

Public Assessments Regarding the Performance of the Border Environment Cooperation Commission (BECC) & North American Development Bank (NADB)

A Survey Conducted by the Border Information & Outreach Service

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Executive Summary

While long serving as the gateway for trade and commerce between the United States and Mexico, the border region has arguably felt the negative impacts of free trade—rapid industrialization, urbanization, population growth, diminishing water supplies, and increased air and water pollution—more intensely than it has the benefits.

One of the most pressing trade-related challenges facing the region is the significant lack of infrastructure for providing drinking water, wastewater treatment, and solid waste disposal services to the border's cities and towns.

The creation under NAFTA of the Border Environment Cooperation Commission (BECC) and its sister organization, the North American Development Bank (NADB) was a unique attempt by Mexico and the United States to address this situation. Since coming on line, the two institutions have brought environmental infrastructure to dozens of border communities that previously lacked the capacity to build and manage such systems.

Despite the real achievements managed by these two organizations, however, progress has occurred gradually and, in some areas, has been deficient. Unrest has centered on the fact that while it has had no difficulty providing grants via its EPA-funded BEIF program, NADB lending has been minimal, amounting to approximately 3% of its paid-in capital.

Recently, Mexico and the United States have engaged in high-level discussions regarding bilateral relations, including trade and development issues along their shared border. Figuring in these talks have been discussions regarding potential changes to the roles that the BECC and NADB play.

With the United States and Mexico exploring options for an altered mission for BECC and NADB, these two unique institutions clearly stand at a crossroads.

In an effort to foster and deepen debate on the future of the BECC and NADB, the Border Information & Outreach Service (BIOS), a nonprofit public information and policy studies project based in southern New Mexico, conducted a survey in May-July 2001 in order to evaluate perceptions by border residents, academics, environmentalists, and public officials regarding the work of the BECC and NADB, as well as attitudes off the border regarding the two institutions.

Survey Results in Brief

The results of the survey—provided in greater detail in the pages that follow—are both interesting and informative.¹

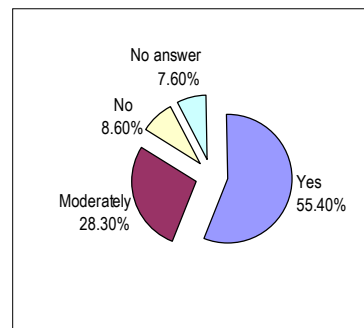
While opinions from the U.S. side and the Mexican side of the border coincided in some cases, in many others the results indicated a substantial difference in the way that the BECC and NADB are viewed in each of these countries.

Equally if not more striking were the differences in views between border region residents from both the United States and Mexico and nonborder respondents: by and large, opinions of BECC and NADB in the border region were more favorable.

Overall, assessments regarding progress made so far by the two institutions were generally positive, as the pie chart below indicates.

QUESTION:

Have BECC & NADB made a positive difference since they began operation?



Ratings of the institutions' performances by U.S. and Mexican respondents were markedly similar. On a scale of 1-10, Mexicans rated the combined BECC/NADB performance at 5.8 while U.S. respondents rated it at 5.9. BECC's performance rated slightly higher (6.7) than NADB's (4.7).

Border residents tended to view the BECC-NADB track record in a favorable light. The average rating of institutional performance by area residents was 6.1 while nonborder respondents (roughly 15% of all respondents) rated it at 5.3. Similarly, while almost 58% of U.S. respondents felt progress had been made, the figure was slightly lower for Mexico—50%.

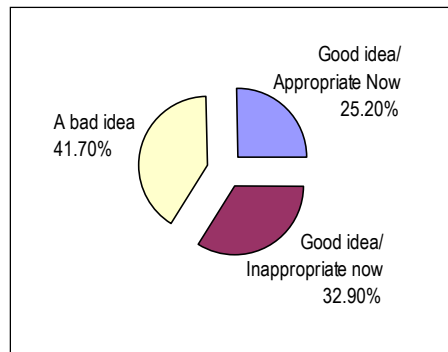
Judgements regarding the BECC-NADB division into two agencies were decidedly different for Mexican and U.S. respondents, however.

Roughly 18% of Mexicans felt the split has worked well; only 7.7% of their U.S. counterparts felt the same way. Overall, 10% of respondents said the BECC-NADB division has worked well, nearly 47% felt it had had mixed results, generally positive, and 13.3% indicated it had had mixed results, generally negative. It is important to note, however, that many respondents qualified that their assessments were largely based on historical difficulties in the BECC-NADB working relationship, not on flaws inherent to a division of labor.

While many respondents indicated that the suggested expansion of the NADB role into a larger-scale economic development institution was a good idea, most added that the timing is not yet right. While a substantial portion of those who filled out the survey (35.2%) said the option should be explored, 41.7% felt that it was a bad idea and another 32.9% responded that it was a good idea but not appropriate at this juncture.

QUESTION:

It has been suggested that the NADB might also look at supporting micro-business development / explore other forms of economic development assistance in the NAFTA-zone. This is:



Additionally, the overwhelming majority—nearly 91%—of those who filled out the survey indicated that financial support for the BECC should be increased, although a larger percentage of U.S. respondents (92.3%) felt this way than did Mexicans (84.2%).

Clearly, the survey indicates that border and nonborder citizens in both countries view the BECC

and NADB, while not perfect, has having made important strides forward.

Just as clearly, there are differences of opinion between not only citizens of the United States and Mexico regarding the NAFTA-created border institutions, but between residents of the border regions of each country and those living in other areas.

In additional, written comments made by survey respondents, however, several themes consistently recurred:

First, the BECC and the NADB are unique and valuable institutions that should be strengthened, not dismantled.

Second, the border region—as the economic interface for free trade between the two countries—deserves special attention.

Third, the certifying agency component and strong criteria for sustainable development and transparency are vital to the endeavor.

Fourth, any reconfiguration of the two institutions should involve a public debate and serious assessments of the lessons learned in the past six years.

Finally, whatever final arrangements are made, both the United States and Mexico need to commit serious resources and political will to backing the endeavor.

