



CERTIFICATION AND FINANCING PROPOSAL

WATER TRANSMISSION LINE RELOCATION AND EXPANSION PROJECT IN SALTILLO, COAHUILA

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EXECUTIVE SUMMARY

WATER TRANSMISSION LINE RELOCATION AND EXPANSION PROJECT IN SALTILLO, COAHUILA

Project: The proposed project consists of the relocation and expansion of a 10.5-km water transmission line located in the municipality of Saltillo, Coahuila, including its design, construction and operation (the “Project”). The pipeline needs to be relocated because of the expansion of Federal Highway No. 54 between Saltillo and Zacatecas. The Project has been divided into two consecutive phases: Phase 1 consisting of 6.6 km and Phase 2 consisting of the remaining 3.9 km. With the relocation of the waterline, the drinking water supply capacity will be increased from 700 liters per second (lps) or 16 million gallons a day (mgd) to approximately 1,700 lps (38.8 mgd) for the urban area of Saltillo.

NADB, through the *Corporación Financiera de América del Norte S.A. de C.V. SOFOM ENR (COFIDAN)*, intends to participate in the competitive process to provide a loan to complete the financing of Phase I of the Project.

Objective: The purpose of the Project is to relocate the existing water transmission line and increase its capacity, thus helping to eliminate the use of hauled water or prevent intermittence of water service and reduce the health risk associated with waterborne diseases.

Expected Outcomes: The expected outcomes of the Project include:

- Providing access to safe and reliable drinking water service for approximately 784,000 current and future residents of Saltillo; and
- Ensuring sufficient water supply by increasing the waterline capacity from 700 lps (16 mgd) to 1,700 lps (38.8 mgd), as well as the reliability of water transmission.

Population Benefitted: Approximately 784,000 residents.¹

¹ The current and future population that will benefit from the Project was estimated based on a water consumption rate of approximately 180 liters/person/day. This line currently supplies approximately 40% of drinking water needs in Saltillo.

Sponsor: Aguas de Saltillo, S.A. de C.V. (Aguas de Saltillo).

Borrower: Aguas de Saltillo.

Estimated Project Cost: \$140.6 million pesos (US\$7.34 million).²

COFIDAN Loan Amount: Up to \$60.0 million pesos (US\$3.13 million).

Uses and Sources of

Funds:

(Millions of pesos)

Uses	Amount	%
Construction – Phase I	\$ 80.0	56.9
Value-added taxes (VAT) – Phase I	13.0	9.2
Other costs – Phase I*	1.2	0.9
Construction – Phase II	40.0	28.4
VAT – Phase II	6.4	4.6
TOTAL	\$ 140.6	100.0

Sources	Amount	%
COFIDAN loan – Phase I	\$ 60.0	42.7
Equity – Phase I	34.2	24.3
Equity – Phase II	46.4	33.0
TOTAL	\$ 140.6	100.0

Includes COFIDAN commissions.

² Unless otherwise noted, all Mexican peso figures are converted using an exchange rate of \$ 19.1430 pesos to the U.S. dollar, according to Bloomberg.com on July 10, 2019.

CERTIFICATION AND FINANCING PROPOSAL

WATER TRANSMISSION LINE RELOCATION AND EXPANSION PROJECT IN SALTILLO, COAHUILA

1. PROJECT OBJECTIVE AND EXPECTED OUTCOMES

The proposed project consists of the relocation and expansion of a 10.5-km water transmission line located in the municipality of Saltillo, Coahuila, including its design, construction and operation (the “Project”). The pipeline is being relocated as part of the expansion of Federal Highway No. 54 between Saltillo and Zacatecas, which is being carried out by the Mexican Ministry of Communications and Transportation (SCT). The Project will address current and future drinking water needs in the urban area of Saltillo, Coahuila, by increasing the supply capacity from 700 liters per second (lps) or 16 million gallons a day (mgd) to 1,700 lps (38.8 mgd) in compliance with current water quality standards.

2. ELIGIBILITY

2.1. Project Type

The Project falls into the category of drinking water.

2.2. Project Location

The proposed Project is located outside the city limits of Saltillo, Coahuila, approximately 233 kilometers (145 miles) southwest of the U.S border. The proposed waterline will be relocated along Federal Highway No. 54, from kilometer 333+000 to kilometer 343+500 at the following coordinates: latitude 25°18'43.82"N and longitude 101°04'42.11"W. Figure 1 illustrates the geographical location of the waterline relocation.

Figure 1
PROJECT LOCATION MAP



2.3. Project Sponsor and Legal Authority

The Project sponsor is Aguas de Saltillo S.A. de C. V. (“Aguas de Saltillo”, “AGSAL”, the “Sponsor” or the “Utility”). Aguas de Saltillo is a public-private enterprise created in 2001 by the public entity, *Sistema Municipal de Aguas y Saneamiento de Saltillo* (SIMAS) with 51% ownership and the private company Suez Concesiones México, S.A. de C.V. (“Suez”, previously Interagbar de Mexico, S.A. de C.V.) with 49% ownership. Currently, SIMAS and Suez own 55% and 45% of Aguas de Saltillo, respectively.

Based on the Water Law for the State of Coahuila, the municipalities are responsible for providing water services, which may also be provided by decentralized water utilities or local water companies, such as Aguas de Saltillo.³

In June 2018, SCT formally requested that Aguas de Saltillo move the waterline located in Federal Highway No. 54 between Saltillo and Zacatecas. Consequently, in October 2018, the Board of Directors of Aguas de Saltillo approved the required works to be carried out in coordination with the expansion and improvements to Federal Highway No. 54, which is being carried out by SCT.⁴

In November 2018, the City Council of Saltillo approved the loan request from Aguas de Saltillo to implement the Project and its submission to the State Congress.⁵ In May 2019, the State Congress approved a loan for \$60 million pesos.⁶ On July 1, 2019, the Sponsor issued a public bid notice to

³ Water law for the municipalities of the state of Coahuila

(http://www.coahuilatrasmis.gob.mx/leyes/documentos_leyes/CEASLeyes2.pdf).

