



NORTH AMERICAN DEVELOPMENT BANK

PROJECT DEVELOPMENT PROGRAM (PDP)

OPERATING GUIDELINES

CHAPTER I. BACKGROUND

It has been the experience of the North American Development Bank (NADB) that many communities in the U.S.-Mexico border region lack the human and financial resources necessary for the adequate development of infrastructure projects that can be certified by the Border Environment Cooperation Commission (BECC) and subsequently financed by NADB. Lack of funds for project development assistance in all sectors in which NADB operates, including water conservation, inhibits the development of projects that would otherwise be eligible for funding by NADB.

In order to assist communities with project development and thereby promote the use of NADB's loan and guaranty program, NADB has established a Project Development Program (PDP) to fund design and related studies needed to develop and construct infrastructure projects. NADB will work with BECC to ensure an efficient and coordinated implementation of the PDP.

CHAPTER II. ELIGIBILITY CRITERIA

1. Recipients:

- a. Public project sponsors are eligible for assistance under this program. In accordance with standard banking practices, such assistance will be subject to reimbursement, partially or fully, as part of a NADB lending package.
- b. Private sector project sponsors are also eligible, but in all cases must agree to reimburse the funds within a timeframe established by NADB at the time of funding.

2. Project Grant Limits: Generally, grants will be awarded in amounts of up to US\$200,000. In the event the project represents a regional effort (where more than one community is involved), the amount awarded may be up to US\$300,000. Grant amounts may be increased from the limits noted above in exceptional cases.

3. Types of Studies: Design and related studies needed to develop and construct environmental infrastructure projects, including water conservation projects. These studies include, but are not limited to, needs assessments, feasibility studies, facility plans, financial analyses, environmental assessments, final designs, and preparation of BECC Step II documents. Public participation activities necessary for BECC certification may also be eligible for funding.

4. Matching Funds: Up to 50% of the amount of a PDP award must be matched by the project sponsor or other project partner. This match may be achieved as follows:
 - i) a cash contribution toward the cost of the work being funded by the PDP award;
 - ii) directly related in-kind activities that reduce the cost of the work being funded by the PDP award and are acceptable to NADB;
 - iii) funding by the project sponsor or other project partner of another study or other work that is directly related and necessary to the advancement of the project being supported by the PDP award and acceptable to NADB; or
 - iv) a combination of these mechanisms acceptable to NADB.
5. Prioritization of Funds: In consultation with BECC, NADB will ensure that strong candidates for certification have priority for funding.

CHAPTER III. AUTHORIZATION PROCESS

The NADB project manager will present projects to the NADB Technical Assistance Committee for approval. The relevant BECC project manager(s) may attend NADB Technical Assistance Committee meetings where PDP funding requests are presented for approval. NADB will take into account the advice and analysis of BECC staff when considering funding requests.

CHAPTER IV. CONTRACT ADMINISTRATION AND MANAGEMENT

1. The relevant community or BECC, as determined by NADB, will manage the contracts in accordance with the approved terms of reference.
2. NADB will sign a Letter Agreement with the manager of the contract. The Letter Agreement will specify how NADB will disburse funds to the manager of the contract in accordance with NADB's disbursement policies and procedures.
3. The manager of the contract will be responsible for contracting directly with the consultant, following NADB's procurement guidelines. The manager of the contract must approve and pay all consultant invoices with its own resources. NADB will reimburse the manager of the contract for payments made to the relevant consultant in accordance with the contract.
4. The manager of the contract will approve all deliverables. Prior to approval, the manager of the contract will submit copies of such deliverables to NADB and, when applicable to BECC for comments.
5. In coordination with the manager of the contract, NADB may perform reviews of consultant work to guarantee quality and compliance with the approved terms of reference.
6. Committed community cash contributions will be used first for payment of consultant costs, followed by NADB's approved PDP grants.

7. There is no obligation on the part of NADB to fund cost overruns.

CHAPTER V. PROGRAM ASSESSMENT

NADB, in consultation with BECC and participating communities, will perform an annual program audit and evaluation.