



CERTIFICATION AND FINANCING PROPOSAL

WASTEWATER COLLECTION AND TREATMENT SYSTEM IMPROVEMENTS IN NUEVO PROGRESO, TAMAULIPAS

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CONTENTS

INTRODUCTORY NOTE	1
EXECUTIVE SUMMARY	2
1. PROJECT OVERVIEW AND EXPECTED OUTCOMES	3
2. ELIGIBILITY	3
2.1. Project Type	3
2.2. Project Location.....	3
2.3. Project Sponsor and Legal Authority.....	4
3. CERTIFICATION CRITERIA	5
3.1. Technical Criteria.....	5
3.1.1. General Community Profile	5
3.1.2. Project Scope	7
3.1.3. Technical Feasibility	8
3.1.4. Land Acquisition and Right-of-Way Requirements	8
3.1.5. Project Milestones	8
3.1.6. Management and Operation.....	8
3.2. Environmental Criteria.....	10
3.2.1. Environmental and Health Effects/Impacts	10
A. Existing Conditions.....	10
B. Project Impacts	11
C. Transboundary Impacts	12
3.2.2. Compliance with Applicable Environmental Laws and Regulations	12
A. Environmental Clearance	12
B. Mitigation Measures	12
C. Pending Environmental Tasks and Authorizations	13
3.3. Financial Criteria.....	13
4. PUBLIC ACCESS TO INFORMATION	14
4.1. Public Consultation	14
4.2. Outreach Activities	14
5. RECOMMENDATION	14

INTRODUCTORY NOTE

One of the main concerns of the U.S.-Mexico bilateral relationship is pollution resulting in a transboundary impact, like untreated wastewater discharges to a shared water body. NADBank plays an essential role in financing infrastructure improvements to eliminate untreated discharges in high-priority regions known as “hot spots,” which include large municipalities such as Tijuana, Mexicali, Nogales, Ciudad Juarez and Nuevo Laredo, but also smaller communities like Nuevo Progreso, among others. Untreated discharges to the Rio Grande River are especially detrimental because the receiving surface water body is also a drinking water source to downstream communities on both sides of the border.

In the city of Nuevo Progreso, the wastewater collection system reaches approximately 89% of the city’s population and operates entirely by gravity. A lift station and force main conveyed the wastewater to a regional wastewater treatment plant (WWTP) located in Rio Bravo. After just a few years of operation, the force main began experiencing chronic leaks along its entire length, and the water utility stopped using the system. As a result, the lift station was damaged by corrosion and finally later by vandalism. Currently, the wastewater collected in the city is discharged to a drainage ditch and, eventually, flows into the Rio Grande River.

The proposed project includes the rehabilitation of the lift station and the force main, as well as one of the three treatment trains in the regional WWTP to provide sufficient capacity to treat the wastewater flows from Nuevo Progreso properly. The project will eliminate 19 liters per second (lps) or 0.43 million gallons per day (mgd) of untreated wastewater discharges, thus preventing the potential contamination of groundwater and surface water, including the Rio Grande River.

Based on the financial analysis conducted by NADBank, the local water utility, COMAPA Río Bravo, lacks the administrative and financial capacity to comply with all the legal and regulatory requirements for accessing debt. The CAP grant is needed to make the project affordable. In parallel with the implementation of the Project, NADBank will work with the utility to strengthen its institutional capacity and improve its operational performance indicators. These efforts could potentially include providing technical assistance to carry out studies such as a water audit and a rate study. Additionally, the utility will designate staff to attend the NADBank Utility Management Institute (UMI) and similar ongoing training offered by or in partnership with NADBank. COMAPA Rio Bravo shall commit to identifying, implementing and reporting on specific operational improvements, in accordance with the funding agreement.

A related effort to address deficiencies in the wastewater collection and conveyance infrastructure serving the community of Rio Bravo, along with the rehabilitation of the other two treatment trains in the regional WWTP is under development as an independent project and planned for certification in 2024 with funding from the Border Environment Infrastructure Fund (BEIF).