⁴ Source: Minute issued in October 2018 by the Board Directors of Aguas de Saltillo.

⁵ Source: City Council of Saltillo, Letter No. SA 2564/2018 dated in October 2018

(<http://congresocoahuila.gob.mx/portal/gaceta-parlamentaria-lxi-legislatura>)

⁶ Source: State of Coahuila Congress publications

obtain bank financing for the first phase of the Project in accordance with the Mexican Financial Discipline Law for States and Municipalities (FDL).

3. CERTIFICATION CRITERIA

3.1. Technical Criteria

3.1.1. General Community Profile

The Project is expected to benefit the city of Saltillo by relocating and increasing the capacity of a waterline from 700 lps (16 mgd) to 1,700 lps (38.8 mgd) and by creating employment opportunities and additional income during the construction and maintenance of the Project. The Project will generate temporary jobs during construction.

According to the Mexican 2015 Intercensal Survey, the population of Saltillo in 2015 was 807,537, which represented 27% of the population of the state of Coahuila. Between the years 2010 and 2015, the state population grew 2.3%.⁷

According to the 2014 Economic Census conducted by the Mexican national statistics institute, INEGI, the main economic activities of Saltillo were services (29.1%), commerce (27%), manufacturing (17.3%) and others (21.5%).⁸

Water Management Profile

Current Water Consumption

The Mexican National Water Commission (CONAGUA) reported in 2017 that water consumption in the state of Coahuila was divided into four sectors: agricultural use totaling 1.647 billion cubic meters (81%); public water supply with 240 million cubic meters (12%); industrial with 77 million cubic meters (4%); and electricity (not hydroelectric) with 75 million cubic meters (3%). Figure 2 illustrates the percentages of use by activity in the state of Coahuila.

(<http://congresocoahuila.gob.mx/porta/gaceta-parlamentaria-lxi-legislatura>).

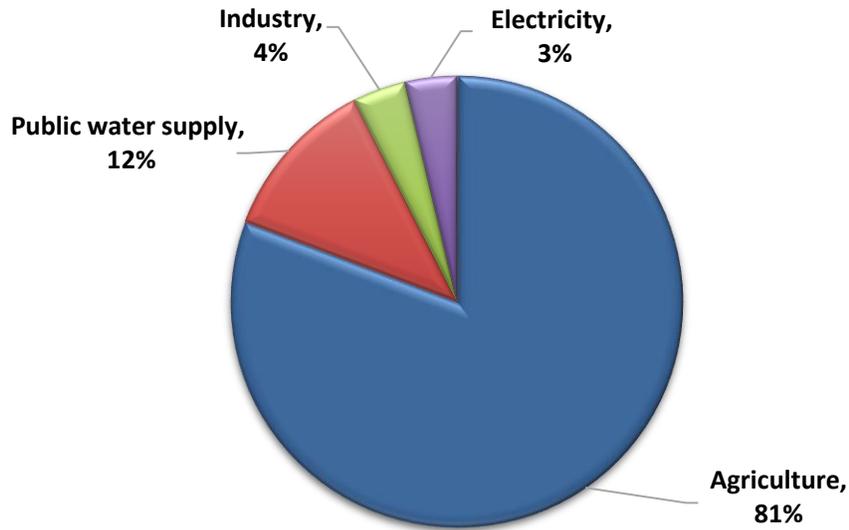
⁷ Source: Mexican national statistics institute, *Instituto Nacional de Estadística, Geografía e Informática* (INEGI), 2015 Intercensal Survey, main results for Coahuila

(<http://cuentame.inegi.org.mx/monografias/informacion/coah/poblacion/default.aspx?tema=me&e=05>).

⁸ Source: INEGI, 2014 Economic Survey, results for Coahuila

(http://www.beta.inegi.org.mx/contenidos/proyectos/ce/2014/doc/minimonografias/mcoah_ce2014.pdf).

Figure 2
WATER CONSUMPTION IN COAHUILA IN 2017



Source: 2018 Water Statistics in Mexico published by CONAGUA.

Current Water Supply

According to CONAGUA, the state of Coahuila reported 131 municipal water treatment systems in operation with an installed capacity of 2.51 cubic meters per second.⁹

Aguas de Saltillo provides water services to the urban area of Saltillo, which is divided into 118 sectors, representing a total of 254,232 connections. In 2017, Aguas de Saltillo reported 53.4 million cubic meters in total water produced and a monthly average of 1,695 lps.¹⁰ To provide water services, Aguas de Saltillo has the following infrastructure and equipment (Table 1).

⁹ Source: CONAGUA, *Estadísticas del agua en México* [Water Statistics in Mexico], 2018.

¹⁰ Source: Aguas de Saltillo, *Memoria 2017* [2017 Report]

(<https://www.aguasdesaltillo.com:8080/attachmentHeap/3dec4495-34e1-4533-b62d-afd605a10ac4/memoria%20DIGITAL%202017.pdf>).

Table 1
WATER INFRASTRUCTURE AND EQUIPMENT

Infrastructure and Equipment	Quantity
Waterlines	2,700 km
Drinking water storage tanks	110
Large water storage tanks	2
Laboratories	2
Chlorination stations	45
Water wells	89

Table prepared by NADB based on information reported by Aguas de Saltillo.