Notes:

¹ A total of 92 individuals filled out the survey. Sixty-six were from the United States, 22 were from Mexico, and 4 were from other countries or left their nationality blank. Sixty-seven respondents identified themselves as residents of one of the ten border states; 14 were nonborder residents and 11 left this space blank. Only a small number of individuals from the two NAFTA-created border institutions themselves responded: 3 from BECC and zero from NADB. However, 32 individuals with hands-on experience developing a project in via the BECC-NADB process responded.

Background

For decades, deepening U.S.-Mexican economic integration has been accompanied by dramatic environmental and environment-related health problems in the border region where the two countries meet. Debate over the North American Free Trade Agreement (NAFTA) in the early 1990s focused attention on the seriousness of environmental problems in the area and raised concerns that NAFTA's implementation would increase border environmental degradation.

Then, as now, one of the key challenges facing the border region was a pervasive lack of infrastructure for providing potable water, sewage, and solid waste disposal services. In 1993, investment needs in water and wastewater infrastructure on the border were estimated by the Sierra Club to total \$7 billion. A follow-up study published by the U.S. General Accounting Office in 1996 upped that figure to \$8 billion.

As the NAFTA debate picked up steam, environmentalists argued that if gains from free trade were to be enjoyed throughout the United States, the entire country should help pay the bill for the area that incurs most of the costs. In an effort to win support for NAFTA, the Bush, Salinas, and Clinton administrations pledged to channel funds to the border region for environmental projects. Shortly before the NAFTA vote, Mexico and the United States announced the creation of a bilateral development bank that would make up to \$3 billion available for border environmental projects. The money was packaged with other existing funding sources and presented as an \$8 billion initiative. Inclusion of the bilateral bank in NAFTA's implementing legislation convinced some undecided legislators to support the trade agreement and converted one key political coalition, the Latino Consensus on NAFTA, from undecided to NAFTA supporters.

Initially, NADB's academic architects and its principal congressional backer, Rep. Esteban Torres (D-Los Angeles), intended it to resemble the European development banks that provided capital to Spain, Ireland, Portugal, and Greece in preparation for their entry into the European Community. The bank was to include Canada, and two-thirds of its capital was to come from North America's most prosperous nation, the United States. Environmental projects were to be included in the bank's charter, but its primary focus would be economic development projects.

What emerged from the political negotiations surrounding the NAFTA vote substantially reflected

the priorities of the North American environmental community, whose concerns regarding the ecological impacts of the proposed trade agreement had produced a broad, actively engaged NAFTA lobbying coalition. When the White House seemed to be focusing on a border-region environmental funding institution rather than a wider development bank, Rep. Torres modified his proposal and agreed to support NAFTA in exchange for shifting 10% of the proposed financing for the border environment to community development projects throughout the United States.

In 1993, in side agreements to NAFTA, Mexico and the United States formally created the Border Environment Cooperation Commission (BECC), charged with promoting the construction of environmental infrastructure projects on the border, and the North American Development Bank (NADB), whose main role would be to help finance the process.

The side agreement establishing the two institutions identified the primary BECC-NADB mission as that of meeting the "need for environmental infrastructure in the border region, especially in the areas of water pollution, wastewater treatment, municipal solid waste, and related matters." However, alongside the environmental mandate the accord also created a community adjustment and investment program (CAIP) under the bank to help communities in Mexico and the United States suffering negative economic impacts as a result of NAFTA.¹

The Border Environment Cooperation Commission

Under current guidelines, BECC's role in the partnership is twofold. First, it facilitates initial project development by assisting developers with the design, siting, and other technical aspects, analyzing their financial feasibility, environmental components, and social and economic benefits. Secondly, it certifies proposed projects as financially and environmentally sustainable—thereby qualifying them for consideration for financing by the NADB—and works to arrange public and private financing packages for them. When established, BECC was instructed to lend preference to projects relating to water pollution, wastewater treatment, municipal solid waste, and "related matters." The institution was also allowed to consider projects outside the official border region provided they address environment or health problems of a transboundary nature.²

BECC depends on yearly budget appropriations by the governments of both Mexico and the United States.⁸ Each country contributes an equal share of the institution's annual operating budget, and appropriations from each country are capped at \$4 million/year under the Charter Agreement. In reality, however, annual BECC appropriations have never reached this ceiling; BECC appropriations for 2001, for example, totaled about \$1.8 million from each country.³

The BECC has a binational board of directors with 10 members, five from each country. Of the 10 board members, six must be from the border region; the other four represent various federal agencies. A general manager and deputy general manager, appointed by the board, are responsible for BECC's day-to-day operations. Currently, the BECC is operating with a staff of 45 people.

The North American Development Bank

NADB's primary role is to facilitate financing for the construction of BECC-certified border projects. NADB was funded with paid-in capital totaling \$225 million, contributed equally by both the United States and Mexico over a four-year period. Ten percent of the bank's paid-in capital can be used for CAIP loans, grants and guarantees; the remaining 90% is earmarked for border environmental infrastructure projects certified by BECC. In addition to its paid-in capital, the bank has access to \$2.25 billion in callable capital, which cannot be used directly for loans or grants.⁴

The bank operates six major funding programs: the Border Environment Infrastructure Fund (BEIF), established and funded by the EPA and administered by the bank, which provides grant monies to projects; the CAIP, intended to help U.S. communities experiencing difficulties in adjusting to NAFTA-attributable disruptions of economies and to support basic infrastructure development throughout Mexico, "as well as help communities and businesses benefit from NAFTA;" the Institutional Development Cooperation Program (IDP), created to assist public utilities with efficient operation of their water, wastewater treatment, and municipal solid waste systems by reinforcing their institutional (managerial, financial, and leadership) capacities; the Loan and Guaranty (L&G) Program, which provides direct financing for projects and encourages participation by private and public sector lenders; the Solid Waste Environmental Program (SWEP), a pilot program for municipal solid waste financing; and finally, the Utility Management Institute (UMI), an on-going and focused professional development program for utility managers and their staffs.

Beyond playing the role of a traditional bank, NADB also acts as a financial broker, lending its own resources, as well as arranging loans and grants from other sources.

