



NORTH AMERICAN DEVELOPMENT BANK

GUIDELINES FOR WATER CONSERVATION INVESTMENT FUND

I. GUIDELINES FOR PROJECTS IN MEXICO

- A. Purpose: To finance investments in water conservation projects in Mexico aimed at saving and delivering water in the framework of the agreements set forth in IBWC Minute 308.
- B. Amount: No more than US\$40 million of the US\$80 million in resources in the WCIF.
- C. Type of financing: Grants.
- D. Recipients: Public sector (federal, state, local), private sector (business) and social sector.
- E. Eligible Projects: Projects originating from the bilateral agreements on saving and delivering water, located within 100 km of the border or beyond provided that such projects directly or indirectly result in increasing the delivery of water into the Rio Grande.
- F. Type of projects that can be financed: Headworks, structures and canals, farmland modernization, drainage and soil recuperation, metering, reuse of urban wastewater for irrigation purposes, irrigation equipment and, in general, all works that contribute to the efficient use of water in the Rio Grande basins.
- G. Amount of financing: Up to 100% of the project cost.
- H. Certification: Projects will have to be certified by the BECC, with the participation of the IBWC consistent with the implementation of IBWC Minute 308.
- I. Project Selection Criteria: Projects will be prioritized for funding based on the following criteria:
 - i. Transference.- to maximize the volume of water to be transferred to the main channel of the Rio Grande.
 - ii. Rate of return.- the least investment cost per unit of saved water.
- J. Special Conditions: With respect to the water saved by projects in the Mexican portion of the Rio Grande, an agreement must be reached within the IBWC concerning the amount of water saved that will flow into the Rio Grande in partial fulfillment of Mexico's obligation to deliver water to the United States under the 1944 Treaty. Prior to the disbursement of the funds, NADB and the recipient shall also reach an agreement in writing with the same terms as contained in the relevant IBWC minute.

- K. Procurement: NADB's procurement guidelines will apply.
- L. Supervision of Design, Construction and Follow-up: NADB, in coordination with CNA, the BECC, the IBWC and other relevant agencies, shall oversee and follow up on the projects.
- M. Approval procedures: NADB Management will submit certified projects to the Board of Directors for consideration of financing approval.

II. GUIDELINES FOR PROJECTS IN THE UNITED STATES

- A. Purpose: Consistent with the framework of agreements set forth in International Boundary and Water Commission Minute 308, and to alleviate impacts resulting from drought conditions in the U.S.-Mexico border region, the Water Conservation Investment Fund (WCIF) seeks to provide grants to finance investments in water conservation projects aimed at saving, using and transferring water more efficiently.
- B. Amount: US\$40 million, out of the total US\$80 million of resources in the WCIF, will be available for projects in the United States.
- C. Recipients: Public sector bodies, including state, local and tribal governments; irrigation districts; and other quasi-governmental bodies.
- D. Eligible Projects: Water conservation projects on the U.S. side of the U.S.-Mexico border region (as the term "border region" is defined geographically in the BECC-NADB Charter), that have submitted a Step I application to BECC by March 10, and that receive BECC certification, are eligible for financing through the WCIF. "Water conservation projects" are those projects that reduce water loss or water consumption through activities such as, but not limited to, the following:
- Canal lining
 - Improving/rehabilitating canals or waterways
 - Piping of canals
 - Constructing control structures
 - Improving/rehabilitating structures (pump stations)
 - Installing pressurized irrigation systems
 - Repairing sprinkler systems
 - Installing moisture barriers
 - Reducing water consumption through changes in irrigation practices (drip irrigation, aspersion, micro-aspersion, etc.)
 - Constructing facilities for desalination, water reclamation and recharge
 - Improving/rehabilitating structures (lining of regulating reservoir)
 - Installing/improving metering systems/devices (metering)