Due to the scarcity of water in the region and the growth of its urban area, Saltillo has recently been facing water shortages in certain areas of the city. Aguas de Saltillo is working to maintain its water coverage at 99% 24 hours a day and the quality of its drinking water services, with physical efficiency above 74%. To achieve this goal, the municipal government and Aguas de Saltillo are developing studies and monitoring priority areas of the city, as well as those areas that have registered growth, in order to define where additional water pipelines could be implemented. Recent studies undertaken by Aguas de Saltillo confirmed that the Carneros Groundwater Region located in the southwestern area of the city, and where the supply capacity will be increased with this Project, can provide almost 1,700 lps on a sustainable basis.¹¹ The results of this study determined the design capacity of the new water transmission line. Aguas de Saltillo estimates that an additional 500 lps (11.4 mgd) will be required in the mid-term (2030), and the excess capacity would address water demand beyond 2030, while providing flexibility in the temporary supply to the system from diverse sources.

In 2018, the municipal government carried out 19 infrastructure projects representing an investment of \$9 million pesos from state and federal sources, as shown in Table 2.¹²

¹¹ Source: Aguas de Saltillo, Basic Engineering of Comprehensive Drinking Water Supply for Saltillo, Coahuila, 2014.

¹² Source: Municipal Government of Saltillo, *Primer Informe Ciudadano 2018* [First Municipal Report, 2018].

Table 2
2018 DRINKING WATER WORKS

No.	Sector of Saltillo	Infrastructure Works
1	San Jose	Waterlines installed
2	Fundadores	
3	Nueva Imagen	
4	Los Ramones	
5	Heroes de Nacozari	
6	Guayulera	
7	Buenos Aires	
8	La Palma	
9	Las Margaritas	
10	La Esperanza	
11	Puerto de Flores	
12	Los Olivos	
13	Gustavo Espinoza Mireles	
14	Pueblo Insurgente	
15	Lomas de Zapaliname	
16	Ampliacion Niños Heroes	
17	San Patricio Popular	
18	Los Rodriguez	
19	Universo	Water connections installed

Wastewater Services

According to CONAGUA, the state of Coahuila reported 25 municipal wastewater treatment plants (WWTPs) in operation with an installed capacity of 5.66 cubic meters per second and 64 industrial wastewater treatment plants in operation with an installed capacity of 0.81 cubic meters per second.¹³

In 2018, the Municipality of Saltillo reported 98.7% residential wastewater collection coverage.¹⁴ That same year, Aguas de Saltillo implemented around 28 wastewater projects representing an investment of approximately \$11 million pesos and benefitting 1,080 residents in Saltillo.¹⁵

According to the 2018 Municipal Report, to ensure treatment of the wastewater flows generated in the city, the municipal government oversees the operation of the two WWTPs in Saltillo: Planta Tratadora Principal and Planta Tratadora del Bosque Urbano. The total capacity of the two plants is 1,270 lps (29 mgd), which are privately operated and maintained in compliance with Mexican standards. The Bosque Urbano WWTP has a reuse system to irrigate parks and other green areas of the city. In 2018, more than 30.5 million cubic meters of wastewater were treated, as indicated in Table 3.

¹³ Source: CONAGUA, *Estadísticas del agua en México* [Water Statistics in Mexico], 2018.

¹⁴ Source: *Plan Municipal de Desarrollo 2018* [2018 Municipal Development Plan].

¹⁵ Source: Municipal Government of Saltillo, *Primer Informe Ciudadano 2018* [First Municipal Report, 2018].

Table 3
WASTEWATER TREATMENT IN SALTILLO IN 2018

Wastewater Treatment Plant (WWTP)	Volume of Wastewater Treated (Cubic Meters)
Principal WWTP	28,880,305
Bosque Urbano WWTP	1,676,700
TOTAL	30,557,005

Table prepared by NADB based on the 2018 Municipal Report of Saltillo.

Wastewater treatment for both plants currently averages 969 lps, leaving 300 lps of unused capacity. Once the new water transmission line is operational, more water could potentially be supplied to the city, increasing the demand for wastewater treatment. The current unused treatment capacity should be sufficient to cover demand in the short and medium term, since it will be limited by water supply availability. Expansion of wastewater treatment capacity will eventually be required in the mid- to long-term, when the water transmission line reaches full capacity.

3.1.2. Project Scope

Because of a series of car accidents over the past few years along the La Encantada-Rastro Municipal stretch of Federal Highway No. 54 between Saltillo and Zacatecas, in June 2018, SCT approved a plan to widen and remodel the section of the highway that runs from km 333+000 to km 343+500. In June 19, 2018, the SCT asked Aguas de Saltillo to relocate the water pipeline because it is located within the right-of-way of the highway expansion project. SCT will be responsible for the roadway construction works, while Aguas de Saltillo will be responsible for relocating the water main.

