call to submit their applications for the initial evaluation and priority ranking process.

Once the initial set of applications has been received, NADBank will review them for completeness and eligibility. Eligible applications will then be evaluated in accordance with the prioritization methodology, as described below, resulting in a ranked list of applications to be considered for project selection.

Thereafter, the project application process will remain open, and new applications may be submitted on-line at any time. Subsequent application review and evaluation activities will occur periodically. Based on the results of this review, new applications will be ranked and incorporated into the existing list of prioritized applications not yet selected for funding.

***The application and funding process for Emergency Need is provided in section 4 below.***

## **2. Project Selection**

NADBank has established a method to evaluate proposed investment needs in order to prioritize the use of CAP resources. This process will result in a ranked list of applications. At least once a year and based on available resources, NADBank will select a group of applications in ranked order for further consideration in the certification and financing approval process.

Eligible CAP applications will be evaluated based on a methodology to determine the ranked order of projects from highest to lowest priority. The priority factors and maximum points available for each one is provided below. Additional details regarding the priority methodology are included in Annex A.

Max. Points	Priority Factor
40	Environmental or human health objective
25	Project readiness
20	Degree of financial need
15	Underserved community or community with environmental justice concerns

## **3. Funding Approval**

A. For each project selected, a certification and financial evaluation process will be conducted, including an assessment of the proposed project's compliance with the NADBank certification criteria and an analysis of financial need. Based on the results, a project certification and financing proposal will be developed, including a recommended amount of CAP funding.

- B. The proposed project will require approval by NADBank's Board of Directors. Prior to submitting the proposal to the Board, the project will go through an internal committee approval process and be published for a 14-day public comment period.
- C. The period from Board certification and CAP funding approval to the signing of the grant agreement shall not exceed three (3) months. The period from grant signing to the initiation of project implementation shall not exceed six (6) months. Projects that do not comply with these deadlines will be subject to cancellation.
- D. NADB's procurement policies and procedures shall apply to all CAP projects, including project design, construction, equipment acquisition and construction management.
- E. CAP projects will be evaluated in a post-construction project closeout process, which will require participation of the project sponsor and the availability of documentation related to project performance.

#### **4. Process for Emergency Need Projects**

- A. Application. A simplified on-line application will be available on the NADBank website to request CAP funds for up to US\$250,000 to address an emergency need. Based on its established standards and practices, NADBank will review each emergency need application to ensure the funding request meets the definition of an emergency need and that in the application the sponsor has attested to the following:
  - i. the operational failure of critical infrastructure is due to an act of nature or unforeseen external influence (e.g., power failure/surge, vandalism);
  - ii. the failure has caused, or if not repaired promptly, will cause an acute environmental or human health effect;
  - iii. no other sources of funds are immediately accessible to address the emergency repair; therefore, CAP funds are necessary as the funding of last resort; and
  - iv. an appropriate reserve, at least equal to the CAP grant amount, will be funded in accordance with the terms and conditions of the financing agreement. The reserve will not be used to determine the financial capacity of a sponsor with respect to future projects.
- B. Due-diligence Review and Approval Process. Each CAP emergency need project will be subject to the regular NADBank due-diligence review process to ensure:
  - i. the project complies with the eligibility and certification criteria required for project approval, including any applicable regulatory requirements.
  - ii. If implemented, the project will fully address the acute environmental or human health effect requiring the repair or replacement of infrastructure, preferably as a permanent solution but at least until a more permanent investment can be completed.

During this process, a timeline for the sponsor to fund its own Repair and Replacement Reserve for an amount at least equal to the CAP grant will be established and included in the CAP grant agreement.

- C. *Closeout Activities*. Similar to other CAP-funded projects, each emergency need project will be evaluated in a simplified post-implementation closeout process. Additionally, NADBank will perform a year-end evaluation of the CAP funds used for this purpose, as well as review sponsor compliance with the establishment and funding of the required reserve accounts.

## **PROGRAM REPORTING**

NADBank will present a summary of CAP activities and funding availability in the quarterly status report presented to the Board of Directors and at each meeting of the Board.