The budget of NADB is similar to BECC's in that it incorporates direct funding from the federal governments of each country as well as from other sources (i.e. EPA grants support the BEIF program), yet quite different in that it does not rely on yearly appropriations but may also use interest earnings on its paid-in capital to support its operating budget.

NADB has a binational board of directors which includes the U.S. Secretary of Treasury, Secretary of State, and the Administrator of the EPA and Mexico's Secretary of Economy and Secretary of Social Development. The board determines bank policy within the framework of the charter and bylaws and approves all loan and credit proposals. Since the board holds only annual and other meetings as necessary, responsibility for day-to-day operations of NADB fall to a managing director and deputy manager (one from each country) appointed by the board. The NADB has a staff of around 40 people, roughly balanced between Mexican and U.S. citizens.

Progress and Accomplishments, 1994-2001

As a result of BECC-NADB efforts, more environmental infrastructure is now operating or under construction in the border area than at any time in the past.⁵

Since late 1994, BECC has certified 49 (29 U.S. and 20 Mexican) environmental infrastructure projects, and the NADB has financed or is working with the sponsors to finance 40 of these projects, largely through construction grants funded by EPA's border monies. These projects represent an estimated investment in border infrastructure to date of some \$1 billion dollars and will bring services to more than 6.45 million people. Of these projects, seven have been constructed, 21 are under construction, 17 are under design, two are in the bidding process and two are being redefined. The number of certified projects jumped in 1999 and 2000 as more BIEF monies from EPA became available.

These 49 projects are being financed via a combination of loans, guarantees, grants and bonds. Through December 31, 2000, NADB had authorized \$265.5 million in EPA BEIF grants for 30 water and wastewater projects. In this same time frame, NADB had only made seven loans totaling \$11.12 million, although the bank is currently working on nine new loan packages totaling \$67 million.

Additionally, there are more than 140 community projects in the BECC certification pipeline that are receiving technical assistance. More than \$20.27 million has been allocated by BECC to provide technical assistance to communities and aid in the development of 147 environmental infrastructure projects in 101 communities on both sides of the border. In addition, NADB has used interest earnings to set up an Institutional Development Cooperation Program. This program has provided assistance for 93 projects to help 64 communities evaluate the current institutional capacity of utilities; it supports the bank's Utility Management Institute as well.

Beyond these tangible successes, environmentalists and policy experts concur that BECC's focus on sustainable development and public participation has pushed the development policymaking envelope in valuable directions.

Mandate Expansion

Despite the achievements managed by the two NAFTA-created border institutions, progress has occurred gradually—and in some areas has been deficient. While many observers cite the less-than-perfect BECC-NADB working relationship as one problem, unrest has centered on the fact that while it has had no difficulty giving grants via the EPA-funded BEIF program, NADB lending has been minimal, approximately amounting to just 3% of the bank's paid-in capital.⁶ Communities on the U.S. side have found cheaper alternatives to NADB loans via state revolving funds or by floating bonds. Mexican towns, unable to afford NADB loans and until recently barred by law from issuing debt the way U.S. municipalities do, have had fewer options.

In mid-2000, NADB management floated a proposal to expand the list of infrastructure project types eligible for bank funding and to increase the institution's geographic scope of operations. The bank developed the proposal in the face of increased criticism of its inability to make loans to border communities. Citing difficult market conditions on the border as the reason for its troubles, NADB argued that by allowing itself to fund more types of projects in a larger area it could locate more projects capable of sustaining NADB loans.

Geographic expansion was voted down by the bank's binational board, but in early 2001 NADB was given the green light to finance new sorts of projects, including industrial and solid waste projects that “remedy pollution threats to water or soil,” water conservation projects, water and wastewater hookups for housing, and recycling and waste reduction projects.

Mexico Pushes for Additional Changes

The recent decision to expand the work of the BECC and NADB did not put the debate surrounding the two institutions to rest, however.

After meeting with President Bush last February, Mexican President Vicente Fox reported that he and the U.S. leader had agreed to eventually make additional changes to the NADB in order to make it a promoter of economic development.⁷ Presidents Bush and Fox are expected to again discuss reform of the NAFTA-created sister institutions during a face-to-face meeting in Washington, DC in September.

According to Ernesto Ruffo, Mexico's newly appointed border czar, Mexico is “aiming for the issue—reform of NADB—to be one of the proposals that comes out of the presidential agenda.”⁸

Mexico has linked its proposals for another expansion of the bank's profile to ongoing high level discussions regarding Mexico-U.S. migration matters. Mexico would like to see the bank addressing transportation, housing, energy and other infrastructure needs required for continued growth in its northern border region as well as economic development projects designed to reduce pressures leading to emigration in other regions.

Ruffo has said that NADB's current agenda is largely driven by U.S. priorities, explaining: “It is really designed to resolve the North American environmental agenda. The Mexican agenda has other priorities—we need economic development first.”⁹

Officials at NADB, for their part, express agreement with the notion of expanding the bank's funding role. “I think it’s important to take into account the Mexican perspective too,” NADB Managing Director Raul Rodriguez explained in an interview last fall. “How can you put the bank's capital to better use? It’s there. It’s not an endowment. I mean, Mexico can’t afford as a country to place endowments anywhere with money that will be used five years from now, 10 years from now, with so many needs in Chiapas, in Oaxaca, and other places.”¹⁰

Proposals for BECC/NADB Reform

BECC and NADB officials are reviewing proposals regarding the work of their respective institutions in an attempt to reach some kind of agreement on reform prior to the September 5 Bush-Fox reunion. In early August, for example, representatives of the two organizations met in Washington to discuss new loan guidelines and other possible changes, but could not reach agreement.¹¹

The U.S. and Mexican governments have yet to publicly issue formal or detailed reform proposals. However, the Bush administration has convened a group of U.S. agencies to examine BECC-NADB reform. While it is doubtful that he and President Fox will issue a detailed proposal after meeting this September, they are likely to continue their discussion on the matter and that eventually changes will be made to the two institutions.¹²

Some environmentalists and local government officials remain concerned that expanding the NADB's operations or reforming the BECC-NADB structure will mean fewer dollars and less attention to both to environmental concerns associated with free trade between the United States and Mexico and to the growth-stressed border region.