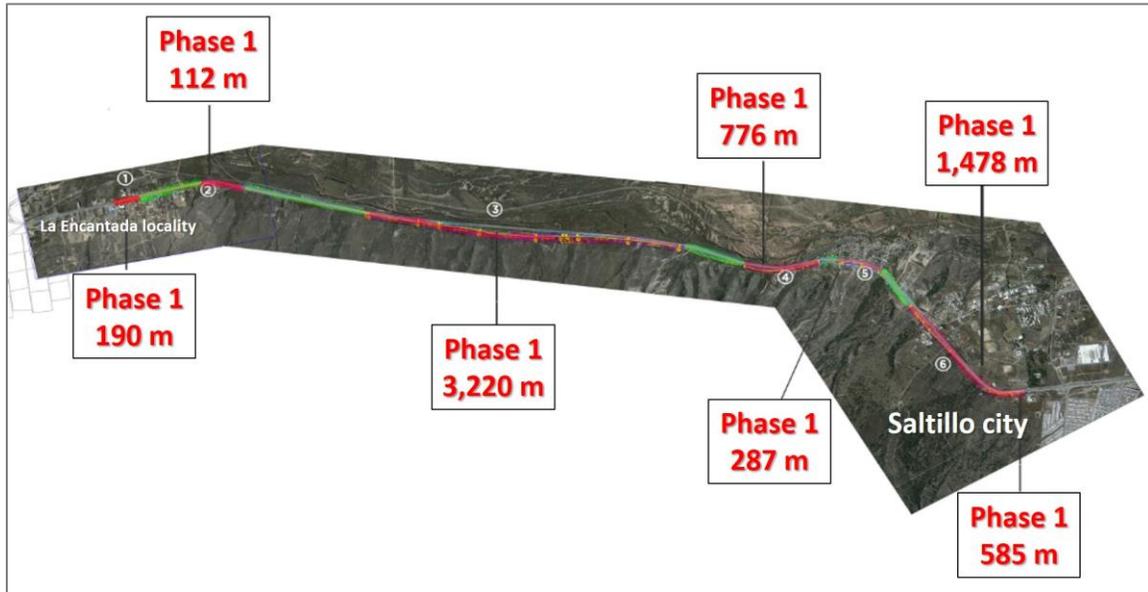
The proposed Project consists of the design, construction and operation of a 10.5-km waterline with the capacity to supply approximately 1,700 lps (38.8 mgd) of drinking water. The Project has been divided into two consecutive phases. The first phase covers 6.6 km of the pipeline, and the remaining 3.9 km will be implemented in the second phase.

Table 4 and Figure 3 show the phases of the total project.

Table 4
PROJECT IMPLEMENTATION

Phase	Length
Phase 1	6,648 metros (15,249 ft.)
Phase 2	3,874 metros (12,710 ft.)
TOTAL	10,522 metros (34,521 ft.)

Figure 3
GENERAL DISTRIBUTION OF THE WATER TRANSMISSION LINE*



* The sections of the pipeline in red indicate Phase 1 works and the sections in green indicate Phase 2 works.

The Project components include the following works and activities.

Table 5
MAIN PROJECT WORKS AND DESCRIPTIONS

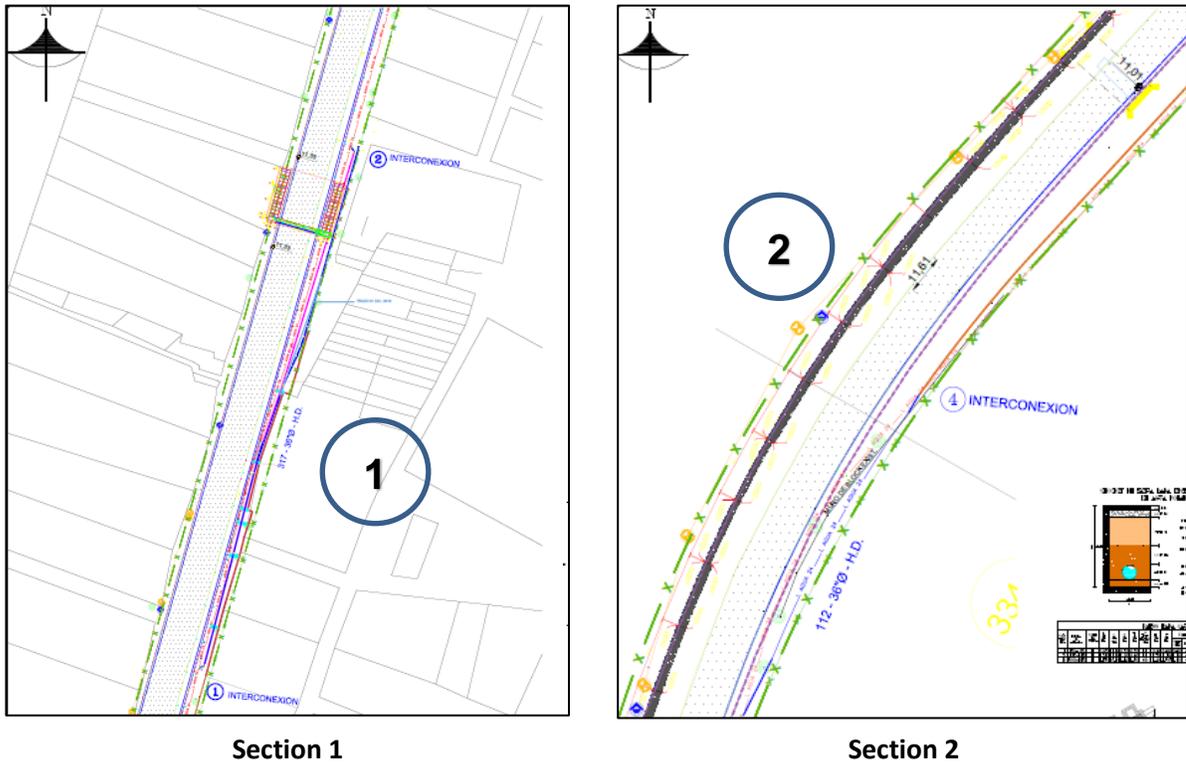
Works	Description
Ground leveling and plotting	Work to plot the position of the water pipeline to be installed based on the final design.
Mechanical excavation	Work to move, cut or extract ground material to install water pipeline, including trenches, ground stabilization and cleaning.
Trench bedding work	Compaction of ground that will help support the pipeline along its full length.
Water pipeline installation	Maneuvering, hauling and laying pipeline, which includes cleaning, installation, coupling and testing.
Special parts installation	Installation of special parts, such as water distribution valves, pipeline couplings, water boxes, clamps, gaskets and bolts.
Thrust block construction	Elements that are part of the anchorage system between the pipeline, accessories and trenches to protect the pipeline and coupling from movement.
Trench backfilling	Work to backfill the excavations performed to install the pipelines.