EXECUTIVE SUMMARY

WASTEWATER COLLECTION AND TREATMENT SYSTEM IMPROVEMENTS IN NUEVO PROGRESO, TAMAULIPAS

Project Summary

Project Name:	Wastewater Collection and Treatment System Improvements
Project Type (Sector):	Wastewater.
Objective:	Reduce human health risks caused by exposure to untreated wastewater and eliminate the potential for surface and groundwater contamination by rehabilitating the wastewater conveyance and treatment systems to prevent untreated wastewater discharges.
Expected Outcomes:	<ul style="list-style-type: none">▪ Improve wastewater collection and treatment services for 2,399 existing wastewater connections in Nuevo Progreso.▪ Eliminate 19 liters per second (lps) or 0.43 million gallons per day (mgd) of untreated wastewater discharges to the Rio Grande River.
Population to Benefit:	10,272 residents. ¹
Sponsor:	Local water utility, Comisión Municipal de Agua Potable y Alcantarillado de Río Bravo (COMAPA Río Bravo).
Project Cost:	US\$1,150,000.

Financial Summary

Program:	Community Assistance Program (CAP).
Grant Amount:	US\$500,000.
Percentage of Project Cost:	43.5%.
Recipient:	COMAPA Río Bravo.
Other Funding:	US\$650,000 from COMAPA Río Bravo.

¹ Source: Mexican National institute of statistics, Instituto Nacional de Estadísticas y Geografía (INEGI), 2020.

CERTIFICATION AND FINANCING PROPOSAL

WASTEWATER COLLECTION AND TREATMENT SYSTEM IMPROVEMENTS IN NUEVO PROGRESO, TAMAULIPAS

1. PROJECT OVERVIEW AND EXPECTED OUTCOMES

The proposed project consists of rehabilitating wastewater conveyance and treatment infrastructure serving the city of Nuevo Progreso, Tamaulipas (the “Project”). The Project sponsor is the local water utility, Comisión Municipal de Agua Potable y Alcantarillado de Río Bravo (COMAPA Río Bravo). The purpose of the Project is to eliminate untreated wastewater discharges and prevent potential contamination of groundwater and surface water, including the Río Grande River. In addition to rehabilitating a force main and lift station, one train of the Río Bravo-Nuevo Progreso Wastewater Treatment Plant (WWTP) will be rehabilitated. The improvements will allow the utility to maintain regulatory compliance for pumping, conveyance and treatment capacity.

The entire population of Nuevo Progreso is expected to benefit from this Project, along with communities downstream that depend on the Río Grande as a source of drinking water.