Others—such as Mexican state and local government officials and U.S.-based immigration advocates—are proposing that some changes could be made that would put bank money to use in Mexico to promote development and mitigate migration pressures while not neglecting the border or losing BECC/NADB's mandated focus on sustainable development.

The Texas Center for Policy Studies, the North American Integration and Development Center, and the William C. Velasquez Institute have suggested that possible options for reform might include:

(1) dedicate a majority of the bank's paid-in capital—between \$150 and \$200 million—to low interest loans for border environmental projects certified by BECC; (2) improve the certification process itself; (3) allow other NADB capital to be used for non-environmental infrastructure projects in and outside the border zone, with guarantees for transparency and accountability in the use of these public funds; and (4) establish a program within NADB to leverage transnational remittances for community development projects in those regions of Mexico where economic opportunity is so scarce that people are forced to migrate in search of work.¹³

Some experts, however, remain skeptical. "The bank's assets are not enough to deal with the border's problems, much less the economic-integration needs of North America," Mark Spalding, an environmental law specialist at the University of California—San Diego, recently told the *Los Angeles Times*. "You end up shorting everybody concerned."¹⁴

Notes:

¹ Agreement Between the Governments of the United States of America and the United Mexican States Concerning the Establishment of a Border Environment Cooperation Commission and a North American Development Bank, Chapter 2, Article 1, Section 1 (1993).

² *Agreement*, Chapter 1, Article 1, Section 2.

⁸ Mary Kelly and Cyrus Reed, "Expanding NADBank's Mandate," *borderlines UPDATER*, August 18, 2000 (Silver City, NM: BIOS/Interhemispheric Resource Center).

³ BECC website, online at <http://www.cocef.org/>.

⁴ Mary Kelly et al., *The Border Environment Cooperation Commission & North American Development Bank: Achieving Their Environmental Mandate* (Austin: Texas Center for Policy Studies, April 2001).

⁵ Much of the text in the following section was adapted with permission from *Finding Common Ground: A Public Interest Proposal for BECC/NADBANK Reform* (Austin/Los Angeles: William C. Velasquez Institute, Texas Center for Policy Studies, and the North American Integration and Development Center, August 9, 2001).

⁶ Through March of 2000, NADB had made seven loans, totaling \$11.12 million, while the total paid-in capital was approximately \$350 million. When fully capitalized, NADB will have \$450 million in paid-in-capital. NADB is also working on \$67 million in additional loan packages with nine certified projects. Kelly et al. citing *NADB, Annual Report*, April 1999-March 2000.

⁷ "Regulará Flujos en la Frontera la Nueva Política Migratoria," *La Jornada*, February 17, 2001.

⁸ Andrea Mandel, "Mexico Mulls 'Border Bonds,'" *Financial Times*, August 13 2001.

⁹ Mandel.

¹⁰ "Interview with Raúl Rodríguez," *borderlines UPDATER*, November 10, 2000 (Silver City, NM: BIOS/Interhemispheric Resource Center). Online at <http://www.us-mex.org/updater/>.

¹¹ Ken Ellingwood, "U.S.-Mexico Bank Fizzling," *Los Angeles Times*, July 15, 2001; Steve Taylor, "Bank Set Up Under NAFTA Has 'Failed Miserably'" *Valley Morning Star*, August 13, 2001.

¹² Ellingwood.

¹³ *Finding Common Ground*.

¹⁴ Ellingwood.

Survey Results: Performance

■ QUESTION 1:

Have BECC and NADB made a positive difference since they began operation?

	All respondents	Mexican respondents	U.S. respondents	Border region respondents	Nonborder Respondents
Percent responding "yes"	55.4%	50%	57.6%	60.6%	57.1%
Percent responding "no"	8.6%	13.6%	7.6%	9.1%	7.1%
Percent responding "moderately"	28.3%	27.3%	28.8%	24.2%	28.6%
Percent that gave no answer	7.6%	9.1%	6.1%	6.1%	7.1%

■ QUESTION 2:

On a scale of one to ten, with ten being the best, rate the performance of BECC-NADB combined, BECC only, and NADB only.

	Average rating, all respondents	Average rating, Mexican respondents	Average rating, U.S. respondents	Average rating, border region respondents	Average rating, nonborder respondents
BECC/NADB	5.9	5.8	5.9	6.1	5.3
BECC	6.7	6.9	6.6	6.8	6.4
NADB	4.7	5.2	4.6	5.0	4.3

■ COMMENTS

Respondent	Comments
Mexico, border, NGO	BECC has accomplished its mandate in more cases and sometimes in innovative ways, as NADB has failed to meet the expectations of the border cities.
Mexico, nonborder, federal government	BECC has been successful promoting new environmental policies on the Mexican side of the border. Nevertheless, the BECC certifying process means quite a huge amount of expenses for border communities. It is a very long process with many obstacles. Quite often the smaller and poorer communities decide to step down and do not follow the certifying process. BECC's PDAP and other NADB programs are very selective with a very narrow scope of work.
U.S., border, local government / public utility	BECC support, not only monetary, has been significant, and it seems BECC has continued to look for flexibility in processes and pushes to provide as much support as they possibly can... However, I have felt that the efforts from NADB have not been equal to the BECC's in considering the conditions of our border communities and it seems we've had to struggle to reach support from NADB. I believe that it may be as simple as the NADB's home is away from the border and the communities we all serve—they don't seem to be in touch with the communities' needs.
U.S., border, academic	Their performance is directly related to the nature of their birth and the structural constraints which were there from the beginning. While the notion of having a certification entity, in terms of transparency and sustainability is a great advance, they don't seem to have learned anything from the IDB and the difficulty it has had with environmental infrastructure loans and small communities.
U.S., border, NGO	BECC-NADB improved immensely when the grant funds became available and their TA programs began. The beginning was rocky, but it did take time to develop criteria and come to the realization that providing environmental infrastructure is a time-consuming, difficult process.

QUESTION 3:

Explain your answers to the preceding question by identifying factors affecting *BECC* performance.

