



NORTH AMERICAN DEVELOPMENT BANK

COVID-19 RECOVERY PROGRAM CERTIFICATION AND FINANCING PROPOSAL Umbrella Program for Refinancing Existing Debt of Public Entities

INTRODUCTION

In May 2020, the NADB Board of Directors approved a two-year COVID-19 Recovery Program (ProRec) to support border communities dealing with economic, health and social impacts caused by the COVID-19 pandemic, while at the same time promoting continued environmental improvement in the U.S.-Mexico border region. A fixed amount of US\$200 million was allocated to ProRec, of which US\$185 million was designated for loans and US\$15 million for technical assistance. Under ProRec the financing activities of the Bank have been temporarily expanded to include, *inter alia* umbrella programs that would approve projects under a programmatic approach that meets pre-established loan criteria and the refinancing of existing debt on environmental infrastructure projects or public entities whose mandate is aligned with the mission of the Bank.

OBJECTIVE

The objective of this document is to establish the procedures and guidelines for the certification and financing approval of projects to refinance existing debt under ProRec (the “Refinancing Umbrella”).

ELIGIBILITY CRITERIA

A project will be deemed eligible under the Refinancing Umbrella, provided all the following criteria are met:

- A. Borrower.** The borrower is a public entity whose mandate is aligned with NADB’s mission. In the United States, the borrower is a city, county, public utility, or other public entity. In Mexico, the borrower is a Mexican Public Entity as defined under the Fiscal Discipline Law (state, municipality, or public utility).
- B. Project Location.** The project (that is, the public infrastructure or services affected by the refinancing) is located within 100 km north and 300 km south of the U.S.-Mexico border.
- C. Sector.** The project is a refinancing of existing debt to a Borrower that provides environmental infrastructure or public services that are aligned with the Bank’s

mandate, such as drinking water, wastewater treatment, solid waste collection and disposal, storm drainage, street paving and public transportation.

D. Financial Impacts. The project will help public entities free up cash flows through a more efficient debt payment structure that will serve to mitigate increased operating expenditures and/or reductions in revenue caused by the COVID-19 pandemic, allowing project sponsors to continue providing public services in their communities.

E. Repayment Source.

For U.S. borrowers:

1. A pledge of ad valorem taxes levied against all taxable property within the borrower's jurisdiction at a rate sufficient, within the limit prescribed by law, to cover debt service requirements; or
2. A pledge and irrevocable first lien on net revenues to be derived from a utility system.

For Mexican borrowers: A pledge of federal tax revenue, local revenue, or service revenue or a combination thereof, as applicable to a state or municipal borrower.

LIMITATIONS

A. Program Limit. The cumulative amount financed under the Refinancing Umbrella shall not exceed US\$80 million, unless additional amounts are approved by the Board of Directors.

B. Refinancing Limit. Any individual refinancing under the Refinancing Umbrella shall not exceed \$20 million per borrower.

C. Maturities. NADB may offer loan maturities not to exceed 30 years.

INDIVIDUAL PROJECT APPROVAL PROCEDURES

Following Board approval of the certification of, and financing commitment for, the Refinancing Umbrella, individual projects under the umbrella shall be approved in accordance with the following procedures

A. Committee Approval. The Bank's internal Funding and Technical and Environmental committees must approve each individual project.

B. 30-Day Public Comment Period. Each project will be subject to a 30-day public comment period with no unresolved comments.

C. Ratification of Eligibility Criteria. The Managing Director and Chief Environmental Officer must ratify that all environmental and financial requirements outlined in the Eligibility Criteria have been fulfilled.

- D. Report.** Within 15 days of the closing of any refinancing under the Refinancing Umbrella, the Managing Director and CEVO shall notify the Board the following:
- i. The COVID-19 pandemic-related impacts to the community,
 - ii. Expected benefits of the project,
 - iii. General characteristics of the refinancing, and
 - iv. Any comments received during the public comment period.