2. ELIGIBILITY

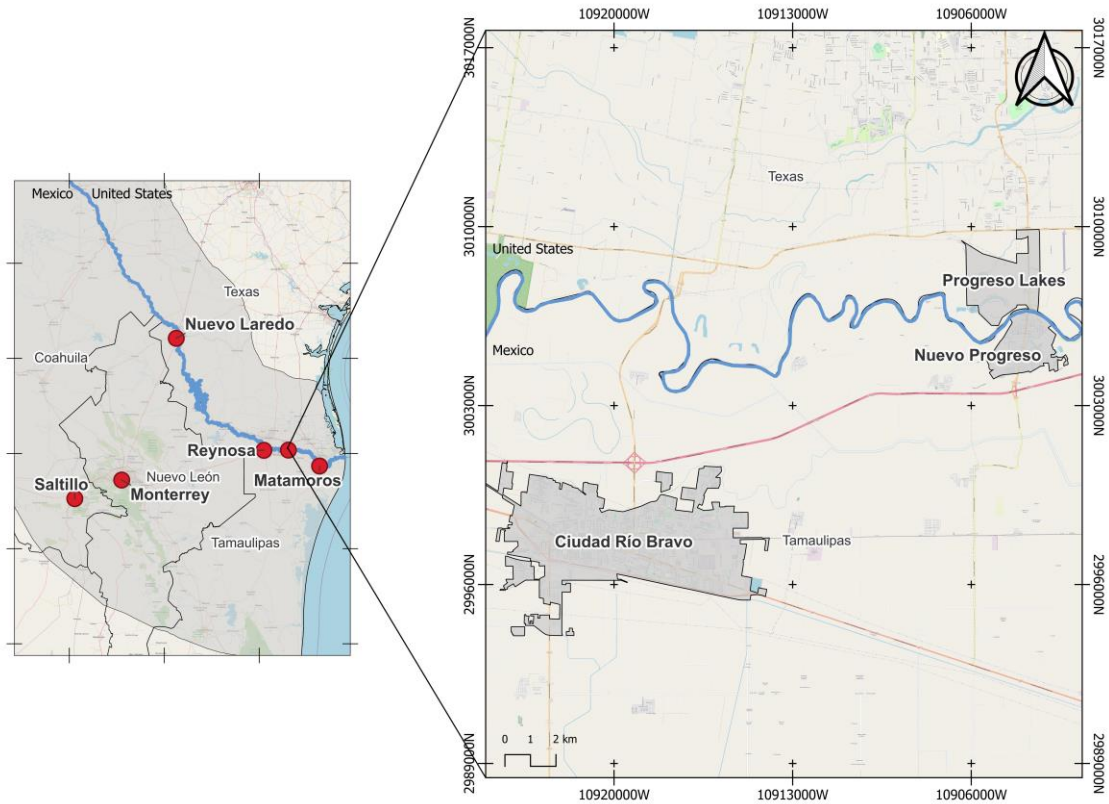
2.1. Project Type

The Project falls within the eligible category of wastewater.

2.2. Project Location

Nuevo Progreso is located in the municipality of Río Bravo in the northeastern region of the state of Tamaulipas, between the municipalities of Reynosa and Matamoros. It is adjacent to the U.S.-Mexico border and just south of the community of Progreso, Texas. The Nuevo Progreso Lift Station is located at latitude 26°02'48.25" North and longitude 97°56'38.30" West, while the wastewater treatment plant is located at latitude 26°00'40.17" North and longitude 98°00'59.44". Figure 1 shows the location of Nuevo Progreso.

Figure 1
PROJECT LOCATION MAP



2.3. Project Sponsor and Legal Authority

The Project sponsor is the Comisión de Agua Potable y Alcantarillado de Río Bravo (COMAPA Río Bravo or the “Sponsor”). The legal authority of COMAPA Río Bravo was established in a decree of the LV Constitutional Legislature of the Free and Sovereign State of Tamaulipas, published on April 24, 1993, which provides for the establishment of a municipal public utility with legal authority and capital assets for the purpose of providing water and wastewater services in the municipality of Rio Bravo, Tamaulipas.² The utility provides services to the city of Nuevo Progreso, since it is located within the municipality of Rio Bravo.

² In Mexico, a “*municipio*” or municipality has a similar jurisdiction to that of a county in the United States.

3. CERTIFICATION CRITERIA

3.1. Technical Criteria

3.1.1. General Community Profile

The Project will benefit the residents of Nuevo Progreso, Tamaulipas. As reported by the Mexican National Institute of Statistics (INEGI), the population of the community was 10,272 in 2020, which represented approximately 0.3% of the state population. According to data from the 2020 Annual Report on the Status of Poverty and Unmet Social Needs issued by the National Council for the Evaluation of Social Development Policy (CONEVAL), 45.7% of the population in the Municipality of Rio Bravo was living below the poverty level, which is higher than the state average of 34.9%.

The following table summarizes the status of basic public services and infrastructure in Nuevo Progreso.

Table 1
BASIC PUBLIC SERVICES AND INFRASTRUCTURE IN NUEVO PROGRESO

Water System	
Coverage	98%
Supply source	2 groundwater wells (9 and 25 lps capacity)
Treatment	Disinfection with chlorine
Number of connections	2,686
Wastewater Collection	
Coverage	89%
Number of connections	2,399
Wastewater Treatment	
Coverage	0% of wastewater collected
Treatment Plant	Rio Bravo-Nuevo Progreso regional plant, using a natural pond system with a total capacity of 240 lps (5.48 mgd). *

Source: COMAPA Río Bravo

*The regional WWTP was constructed to serve the cities of Rio Bravo and Nuevo Progreso but is currently out of operation.