	Percent of all respondents who selected this as a factor	Percent of U.S. respondents who selected this as a factor	Percent of Mexican respondents who selected this as a factor	Percent of border region respondents who selected this as a factor	Percent of non-border respondents who selected this as a factor
Scope of problem outweighs resources allotted to institution / lack of political commitment	67.8%	70.3%	54.5%	67.2%	78.6%
Binational nature of problems complicates the work	38.9%	39.1%	36.4%	35.9%	35.7%
Structural and financial conditions on the border hinder efficient project development	56.7%	57.8%	50%	51.6%	71.4%
BECC/NADB working relationship ineffective	44.4%	53.1%	22.7%	40.6%	42.9%
Strategies to solve problems insufficient	36.7%	45.3%	13.6%	32.8%	50%
Institutional inefficiencies	44.4%	48.4%	31.8%	40.6%	57.1%
Other	22.2%	21.9%	22.7%	26.6%	7.1%

COMMENTS

Respondent	Comments
Mexico, border, local government / public utility	Communication with BECC is difficult. They don't respond to the messages I leave, they don't ever seem to be in their offices.
Mexico, border, resident	BECC needs to monitor certified projects. As far as I know, the wastewater treatment plant (south) in Juárez is not working properly.
U.S., border, state government	BECC does not have adequate staff to do their job, and unfortunately their funding has been cut, affecting the ability of BECC to do its job.
U.S., border, utilities	BECC has been REALLY good to work with. The biggest problem might be the working relationship between the two organizations.
U.S., nonborder, academic	Combined, the BECC and NADB actually have considerable resources, they just don't use them efficiently. There are tremendous inefficiencies and the two agencies do not get along at all (a mild understatement). With respect to strategies, it is not that those that have been developed are insufficient, it is that neither institution has bothered to develop any to begin with.
U.S., nonborder, federal government	The constraints I checked are constraints that BECC as an institution faces that it can't control. The BECC's operating budget and lack of clarity from its governments, Advisory Council and directors constrain or at the very least do not help the BECC's performance. There is no excuse for the BECC/NADB working relationship to be ineffective, or for institutional inefficiencies. These are limitations the BECC should have bypassed and fixed long ago. The same goes for NADB on this score.

QUESTION 4:

Explain your answers to question number two by identifying factors affecting *NADB* performance.

	Percent of all respondents who selected this as a factor	Percent of U.S. respondents who selected this as a factor	Percent of Mexican respondents who selected this as a factor	Percent of border region respondents who selected this as a factor	Percent of non-border respondents who selected this as a factor
Scope of problem outweighs resources allotted to institution / lack of political commitment	43.4%	40.7%	45%	43.1%	42.9%
Binational nature of problems complicates the work	34.9%	30.5%	40%	34.5%	28.6%
NADB loan conditions too cost prohibitive	49.4%	50.8%	40%	48.3%	64.3%
Structural and financial conditions on the border hinder efficient project development	49.4%	42.4%	65%	48.3%	50%
BECC/NADB working relationship ineffective	43.4%	47.5%	30%	43.1%	50%
Strategies to solve problems insufficient	48.2%	50.8%	40%	48.3%	35.7%
Institutional inefficiencies	44.6%	44.1%	45%	43.1%	35.7%
Other	19.3%	23.7%	10%	25.9%	7.1%

COMMENTS

Respondent	Comments
Mexico, border, state government	Working with the NADB has been a bureaucratic nightmare. On many occasions they've given inaccurate information, necessitating additional work on the project. I have the impression that the bank only offers unconditional service to the U.S. government, and is neglecting service to the Mexican side.
Mexico, nonborder, federal government	NADB is a bank with very serious limitations: the loan conditions are too cost prohibitive, the guarantee program still non operational, and in both sides of the border the communities are demanding only BEIF grants. Finally, is NADB a REAL bank? Seems to me the bank has evolved into a grant-giving institution, kind of foundation or something of this sort. And here we arrive to a point highly commented by NADB critics: is the NADB the financial institution the environmental NGOs and others envisioned at the time they pushed the NAFTA's environmental side agreement as the financial instrument designed to foster environmental clean up along the border? The answer, I believe, is "no." Besides, the main business of the bank (ANY bank) is to lend money. A bank with a non operational lending program is doomed. Maybe the NADB can be supported indefinitely with financial resources from both countries. But is that correct? Are we sure we want to support indefinitely a highly paid bank bureaucracy with classy lifestyle and generous per diem to be spent in both countries?
U.S., border, academic	NADB acts like a regular bank and does not take BECC mission and criteria seriously.
U.S., border, NGO	The NADB's loans are simply too expensive. Communities can get cheaper money from other sources. Case in point: the state of Baja California has received over \$100 million from Japan's Overseas Economic Cooperation Fund, at about 3% interest. They are using these funds to expand water reclamation/wastewater treatment, instead of going through the BECC/NADB process. Finally, the NADBank has a dismal record of working with BECC. They are not committed to transparency and public participation, and they don't seem to value the BECC's community involvement.
U.S., border, NGO	They've been a little too locked into the "traditional bank" perspective and have never seemed to really embrace the poverty alleviation/environmental side of things. These problems have roots in the politics behind the bank's creation and the mission that was outlined for it. I think the bank is serious about filling a positive role and too frequently singled out as the bad guy. More resources for BEIF lending from the governments would be a big help, and U.S. Treasury Dept. and others might re-evaluate the ways they seek to limit the bank's development/aid role.