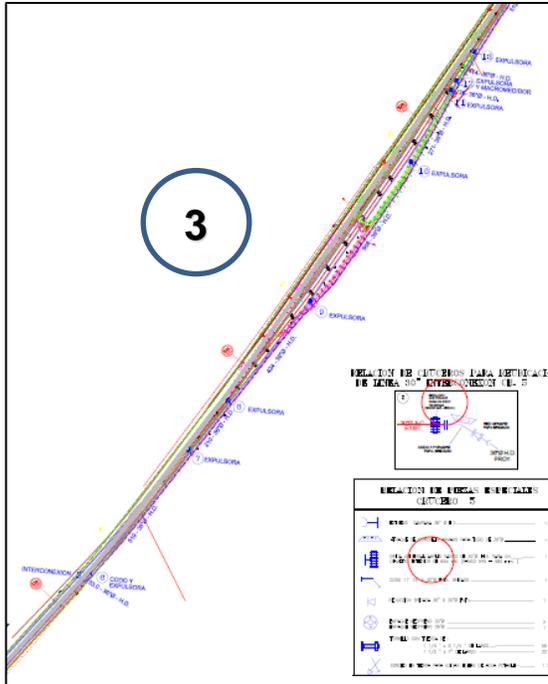
Figures 4 and 5 show a preliminary Project layout.