Local Wastewater Collection and Treatment System

COMAPA Río Bravo provides water and wastewater services to the entire municipality of Río Bravo. In the city of Nuevo Progreso, the wastewater collection system covers approximately 89% of the city's population. The sewer system operates by gravity and collects about 19 lps (0.43 mgd) of wastewater. In 2013 a regional treatment plant was built in Rio Bravo, along with a lift station and force main to convey the wastewater collected in Nuevo Progreso to the plant. The regional WWTP consists of a natural pond system with a treatment capacity of

240 lps (5.48 mgd), which was sized to treat wastewater flows from both Nuevo Progreso and Rio Bravo.

In 2017, leaks began occurring along the entire length of the conveyance line because the pipe joints were failing, so the water utility stopped using the system. As result, the lift station was damaged by corrosion and later by vandalism. Currently, the wastewater collected in Nuevo Progreso is discharged to a drainage ditch that eventually flows into the Rio Grande River.

The wastewater collection and conveyance infrastructure serving Rio Bravo also failed, preventing the wastewater collected in Rio Bravo from reaching the regional WWTP. Without flows to the pond system, the growth of vegetation inside the lagoons and berms has made the facility inoperable.

The proposed Project will address deficiencies in the wastewater conveyance infrastructure serving Nuevo Progreso by rehabilitating its lift station and the force main. In addition, one of the three treatment trains in the regional WWTP will be rehabilitated to provide sufficient capacity to treat the wastewater flows from Nuevo Progreso adequately. The wastewater collection and conveyance infrastructure serving Rio Bravo, along with the other two treatment trains of the plant will be rehabilitated through a separate project, which is expected to be certified in 2024 and receive funding from the Border Environment Infrastructure Fund (BEIF).

Figure 2 shows the location of the main Project components.

Figure 2
LOCATION OF MAIN PROJECT COMPONENTS

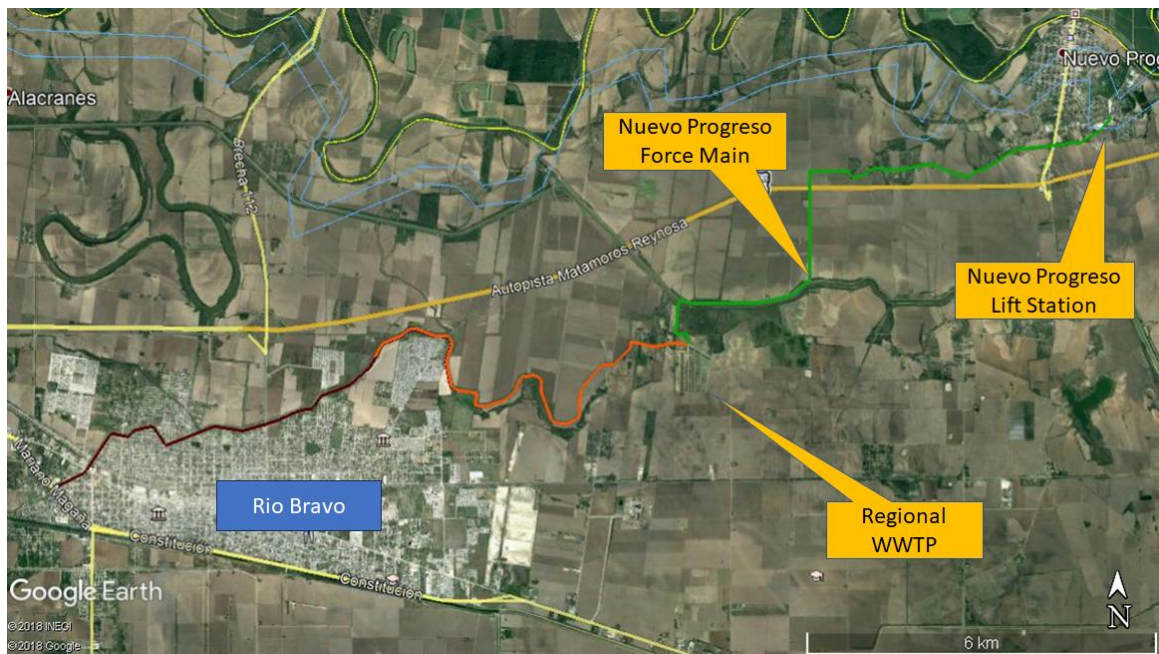
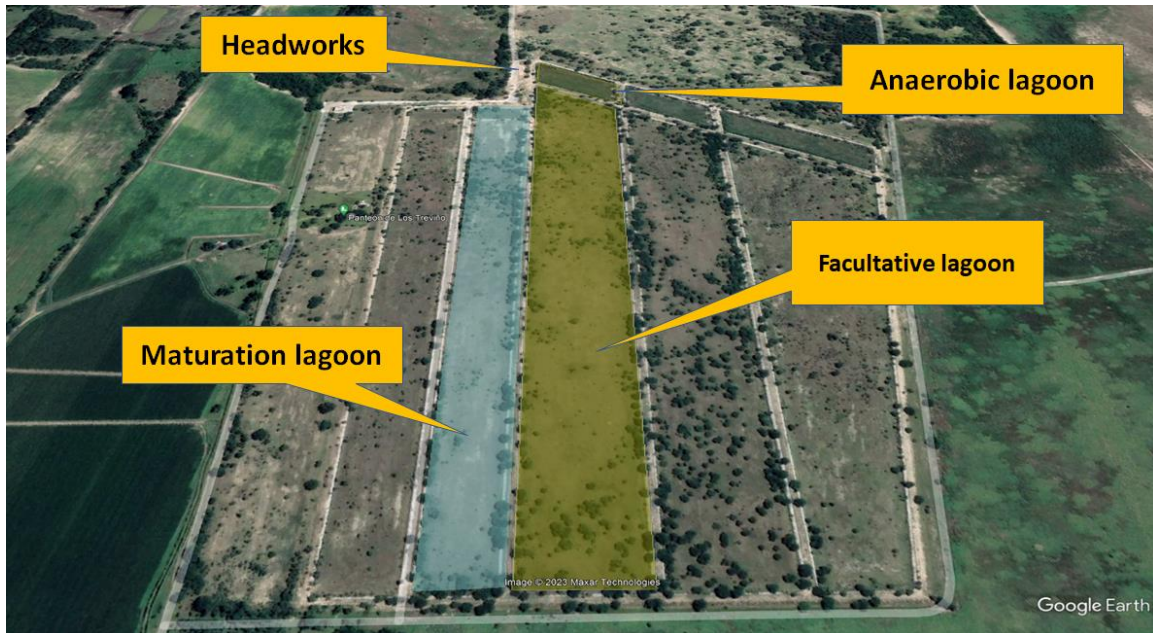