QUESTION 5:

Please respond to the following statement by choosing the answer that best reflects your opinion. The two institution split into a certifying agency (BECC) and a financing agency (NADB):

	Percent of all question respondents who selected this answer	Percent of Mexican question respondents who selected this answer	Percent of U.S. question respondents who selected this answer
Has worked well	10%	18.2%	7.7%
Has not worked well	16.7%	18.2%	16.9%
Has had mixed results, generally positive	46.7%	36.4%	47.7%
Has had mixed results, generally negative	13.3%	9.1%	15.4%
No strong opinion	13.3%	18.2%	12.3%
Don't know	9.8%	14.3%	32.3%

COMMENTS

Respondent	Comments
Mexico, border, state level government	I think that decentralizing the processes of certification and financing is beneficial, as long as together the two processes result from one single decision/commitment to developing a project.
Mexico, nonborder, federal level government	BECC/NADB working relationship is almost non-existent. Nowadays the financial analysis/review of the projects submitted for certification and supposed to be BECC staff's responsibility according to BECC's criteria, is done by the bank or external consultants contracted by the bank. The IDP program, designed by the bank staff as the counterpart of BECC's PDAP, is performing some of the BECC's tasks prior to the certification. The NADB is assuming by pieces some of BECC's main responsibilities. This is why some organizations claim for the BECC/NADB fusion. They don't see any reason for having two different organizations doing the same job. And they are right.
U.S., border, state level government	There have been problems, but I am concerned that one institution, a la World Bank, would not be very open, with decisionmaking behind closed doors. As it is, the NADB decides much behind closed doors; they only have one public meeting a year (they're not limited to one, but they choose to only have one), and thus they spend much time deciding who knows what and how.
U.S., nonborder, federal level government	Many will say that splitting the work into two institutions has created an inefficient process. However, they were not created for efficiencies but for checks and balances.
U.S., border, other	There seems to be much competition and finger-pointing between the NADBank and BECC, but I don't think the relationship is ineffective. The organizations are young, so I expect some inefficiencies in the first years.
U.S., nonborder, academic	In theory, this split was to separate the tech/project development aspects of the BECC from financing aspects of the NADBank to ensure that projects developed meet high standards and were not driven by the need to make loans. However, the design of the two institutions resulted in severe asymmetries. The BECC, as the lead agency that is responsible for the project development, controls the development agenda in the border region and has a considerable amount of responsibility vis a vis the NADBank. The NADBank, on the other hand, has very little responsibility, but has a tremendous amount of resources. The two organizations have been envious of each others strengths since they were established and instead of trying to work together and share their resources and responsibilities, they have done nothing but try to undermine each other.

■ QUESTION 6:

On a scale of one to ten, with ten being the best, rate the *BECC*'s performance in the following areas:

	Average rating, all respondents	Average rating, Mexican respondents	Average rating, U.S. respondents	Average rating, border region respondents	Average rating, non-border respondents
Certifying projects	6.9	7.1	6.9	7.2	6.6
Promoting new projects / Technical assistance with project development	6.5	6.5	6.5	6.6	6.4
Promoting more sustainable development on the border / influencing development policy	6.0	6.2	6.1	6.5	5.2
Improving public participation in development-related / environmental decisions	7.2	7.1	7.4	7.4	7.3

■ COMMENTS

Respondent	Comments
Mexico, border, state government	BECC's practices in terms of project proposal, evaluation, and development are adequate and efficient.
Mexico, nonborder, federal government	The participation of NGOs is still minimal. A scheme where NGOs of both sides of the border watch over all of BECC's work is very much needed. BECC staff should provide an office within its premises exclusively for the work of NGOs.
U.S., border, local	While the BECC needs to improve its efficiency, my experience has been that they are facilitators and are trying to do whatever is needed to develop the projects.
U.S., border, local government / public utilities	Working with BECC overall has been a positive experience. BECC has worked to be collaborative, helpful, and supportive.
US, border, federal government	No visible prioritizing within border region.
US, border, NGO	There are times when projects have been certified for political reasons, rather than on their merits. While TA is good, again sometimes money seems wasted and because BECC's TA is not through a bid process, afraid that a lot of waste could occur and political favoritism.
US, border, other	Public participation has been a tremendous improvement on both sides of the border. Sustainable development should have more resources allocated to it. TA, since it's generally in grant form, is critical to success. Certification encumbered by financial constraints, particularly in Mexico.

■ QUESTION 7:

On a scale of one to ten, with ten being the best, rate the *NADB's* performance in the following areas:

	Average rating, all respondents	Average rating, Mexican respondents	Average rating, U.S. respondents	Average rating, border region respondents	Average rating, non-border respondents
Loans and guarantees	4.2	5.7	3.7	4.3	3.8
Grants / Border Environmental Infrastructure Fund	5.9	5.8	6.0	5.8	6.2
Capacity building and technical assistance	5.5	5.8	5.4	5.5	5.9
Community adjustment and investment program	4.7	5.3	4.4	4.6	5.5

■ COMMENTS

Respondent	Comments
Mexico, border, state	They gave us some helpful support, but response to our additional request for technical assistance has been slow. However, it should be mentioned that the UMI is an excellent idea.
Mexico, border, state	A bureaucratic attitude and lack of interest by bank personnel has limited project development.
U.S., border, academic	Their interest rates are too high, so they depend on the EPA money to do the work they should do with their own. It is too patchwork and reflects some underlying values that don't belong in development planning for poverty alleviation and environmental protection.
U.S., border, federal government	Loans have been few. Capacity building assistance is not evident. Instead, rules and guidelines are thrown at communities with little help in meeting requirements. No visible prioritizing within border region.
U.S., border, NGO	NADB has done a decent job of managing BEIF money but the cap on 50% grants to poor communities needs to be lifted to help more communities.
U.S., border, NGO	Loans are a dismal record by any measure. There are legitimate reasons but the lack of political will has perpetuated this situation. The NADB's IDP has made questionable loans into communities where no link to a future water, wastewater or solid waste BECC project has ever come out. Under the CAIP, the last time I looked into it, more SBA 7(a) loans had been made to "emerging" industry sectors rather than on those being directly impacted by NAFTA, such as the garment industry in El Paso.
U.S., nonborder, academic	It has managed to administer the BEIF monies, but in many cases it has been quite stingy with these monies for no reason. The Bank has plenty of resources for capacity building, but I don't think there is anybody at the Bank who has any clue what "capacity building" means. They are highly bureaucratic.
U.S., nonborder, federal government	Besides the loan issue as well as the lack of transparency in the institution, the NADB performs well in its set of responsibilities.

QUESTION 8:

Please respond to the following statement by indicating "agree," "disagree," or "don't know." The BECC structure adds transparency to, and fosters public participation in, BECC/NADB decisionmaking.