Figure 4
PHASE 1 LAYOUT

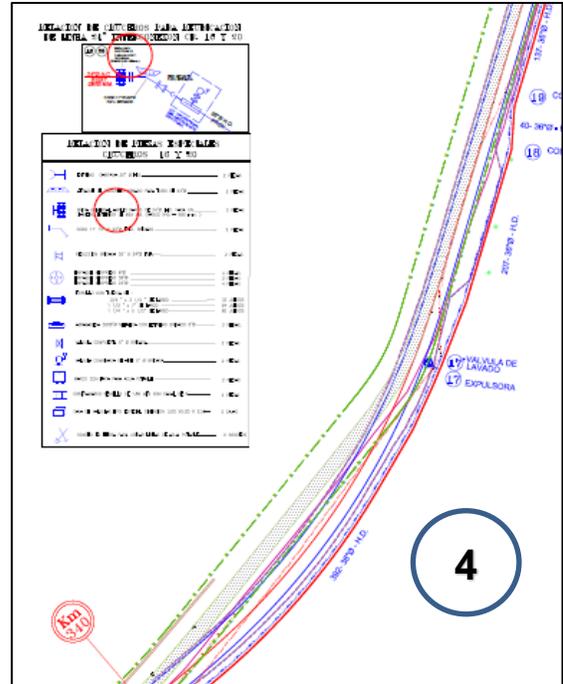


Figure 5
PHASE 1 LAYOUT BY SECTION

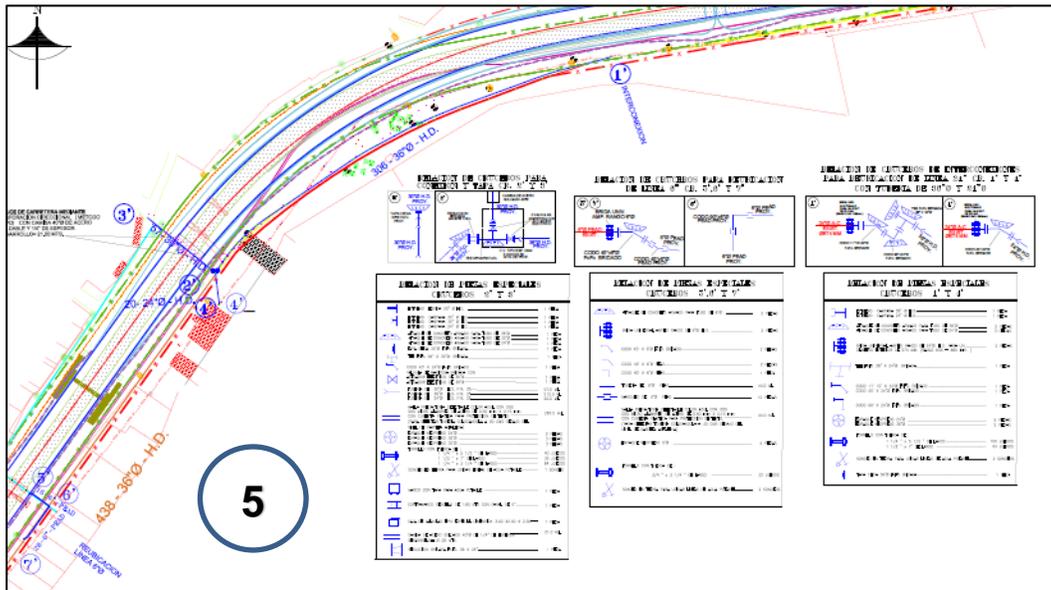




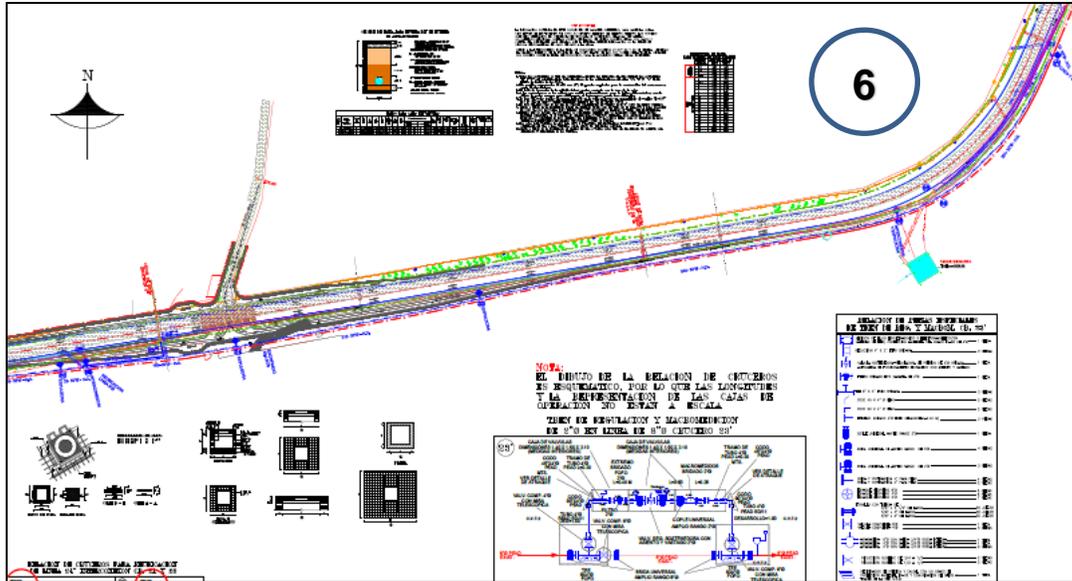
Section 3



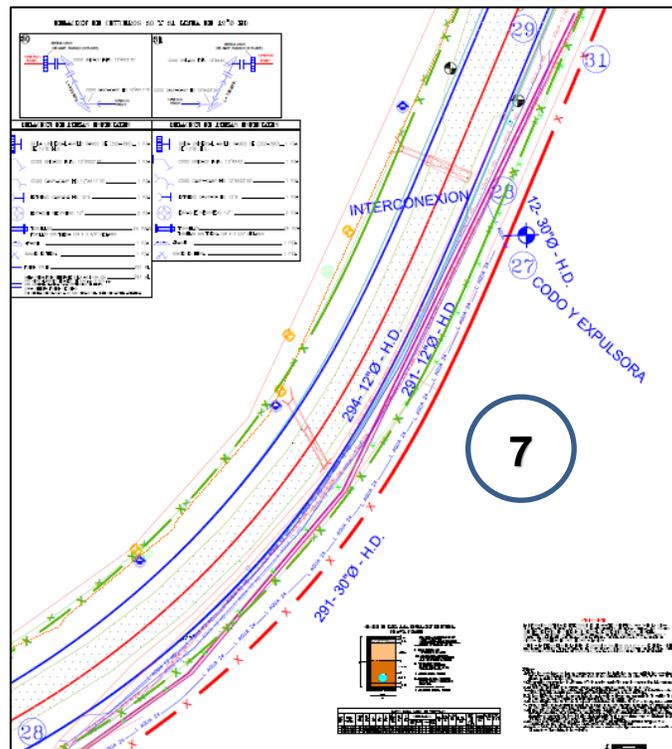
Section 4



Section 5



Section 6



Section 7

3.1.3 Technical Feasibility

The final design of the Project will be developed in accordance with the technical specifications of the Water and Wastewater Manual developed by CONAGUA. NADB will perform a technical assessment of the designs and verify compliance with all applicable technical standards, guidelines and regulations. Aguas de Saltillo has already developed a preliminary design.

Once the financing is secured through a competitive process as required by the FDL, Aguas de Saltillo will conduct a public bid process to select a company to design, implement and operate the proposed infrastructure. The selected company will be required to submit the specifications of the water pipeline, valves and other components to Aguas de Saltillo, which will verify that the components meet the required capacities as outlined in the contract and bid documents.

The company awarded the construction contract will be responsible for obtaining any permits, including the permit to start installing water pipelines. The company shall also communicate any modifications to the Project to Aguas de Saltillo. Site inspections will be performed prior to construction activities to determine the existence of any other public service infrastructure, such as gas, fiber optic, telephone and other structures. Construction management will be handled by Aguas de Saltillo.

The Project will include water pipeline of various diameters based on the slopes and velocities to prevent pipe silting and clogging and over-excavation. There is no need for pumping facilities. The proposed Project will mainly use ductile iron pipe but will also have some sections of high-density polyethylene (HDPE) pipe.

The main components and material specifications of the Project for Phases 1 and 2 are described below:

- 10.4 km (6.46 miles) of 36" ductile iron pipe.
- 0.1 km (0.6 miles) of 8" HDPE pipe.

The pipe characteristics and suitability for the soil type will be reviewed in compliance with applicable standards and regulations. Additionally, the Project will be carried out in compliance with the procurement procedures of Aguas de Saltillo and the Water Law of the State of Coahuila.

3.1.4. Land Acquisition and Right-of-Way Requirements

All construction works will take place within existing federal rights-of-way. No additional land or easements are required to implement the Project. Aguas de Saltillo is working in coordination with SCT to carry out the water pipeline relocation works.

3.1.5. Project Milestones

Project construction is scheduled to start in August 2019 and be completed no later than December 2023. Table 6 presents the status of key milestones for the Project implementation.

Table 6

PROJECT MILESTONES

Permits	Status
Aguas de Saltillo Board authorization	Completed (October 2018)
Saltillo City Council approval	Completed (November 2018)
State of Coahuila Congress approval	Completed (May 2019)
Request for Proposals to banks	Completed (July 1, 2019)
Date scheduled for submittal of financing proposals	July 19, 2019
SEMARNAT environmental authorization (MIA resolution)	Completed (May 2014)
SEMARNAT extension of term for the original resolution	In process
Construction start date	August 2019
Operation start date	December 2023

A construction permit from the Municipality of Saltillo will be obtained prior to initiating construction.

NADB's procurement policies require that borrowers/sponsors use appropriate procurement methods to ensure a sound selection of goods, works and services at fair market prices and that their capital investments are made in a cost-effective manner. As part of its due-diligence process, NADB will review compliance with this policy.