Figure 3 shows the wastewater treatment plant and components of one treatment train, which will be rehabilitated as part of the Project. The remaining two trains will be addressed with an independent project anticipated to be proposed for certification in 2024.

Figure 3
REGIONAL RIO BRAVO-NUEVO PROGRESO WASTEWATER TREATMENT PLANT



3.1.2. Project Scope

The Project consists of the following improvements to the wastewater collection and treatment systems:

- ***Force main.*** Rehabilitation of approximately 10,800 meters (6.7 miles) of 12-inch polyvinyl chloride (PVC) pipe, including the replacement of air relief valves and the rehabilitation of concrete boxes.
- ***Lift Station.*** Rehabilitation of the lift station, including pumps, electrical system, backup generator, control room; and the rehabilitation of the headworks to ensure an operational capacity of 25 lps (0.57 mgd).
- ***Regional WWTP.*** Rehabilitation of one treatment train, including the anaerobic, facultative, and maturation lagoons, as well as the headworks.

The CAP funds will be used for the rehabilitation of the force main and lift station. Funds from COMAPA Río Bravo will be used to rehabilitate the treatment train at the regional WWTP, which includes removing the vegetation inside the lagoons and recompacting the soil to obtain the required impermeability. The utility will also complete the improvements to the WWTP headworks, including rehabilitation of the sand removal unit and other general and maintenance activities to clean up the facility.

3.1.3. Technical Feasibility

In August 2022, a consultant was hired to determine the works required to reestablish operations at the regional WWTP and for the conveyance infrastructure serving both Nuevo Progreso and Rio Bravo. The final design was updated, and the original project was divided into two separate projects in order to accelerate completion of the required work and eliminate untreated discharges as soon as possible.

