



## North American Development Bank needs authorization and appropriation of capital increase to continue its positive impact in border region

### Request:

To authorize and appropriate a general capital increase for the North American Development Bank (NADB).



### Background:

The NADB was established in 1994 by the U.S. and Mexican governments for the purpose of developing and financing infrastructure projects along the U.S - Mexico border in order to improve the quality of life for people living in the region. At the close of its first 20 years of operation, NADB is having a transformative impact on the border region.

To date, NADB has contracted US\$2.40 billion in loans and grants for 203 infrastructure projects aimed at supplying safe drinking water, adequately treating wastewater, properly disposing of solid

waste or improving air quality through street paving or clean energy generation. The total investment represented by these projects exceeds US\$6.87 billion-evidence that the NADB development model is succeeding in its intended goal of complementing and leveraging other sources of funding, including private capital and other public resources.

## Reasons to Support a Capital Increase for NADB:

### Reason 1: NADB is succeeding in improving infrastructure in the border region.

- NADB has been an effective tool for catalyzing investment into needed infrastructure in the U.S.-Mexico border region. In particular, NADB has helped increase wastewater treatment capacity by more than 275 million gallons per day (mgd) along both sides of the border, and more recently has supported the development of renewable energy in the region through 22 projects, representing 1,301 MW of combined generation capacity.
- It is important to note that roughly half of NADB's financing -US\$1.18 billion- has been invested in 98 projects located in U.S. border communities in the four border states of Texas, New Mexico, Arizona and California.

### Reason 2: NADB has been a good steward of resources and has brought transparency and accountability to project development.

- Due to its strong capitalization and support from the U.S. and Mexican governments, NADB has maintained a high credit rating which has played a crucial role in its ability to access the capital markets at low interest rates. The benefit of those low rates has been transferred to project sponsors and hence to the development of infrastructure in the border region.
- NADB develops projects in a manner that requires open and competitive bidding, as well as public stakeholder participation in order to ensure that the project is viable from a technical, financial and social perspective.
- Through its results measurement program, NADB verifies that its projects perform as intended to improve the environment and related health conditions for border residents.

### Reason 3: Capital increases are necessary to sustain effective development institutions.

- NADB was created with a total capitalization of US\$3 billion. Of this amount, US\$450 million is paid-in capital, contributed in equal parts by the U.S. and Mexico, with the remaining balance in the form of callable capital-a pledge from the two governments to honor NADB's obligations, but not for funding projects. The need for a capital increase reflects success in NADB's mission.
- Since 2009, NADB's loan portfolio has grown at an average annual rate of 36 percent, with total disbursements of more than US\$1.3 billion to support communities in the border region. NADB is projecting annual loan disbursements of US\$230 million over the next five years. The additional capital will enhance the capacity of the NADB to support the financing of a robust project pipeline for several years, while maintaining its strong financial position.