	All question respondents	Mexican respondents	U.S. respondents
Agree	72.8%	7.3%	71.2%
Disagree	17.4%	18.2%	16.7%
Don't know	9.8%	4.5%	12.1%

COMMENTS

Respondent	Comments
Mexico, border, local government / public utility	The transparency structure is there, but there are problems related to follow-through.
Mexico, border, NGO	Yes, it's just necessary to improve the participation process based on past experiences.
US, border, academic	Not perfect, but a great improvement over what existed before BECC.
US, border, federal government	Structure are not adequate to a binational setting. Imposed U.S. values. Culture clash.
US, border, NGO	It's a start—but from my observation, the Mexican process is largely formal and preset, with not much or no room for actual public discourse that might change final decisions.
US, nonborder, academic	The public participation component of the BECC/NADBank work is certainly an improvement over that of other multilateral institutions, but it is really very limited in scope and in fact, it is many times nothing more than a mere formality. The public in most instances has very little say in the actual project development phase, but rather is called upon in two isolated meetings to rubber stamp decisions that have already been made by other institutions. This is particularly true in Mexico.

■ QUESTION 9:

Please respond to the following statement by indicating "agree," "disagree," or "don't know." The NADB structure assures proper financial expertise and review in the BECC/NADB decisionmaking process.

	Percent of all question respondents who selected this answer	Percent of Mexican respondents who selected this answer	Percent of U.S. respondents who selected this answer
Agree	39.3%	42.9%	36.9%
Disagree	32.6%	42.6%	30.8%
Don't know	9.8%	14.3%	32.3%

■ COMMENTS

Respondent	Comments
Mexico, nonborder, federal level government	NADB structure does not assure any proper financial expertise and/or advisory to BECC or the project developers. They do not like to work with BECC financial staff arguing they are the bankers, therefore their financial analysis is final and more suitable to NADB's own goals. BECC's financial criteria are not intended to get at the end of the process—bankable projects, ready to receive NADB financial support.
U.S., border, BECC	Often, communities are forced to go with the rate analysis developed by the Bank because they hold access to the biggest source of funding. BECC is forced to pass this info to the community through its public participation. process as a fact rather than as an option. I am not too sure if this fast track approach is proper financial expertise.
U.S., border, federal	The financial review appears untimely and cumbersome. Not structured to deal with the Mexican and U.S. colonias setting. Not adequate to deal with Mexican financial structures and setting.
U.S., border, NGO	Agreed. However, many times after BECC certification, the NADB will make financing changes not transparent to public.
U.S., border, NGO	I think having NADB as a check is a good way to assure proper financial consideration. At the same time, before recent decision to have value lending program, it has been difficult to structure loans and get projects moving.

■ QUESTION 10:

If you have worked with BECC/NADB to develop a project, rate your experience with *BECC* in the following areas on a scale of one to ten, with ten being the best:

	Average rating, all respondents	Average rating, Mexican respondents	Average rating, U.S. respondents
Assistance in project development and promotion	7.4	7.2	7.3
Ease and speed of certification process	6.2	6.4	5.9
Value of certification process to your project	7.5	8.3	7.1

■ COMMENTS

Respondent	Comments
Mexico, border, resident	It seems that the work load of the personnel is too much.
U.S., border, federal government	Certification, financing and project implementation became too political which diluted the technical side.
U.S., border, local government / public utility	I believe the certification process requires many very important steps and issues to be addressed including public participation and capacities. Sometimes the planning/project development can be longer than we prefer but the process is important.

■ QUESTION 11:

If you have worked with BECC/NADB to develop a project, rate your experience with *NADB* in the following areas on a scale of one to ten, with ten being the best:

	Average rating, all respondents	Average rating, Mexican respondents	Average rating, U.S. respondents
Assistance in development of project financing	5.6	4.5	5.6
Building institutional capacity / technical assistance	5.7	5.0	5.6

■ COMMENTS

Respondent	Comments
Mexico, border, state government	The bank's decisionmaking process is irresolute. It needs less bureaucracy and more interest in helping project promoters.
U.S., border, local government / public utility	We had a difficult experience working through the financial analysis but appreciate the outcome. The knowledge gained in the process was significant although frustrations primarily due to poor communication caused much stress.

Survey Results: Mandate expansion

■ QUESTION 12:

On a scale of one to ten, how adequately does the recently expanded BECC/NADB mandate address environmental infrastructure needs on the border?

	Average rating
All respondents	5.8
Mexican respondents	7.6
U.S. respondents	5.5

■ QUESTION 13:

Please respond to the following question by choosing the answer that best reflects your opinion. Are the expanded BECC/NADB mandate and goals adequately defined?

	Percent of all question respondents who selected this answer	Percent of Mexican respondents who selected this answer	Percent of U.S. respondents who selected this answer
Yes	22.7%	25%	21.2%
Moderately	53.3%	65%	48.1%
No	18.7%	5%	25%
No strong opinion	5.3%	5%	5.8%

■ COMMENTS

Respondent	Comments
Mexico, border, local government / public utility	I'm afraid the problem is not in the mandate or the objectives of these two institutions but in the way they follow up / conduct themselves.
U.S., border, federal government	The proposal is focused on projects with a purported revenue stream, unlike environmental infrastructure projects. It avoids the basic problems—the "dogs," those projects that have a poor revenue base like sewage projects, and lack of adequate organizations that can obligate debt and obtain revenue to cover debt. The proposal will encumber more grant demands.
U.S., border, NGO	It will be a treacherous road to attempt to fund some new kinds of infrastructure like hazardous waste clean-up. However, politically BECC/NADB needed to show flexibility to look at other areas. Just not sure other areas will actually work any better than present priorities.
U.S., nonborder, academic	The expanded mandate may address some of the infrastructure needs, but it is difficult to say since there has been a complete lack of comprehensive strategic planning in this area to even be able to say what exactly are the infrastructure needs.
U.S., nonborder, academic	We still don't have a strategic plan to guide project development and help set project priorities. So much remains in limbo pending additional governments supports, development of BECC's strategic plan, and evidence of actual commitment at the agency level.