The final design was updated in accordance with the recommendations provided in the Water and Wastewater Manuals developed by CONAGUA. The Nuevo Progreso project components, which are included in the Update of the Final Design of the Rio Bravo Collector and Infrastructure for Conveying Wastewater from Rio Bravo, Tamaulipas to the Wastewater Treatment Plant, were reviewed and approved by the Department of Water and Wastewater of the CONAGUA Rio Grande Basin Office (Official Letter B00.811.06-559 dated December 8, 2023).

3.1.4. Land Acquisition and Right-of-Way Requirements

No land or rights-of-way acquisitions are required for the Project. The rehabilitation of the force main will be conducted within existing municipal easements and rights of way. All additional work will be executed inside the lift station site and the Regional WWTP premises.

3.1.5. Project Milestones

Once the notice to proceed is issued for the Project components, construction will take approximately twelve months to complete. Potential factors that could affect the Project completion timeline, such as issues with traffic control, weather, or the delivery of materials and accessories, were considered in estimating the construction period. Table 2 summarizes the Project milestones and their respective status.

Table 2
PROJECT MILESTONES

Key Milestone	Status
Final designs	Completed August 2022
Construction procurement	Anticipated in the 1 st quarter of 2024
CAP construction period	Estimated period of twelve months

3.1.6. Management and Operation

The administration and operation of the proposed Project will be the responsibility of COMAPA Río Bravo, which currently serves a total of 2,686 water hookups and 2,399 wastewater connections in the city of Nuevo Progreso. The utility is also responsible for the operation of water and wastewater services in the city of Río Bravo, which has more than 38,000 water connections.

The utility is governed by a board of directors made up of key officials from the Municipality, including the municipal president, members of the City Council and the director of public works, as well as representatives from the State Ministry of Water Resources and Social Development and the State Health Department.

The utility has 190 employees, 69 of which are assigned to infrastructure and facility operations. This group of technical personnel is highly educated and skilled with staff that hold bachelor's degrees in civil and electrical engineering, chemistry, architecture and business management. They also have qualified personnel to manage construction and carry out procurement activities. COMAPA Río Bravo works closely with the municipal public works staff to implement infrastructure improvements throughout the system.

The utility has an Operation and Maintenance Manual that includes routine tasks to ensure proper operation of the system, and procedures to address unexpected conditions. Utility personnel receive training annually, and COMAPA Río Bravo owns maintenance equipment, such as backhoes and Vactor trucks. Moreover, it has a pretreatment program and has successfully maintained the quality of non-residential wastewater discharges to the sewer system in compliance with the parameters established in Official Mexican Standard NOM-002-SEMARNAT-1996.

While COMAPA Río Bravo has a master meter to account for the full water volume extracted from its water supply source, only about 51% of the water accounts are metered, so its user fees are assessed based on actual consumption for only half of the system. User fees for wastewater collection services are based on metered water consumption, where available, and at a fixed rate based on similar service for those areas without meters. Currently, the utility does not charge for wastewater treatment services, but the utility plans to reconsider this practice once the Project is complete and service is reestablished.

Furthermore, COMAPA Río Bravo operates at less than 58% commercial efficiency, which is lower than the indicative national average of 70%, and at 61% physical efficiency, which is slightly higher than the indicative national average of 60%.³ These two factors, along with no wastewater treatment fee, impacts the utility's ability to generate revenue. Additional cash flows are needed to support adequate operation and maintenance practices, as well as to build necessary reserves.

In parallel with the implementation of this Project and the related project for Rio Bravo, NADBank will work with the utility to strengthen its institutional capacity and improve these operational performance indicators. Technical assistance may be provided to carry out studies, such as a water audit and a rate study, for example. Additionally, to strengthen its institutional capacity, COMAPA Rio Bravo shall designate staff to attend the NADBank Utility Management Institute (UMI) and similar ongoing training offered by or in partnership with NADBank. Finally, COMAPA Rio Bravo shall commit to identify, implement and report on specific operational improvements achieved during the CAP Project time period.

³ Source: Instituto Mexicano de Tecnología del Agua [Mexican Water Technology Institute] (IMTA), "*Indicadores de Gestión Prioritarios en Organismos Operadores*" [Priority Utility Management Indicators], December 2016. The term "indicative" is used because this average does not reflect 100% of water utilities in Mexico but rather a universe of at least 140.