## ANNEX A: PRIORITIZATION CRITERIA

### Environmental and Human Health

Points	Drinking Water (DW)	Wastewater (WW)/Stormwater	Solid Waste (SW)
<b>40</b>	<ul style="list-style-type: none"> <li>▪ Provide first-time access to drinking water.</li> <li>▪ Improve drinking water quality to meet appropriate regulatory standards.</li> <li>▪ Augment water supply or storage capacity to achieve regulatory standards for existing demand.</li> </ul> <p>Access can be provided by centralized or point of use system and may consider innovative technologies for pilot project applications.</p>	<ul style="list-style-type: none"> <li>▪ Provide first-time access to WW collection through adequate on-site or centralized systems.</li> <li>▪ Provide first-time access to WW treatment.</li> <li>▪ Address transboundary environmental impact due to untreated WW discharges or stormwater.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Address transboundary environmental impact due to conditions of solid waste site/facility.</li> <li>▪ Proper site closure of dumpsite or landfill.</li> </ul>
<b>30</b>	<p>Address inadequate or deteriorated conditions causing:</p> <ul style="list-style-type: none"> <li>○ recurring service interruptions,</li> <li>○ water loss &gt; 25% or frequent line breaks throughout the project area, or</li> <li>○ insufficient pressure.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Address inadequate or deteriorated conditions that threaten the environment or human health.</li> <li>▪ Address absence of or failed stormwater infrastructure affecting the integrity of community infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide first-time access to solid waste services:                             <ul style="list-style-type: none"> <li>○ new landfill capacity,</li> <li>○ new transfer station, or</li> <li>○ collection equipment for unserved area</li> </ul> </li> <li>▪ Diversion of organic waste (food &amp; yard trimmings) from landfills</li> </ul>
<b>20</b>	<ul style="list-style-type: none"> <li>▪ Reduce demands on or supplement drinking water sources (metering, conservation efforts, loss reduction).</li> <li>▪ Implement security measures for water source and drinking water system.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Add/improve conveyance or treatment capacity.</li> <li>▪ Implement wastewater reuse scheme.</li> <li>▪ Purchase O&amp;M equipment</li> <li>▪ Enhance climate change resiliency, system security</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide additional/improved waste management capacity</li> <li>▪ Landfill equipment.</li> <li>▪ Waste reduction efforts (recycling, reuse)</li> </ul>
<b>10</b>	<p>Reduce energy consumption (efficiency or alternative energy source)</p>	<p>Reduce energy consumption (efficiency or alternative energy source)</p>	<p>Replace collection equipment or containers</p>

## Project Readiness

Points	Criteria	Indicators
25	Readiness for certification ≤ 6 months	<ul style="list-style-type: none"> <li>▪ Final design complete</li> <li>▪ Environmental requirements addressed</li> <li>▪ Land and right of ways secured</li> <li>▪ Other funding commitments secured</li> </ul>
15	Readiness for certification ≤ 1 year	<ul style="list-style-type: none"> <li>▪ Final design or other required technical development task pending</li> <li>▪ Pending environmental authorization</li> <li>▪ Gap in financial package</li> </ul>
0	Readiness for certification > 1 year	

## Degree of Financial Distress

Points	U.S. Indicator Local Medium Household Income (MHI)	Mexican Indicator Degree of marginalization*
20	≤ 50% of the state MHI	Very high
15	≤ 75% of the state MHI	High
10	≤ 90% of the state MHI	Average
5	< 100% of the state MHI	Low
0	≥ 100% of the state MHI	Very low

\* National Population Council of Mexico (CONAPO), [https://www.gob.mx/cms/uploads/attachment/file/685354/Nota\\_te\\_cnica\\_IMEyM\\_2020.pdf](https://www.gob.mx/cms/uploads/attachment/file/685354/Nota_te_cnica_IMEyM_2020.pdf)

## Underserved Community or Community with Environmental Justice Concerns

Characteristics of Community to Be Served by Project*	Points	
A. Population under 5,000. B. Identified indigenous population or community. C. Population under the age of 4 plus the population older than 65 is > 25%.	15	At least 5 of these characteristics exist.
D. Currently experiencing high to severe drought conditions. E. Located within 5 km of hazardous waste site, uncontrolled dump site, wastewater treatment plant, wastewater discharge location.	10	At least 3 of these characteristics exist.
F. Exposure to harmful pollutants demonstrated by at least one of the following: <ul style="list-style-type: none"> <li>▪ Non-compliant air quality</li> <li>▪ Elevated exposure to criteria pollutants</li> <li>▪ Located within 5 km of industrial facilities</li> <li>▪ ≥ 2/3 homes in project area built before 1960 (lead)</li> </ul> G. Critical service gaps (public transportation, broadband, food desert, medical facilities).	5	Less than 3 of these characteristics exist.

\*To assure that this prioritization factor can be applied to applicants in the U.S. and Mexico, similar characteristics for identifying disadvantaged communities or communities with environmental justice concerns were selected from tools such as EPA's Environmental Justice Screening Tool and Justice40 Initiative implementation guidance, as well as data collected by Mexican National Institute of Statistics and Geography (INEGI) and CONAPO's Index of Marginalization.