■ QUESTION 14:

On a scale of one to ten, with ten being the best, please rate the importance of the following BECC certification criteria:

	Average rating, all respondents	Average rating, Mexican respondents	Average rating, U.S. respondents	Average rating, border region respondents	Average rating, non-border respondents
Environmental health / environment	8.3	7.8	8.5	8.5	8
Technical feasibility	8.1	7.8	8.0	8.1	8
Financial feasibility and project management	7.5	7.2	8.1	7.9	7.8
Community participation	7.9	8.0	7.7	8.1	7.6
Sustainable development	7.9	7.8	8.1	7.9	7.1

■ QUESTION 15:

Please respond to the following question by choosing the answer that best reflects your opinion. Should support to the BECC be increased?

	Percent of all question respondents who selected this answer	Percent of Mexican respondents who selected this answer	Percent of U.S. respondents who selected this answer	Percent of border region respondents who selected this answer	Percent of non-border respondents who selected this answer
Yes	90.9%	84.2%	92.3%	90.6%	84.6%
No	9.1%	15.8%	7.7%	9.4%	15.4%

■ QUESTION 16:

Please respond to the following question by choosing the answer that best reflects your opinion. It has been suggested that the NADB might also look at supporting micro-business development / explore other forms of economic development assistance in the NAFTA-zone. This is:

	Percent of all respondents who selected this answer	Percent of Mexican respondents who selected this answer	Percent of U.S. respondents who selected this answer	Percent of border region respondents who selected this answer	Percent of non-border respondents who selected this answer
A good idea and is appropriate for BECC/NADB to look in to	25.2%	18.2%	26.1%	18.4%	42.8%
A good idea but not appropriate for BECC/NADB to look in to at this time	32.9%	40.9%	30.7%	36.9%	21.4%
A bad idea	41.7%	40.9%	43.1%	44.6%	35.7%

■ COMMENTS

Respondent	Comments
Mexico, border, local government / public utility	I believe that first they ought to improve in a big way their follow-through and implementation of their current mandate before they move into other areas.
Mexico, border, state government	So far, we've seen few results in terms of strengthening environmental improvement on the border. As the saying goes, "don't bite off more than you can chew" (el que mucho abarca, poco aprieta).
U.S., border, academic	The World Bank and the IDB have been struggling with appropriate methodologies for years. If we are going to approve this it has to be with ABSOLUTE public involvement! We cannot let them make the same mistakes that were made by the other agencies.
U.S., border, federal government	International institutional management of dissimilar issues in each country has a poor track record. This new area would extend that poor record. Should be left to the states and private sector.
U.S., border, NGO	Might be good as link between environmental management and development but not appropriate to limit to micro-business support. Small business set aside within BECC mission may be an alternative. Micro-business support a broader idea beyond the environmental matters in BECC focus.
U.S., border, NGO	No. That's what the CAIP is supposed to do. There is room for improvement in the CAIP program as well. In fact, the original idea of the Border Development Bank was to precisely ameliorate NAFTA's economic, not environmental impacts, such as unemployment and lack of economic development. It seems that both programs need to be refocused on the missions they were originally mandated with and receive all the support, political and financial, they deserve to meet expectations. We need both the BECC and the NADB to concentrate on their mission and the CAIP on its own as well.
U.S., nonborder, academic	Such initiative may require a rewriting of the 1993 BECC/NADB Agreement and if that is done a number of other elements should change as well, with BECC taking on the border environment infrastructure project development functions and NADB redesigned as a true development bank.

Notes On Survey Methodology

The BIOS survey on public perceptions regarding the past work and future role of the NAFTA-created border institutions was conducted during May, June, and July 2001. The survey was distributed in both English and Spanish to a list of approximately 150 border-region and nonborder experts, academics, officials, and activists from the United States and Mexico whose names were pulled from the BIOS border contact directory. The survey form was emailed to these individuals and also was made available online at the BIOS website. Participation was open to all interested parties. Beyond encouraging invited respondents to pass the survey on to colleagues and acceptances, participation in the survey was promoted via a number of web- and email-based border outlets.

Survey questions were drafted in language that sought to be neutral and were designed to solicit input on key issues related to the past work and future of the BECC and NADB. In order to make responding easier for participants, the majority of questions were offered in multiple choice format. However, for each question, unlimited space was provided for survey respondents to provide additional inputs and qualifications.

In total, 92 individuals filled out the questionnaire. Not all respondents answered all survey questions. Not all percentages will add up to 100 due to rounding.

Credits

George Kourous, director of the Border Information and Outreach Service, directed the survey project and wrote and laid out the preliminary report on survey outcomes.

BIOS intern Sarah Prasek conducted the initial research, helped draft the survey questions, and oversaw survey distribution and the collection of results.

Mary Kelly and Cyrus Reed of the Texas Center for Policy Studies kindly reviewed and commented on the survey.

IRC staffer Tonya Cannariato tabulated the results.

Financial support for this work came from the Ford Foundation and the Charles Stewart Mott Foundation.

About BIOS

The Border Information and Outreach Service (BIOS) is a public information and policies studies project with two primary goals: The first is to provide activists, community leaders, citizens, local officials, and others working on border issues with information and analysis they can use to understand issues, make decisions, locate new resources, identify partners, and mobilize for change. The second is to help shift policy on U.S.-Mexico border issues in more responsible directions by weighing in at the policymaking level with analysis firmly grounded in grassroots realities.

BIOS primary activities include: production of *borderlines*, a monthly bulletin on border affairs; offering a comprehensive border issues website; dissemination of our *borderlines UPDATER* e-journal to promote awareness of and discussion regarding key issues related to the border and the larger U.S.-Mexico crossborder relationship; and maintaining the BIOS Border Information Clearinghouse, a library and searchable database of both border related publications and regional organizations working on border issues.

BIOS's parent organization, the Interhemispheric Resource Center (IRC), has been working on issues related to the environment, sustainable development, and social justice on the border for 20-some years. Recognized for its ability to bridge the gap between academic research and popular education, and between the policy community and activists, the IRC has a demonstrated ability to synthesize different viewpoints and large amounts of information into persuasive analysis that is as relevant to average citizens as it is to policymakers. The IRC has been certified as a 501(c)(3) organization since 1983, and is in compliance with the New Mexico Charitable Organization and Solicitation Act.

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