3.1.6. Management and Operation

Management and operation of the proposed infrastructure will be the responsibility of Aguas de Saltillo. In December 2018, the Board of Aguas de Saltillo approved the annual budget, which includes the operating expenses of the water infrastructure in Saltillo. The Utility currently serves a total of 254,231 connections and is organized in various departments, including: planning and projects, operation and distribution, production, commercial, information systems, management and finance.

The private company Suez has the capacity to provide services in several private and public sectors, including waste management and recycling, water resource management, electricity, mining and metallurgy, chemical and pharmaceutical, and the agro-food industry. NADB has worked with Suez (formerly Degrémont S.A. de C.V.) in the financing of the three WWTPs built in Ciudad Juarez (North, South and South-South) and a cogeneration project at the South WWTP.

Through a public procurement process, Suez was awarded participation with SIMAS to operate the public water service in Saltillo, Coahuila through the public-private enterprise Aguas de Saltillo. Suez is a private operator that receives income based on operational performance and results. In January 2019, the private operator reported more than 250,000 users served, 98% drinking water coverage and 53,447 cubic kilometers of water produced in a year.¹⁶

3.2. Environmental Criteria

¹⁶Source: Suez Mexico (<https://www.suez-america-latina.com/es/noticias/mes-de-mexico-aguas-de-saltillo>).

3.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

Access to clean water is a factor in public health by reducing the exposure to pathogens. Adequate access to water services is crucial for reducing the mortality and morbidity rates for children under the age of five, as well as water-borne diseases (viral hepatitis, typhoid fever, cholera, dysentery and other causes of diarrhea) and conditions resulting from the consumption of chemical compounds (arsenic, nitrates or fluorine).¹⁷

Before Aguas de Saltillo was created, Saltillo had intermittent water service with some areas receiving water only once or twice a week. During the past 15 years or so, this situation was corrected, and users now typically have water available 24 hours a day. The scarcity of water resources in the region, along with urban growth, have recently resulted in the interruption of water services in certain areas of the city. A forest fire in the Sierra de Zapaliname, southeast of the city, also reduced recharge of the well system that is the main source of water for the city. The second most important source of water for the city and the most active area for finding new groundwater sources is located to the southwest (Carneros), where the Project will provide additional capacity for future water well fields.

B Project Impacts

The proposed Project will provide safe drinking water to residents and will help prevent potential health threats. The Project is expected to generate environmental and human health benefits related to the following outcomes:

- Provide access to safe and reliable drinking water service for approximately 784,000 current and future residents of Saltillo; and
- Ensure sufficient water supply by increasing the waterline capacity from 700 lps (16 mgd) to 1,700 lps (38.8 mgd), as well as the reliability of water transmission.

C. Transboundary Impacts

No transboundary impacts are anticipated as a result of the development of the Project.

3.2.2. Compliance with Applicable Environmental Laws and Regulations

A. Environmental Clearance

In accordance with the environmental impact regulations established under the General Law of Ecological Balance and Environmental Protection (LGEEPA), SCT prepared and submitted an Environmental Impact Assessment (MIA) for the expansion of Federal Highway No. 54, between Saltillo and Zacatecas, in which the relocation of the water transmission line is embedded. SCT submitted the MIA to SEMARNAT in January 2014.

¹⁷ Source: Ibid.

As part of the environmental authorization process, on January 30, 2014, SEMARNAT published the request for environmental authorization of the highway expansion project in its weekly publication (*Gaceta Ecológica* No. DGIRA/004/14).

The MIA identifies, describes and evaluates the potential environmental impacts associated with the highway expansion project, such as emission of dust particles, soil contamination, waste production, removal or loss of vegetation, landscape modification, noise emission, modification of flora and fauna habitats. Final designs of the highway layout approved by SEMARNAT, include detailed information about the new water transmission line, including its alignment and diameters. The MIA also included a set of mitigation measures and plans to prevent or minimize any negative effect or impact. SEMARNAT issued MIA Resolution No. S.G.P.A./DGIRA.DG.03902 in May 2014.

In June 2018, SCT formally requested that Aguas de Saltillo carry out the works necessary to move the waterline located in Federal Highway No. 54 between Saltillo and Zacatecas. Consequently, SCT has already requested that SEMARNAT extend the term of the original MIA resolution, which was issued for a term of five years. The extension is expected to be obtained in the next few weeks. Obtaining the MIA extension will be a condition precedent for disbursement of the COFIDAN loan.

B. Mitigation Measures

Some environmental impacts are anticipated as a result of Project implementation. The Sponsor has proposed mitigation measures that are intended to reduce, mitigate and control the environmental effects resulting from Project activities. To ensure that mitigation measures are implemented properly and in a timely manner, the Sponsor will also develop the Environmental Monitoring Program described in the MIA. The following mitigation measures included in the MIA will be implemented:

- *Fauna*. The wildlife found in the Project area will be rescued and relocated during site preparation activities and the construction phase of the Project. A Wildlife Relocation and Rescue Plan will be implemented to protect all species, including those listed in Mexican Standard NOM-059-SEMARNAT-2010.¹⁸
- *Flora*. A reforestation plan will be implemented during site preparation and construction to protect vegetation in the Project area.
- *Soil*. Excess soil resulting from excavations will be stored and used for restoration purposes, if necessary, or will be donated to the Municipality.
- *Air quality*:

¹⁸ Federal Standard NOM-059-SEMARNAT-2010 identifies and lists endangered species or clusters of wildlife in Mexico and establishes the criteria for inclusion, exclusion or change in risk status for different species, based on a method for assessing the risk of extinction.