- Installing/improving control and distribution structures and the operation of these devices (automation, new installation, improvements to operational roads)
 - Land compaction and land leveling for purposes of water conservation
 - Installing fertilizer application systems (in pressured systems)
 - Improving operations that reduce the time and complexity of irrigation
 - Installing plot remote moisture sensors.
- E. Project Selection and Prioritization: Prior to BECC certification, NADB will work with BECC, in consultation with federal and state agencies, as appropriate, to evaluate projects and assign priority to them for funding through the WCIF. Priority will be assigned based on competitive criteria including, but not necessarily limited to, the following:
- Cost per unit of water saved;
 - Extent of critical need for water conservation improvements;
 - Long-term infrastructure sustainability;
 - Project readiness; and
 - Share of non-WCIF contributions to project cost (in-kind contributions, loans, grants, etc.).
- F. Determination of Grant Amounts: In order to assure that the limited grant resources serve a variety of stakeholders in the border region, the maximum WCIF grant will be \$4 million per project. Additionally, the total "grant element" for any given project (the sum of the WCIF grant and the subsidy contained in any NADB low interest rate facility (LIRF) loan) normally should not exceed 50% of the project cost.¹ Applicants who demonstrate substantial financial hardship may request a grant element in excess of 50%.

The amount of any WCIF grant will be determined through an analysis of:

- i. the project's feasibility, based in part on the sponsor's financial condition;
 - ii. the project's expected cash flow; and
 - iii. the availability of funding from other (non-WCIF grant) sources (see Section G).
- G. Availability of Funding from Other (Non-WCIF Grant) Sources:

¹ LIRF loans will be extended based on normal LIRF criteria. Information on the LIRF is available from NADB or at http://www.nadb.org/english/program_service/Loan/loan2_frame.htm. For this purpose, the subsidy in a LIRF loan is considered to be the benefit resulting from the lower LIRF interest rate, compared to a standard NADBank loan rate, expressed as a dollar amount in present value terms. The discount rate used to determine the level of subsidy provided by a LIRF loan shall be the standard NADB interest rate applicable to the project. The "grant element" is the subsidy amount expressed as a percent of the total project cost. For illustrative purposes, based on current rates for a Class I borrower, a 3.15%, 10-year LIRF loan for \$500,000 would provide a subsidy of \$51,571 when compared with a standard NADB loan at 5.35%. For a \$1 million project, this would be a 5.2% grant element. For further information or assistance in calculating the grant element, please call Armando Perez-Gea at 210-231-8000 or email NADB at wcif@nadb.org.

- i. Funding from other sources may include “in-kind” contributions of goods and services, subject to analytic valuation of the source, value and project-specific application thereof.
 - ii. A NADB market rate or LIRF loan (subject to the limitation on total “grant element” in paragraph F), or a grant or loan from any other source, may be used to cover the remaining portion of the project costs.
 - iii. Availability of resources for the total cost of the project shall be demonstrated prior to disbursement of WCIF funds.
- H. Certification: Projects will have to be certified by the BECC, following normal procedures. NADB will build any conditions applied during BECC certification into the project conditionalities applicable to the disbursement of the WCIF grant funds.
- I. Supervision of Design, Construction and Follow-up: Supervision of design, construction and follow-up of projects receiving WCIF grants will be consistent with existing NADB and BECC procedures. (BECC shall oversee project design, and NADB shall oversee and monitor project implementation and management, both institutions coordinating as usual and as appropriate with IBWC and other federal and state authorities.) If the sponsor does not comply with project conditionalities, then grant disbursements will be suspended until compliance is achieved.
- J. Approval procedures: Project sponsors will apply to BECC for certification of the project to receive WCIF assistance. BECC and NADB management shall collaborate closely on analyzing the projects for certification and financing, consulting with federal, state and other agency(ies), as appropriate. BECC and NADB management will then recommend to the NADB Board for its consideration a selection of projects utilizing not more than \$40 million in WCIF grants. After BECC certification and application by the sponsor for financing of a specific project is complete, NADB management will submit a financing proposal for that project to the NADB Board.
- K. Public Disclosure: The estimated amount of water saved and intended use of the water by a given project shall be disclosed to the public during the normal certification process.
- L. Procurement: NADB’s procurement guidelines will apply.