- All vehicles and machinery will be properly maintained and will receive regular tune-ups. Additionally, emissions levels will be verified in accordance with Mexican Standard NOM-041-SEMARNAT-2015.¹⁹
- Roads under construction will be irrigated periodically, and vehicles and machinery shall maintain moderate speeds during the construction phase.
- Hazardous waste. Oils, fuels and other pollutants will be placed in closed containers in a secure area during construction, and their disposal shall be in accordance with Mexican Standard NOM-052-SEMARNAT-2005.²⁰
- Solid waste:
 - The different types of waste generated in the Project area will be collected weekly and disposed of in accordance with applicable regulations.
 - Solid waste will be handled and transported to an authorized final disposal site in accordance with the General Law for Comprehensive Waste Management and Prevention and its regulations.

Although Federal Highway No. 54 between Saltillo and Zacatecas is located within a protected area, there is existing infrastructure in the Project site, and the MIA indicates that the Project area has been previously impacted by the existing road, power lines, pipelines and railroads.

C. Pending Environmental Tasks and Authorizations

The following environmental authorization is pending:

- Extension of term of the original MIA resolution from SEMARNAT.

3.3. Financial Criteria

On July 1, 2019, Aguas de Saltillo issued an invitation to financial institutions to participate in an open competitive process to provide the financing for the first phase of the Project, as required by the FDL. The proposed \$60-million-peso debt will help Aguas de Saltillo address SCT requirements while also improving its supply infrastructure for future growth.

Public information regarding the finances of Aguas de Saltillo show that the Utility has adequate control measures and systems implemented, which have resulted in a strong financial position and liquidity. Although Aguas de Saltillo does not have a credit rating, Fitch's rating of the Municipality of Saltillo in August 2018 indicates that water and wastewater services are provided by the Utility and that the Municipality of Saltillo holds 55% of the Utility's shares while Suez holds the remainder. The rating report also mentions that the Utility has had surpluses in past years and that the Municipality has benefited from these profits. Fitch also reported that it expects the Utility surpluses to continue.

¹⁹ Federal Standard NOM-041-SEMARNAT-2015 establishes the maximum permissible levels of pollutants emitted by vehicles using gasoline as fuel.

²⁰ Federal Standard NOM-052-SEMARNAT-2005 establishes the characteristics, identification procedures and classification of hazardous solid waste, as well as a list of such materials.

The source of payment for the NADB loan would come from Aguas de Saltillo’s gross revenue deriving from its water and wastewater services. The payment mechanism consists of a trust structure commonly used for water projects in Mexico. This mechanism provides a secure source of payment because monthly debt service payments are managed by the Trust. Furthermore, the decree authorized by the Coahuila State Congress allows Aguas de Saltillo to irrevocably pledge enough gross revenue deriving from its water and wastewater services to the Trust as the source of payment to cover the monthly debt service obligations.

4. PUBLIC ACCESS TO INFORMATION

4.1. Public Consultation

As established in its Charter, NADB must ensure that the public has a “reasonable opportunity to comment” on any infrastructure project for which it is proposing to provide financing. In that context, SEMARNAT published the request for environmental authorization of the highway expansion project in its weekly publication (*Gaceta Ecológica*), which included the relocation of the water transmission line, and provided an opportunity for public comment. No communication from the public was received.

NADB published the draft certification proposal for a 30-day public comment period beginning July 11, 2019. The following Project documentation is available upon request:

- MIA for the expansion and improvement of Federal Highway No. 54 between Saltillo and Zacatecas, submitted by SCT to SEMARNAT in January 2014.
- MIA Resolution No. S.G.P.A./DGIRA.DG.03902 issued by SEMARNAT in May 2014.

4.2. Outreach Activities

Project information has been made available to community residents through general newsletters and media coverage of Aguas de Saltillo. Additionally, the municipal government has conducted outreach efforts to disseminate Project information through presentations and planning documents to residents, as well as through press releases.

As part of the legislative process for the authorization of the debt by Aguas de Saltillo, the State Congress Decree was published on the State of Coahuila Official Gazette on June 11, 2019.

NADB conducted a media search to identify potential public opinion about the Project. References to the Project were found on the websites listed below:

- *Vanguardia* (October 6, 2018) – “*Se suma Agsal a ampliación en carretera a Zacatecas*” (Aguas de Saltillo joins road expansion to Zacatecas), (<https://vanguardia.com.mx/articulo/se-suma-agsal-ampliacion-de-la-carretera-zacatecas>).

- *El Democrata* (October 30, 2018) – “*Cabildo autoriza a Aguas de Saltillo a endeudarse con crédito millonario*” (City Council authorizes Aguas de Saltillo to borrow millions of pesos), (<https://democratacoahuila.com/2018/10/30/cabildo-autoriza-a-aguas-de-saltillo-a-endeudarse-con-credito-millonario/>).
- *Noticias del Sol de Laguna* (December 8, 2018) – “*AGSAL pide apoyo al Congreso para el crédito por 60 mdp*” (Aguas de Saltillo requests Congress’ support for 60-million-peso loan), (<https://www.noticiasdelsoldelalaguna.com.mx/local/agsal-pide-apoyo-al-congreso-para-el-credito-por-60-mdp-2774447.html>).
- *El Diario* (December 9, 2018) – “*Invertirá Agsal 150 mdp en 2019*” (Aguas de Saltillo to invest 150 million pesos in 2019). (<http://www.eldiariodecoahuila.com/locales/2018/12/9/invertira-agsal-2019-778314.html>).
- *Noticias del Sol de Laguna* (December 12, 2018) – “*AGSAL invertirá en Saltillo 150 mdp en infraestructura para agua potable*” (Aguas de Saltillo to invest 150 million pesos in drinking water infrastructure in Saltillo). (<https://www.noticiasdelsoldelalaguna.com.mx/local/agsal-invertira-en-saltillo-150-mdp-en-infraestructura-para-agua-potable-2795434.html>).

In summary, these publications highlight the scope of the Project. Opposition to the Project was not detected from the available media coverage. The Project Sponsor has followed all public consultation requirements in order to comply with applicable environmental clearance and permitting processes.