3.2. Environmental Criteria

3.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

The Rio Bravo-Nuevo Progreso regional WWTP was built in 2013 to treat wastewater from both communities. In 2017, the Nuevo Progreso conveyance system was taken out of service due to leaks in the force main and issues with the lift station pumps, preventing wastewater generated in the community from reaching the regional plant. Since that time, an average of 19 lps (0.43 mgd) of raw wastewater has been discharged into a drainage ditch that eventually flows into to the Rio Grande River without treatment.

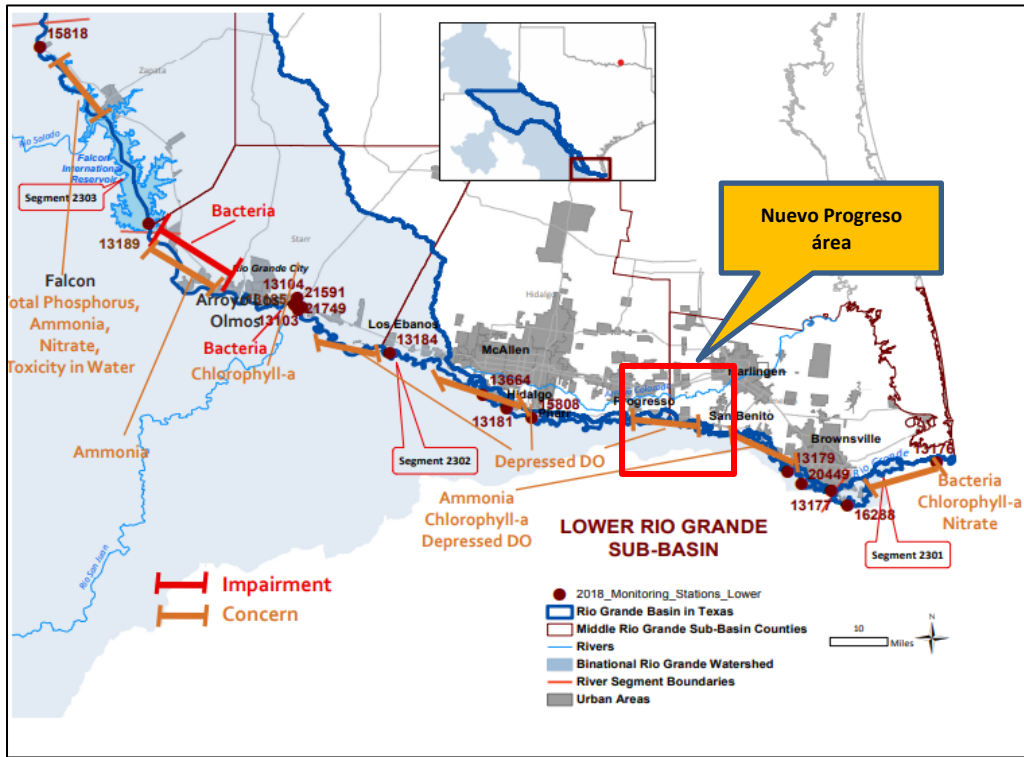
These conditions increase the risk of water contamination, exposure to raw sewage and the vulnerability of the residents to waterborne diseases. Waterborne diseases may be caused by protozoans, viruses, bacteria and intestinal parasites. An individual may become ill after drinking water that has been contaminated with these organisms, eating uncooked foods that have been in contact with contaminated water or through poor hygiene habits that contribute to the proliferation of diseases by direct or indirect human contact.

According to the Texas Surface Water Quality Standards for the Rio Grande Basin, the section of the river that establishes the U.S.-Mexico boundary between the city of Progreso, Texas and the city of Nuevo Progreso, Tamaulipas, shows concern for depressed dissolved oxygen (DO).⁴ There are also consistently high bacteria counts around urban areas within the segment. Untreated wastewater discharges, as well as urban runoff may contribute to the bacteria and DO issues.⁵ Additionally, there are increased sulfate levels, indicating potential wastewater influences that can adversely affect the public water supply. Figure 5 shows segment 2302 with the area highlighted for the general location of Nuevo Progreso.

⁴ Source: 2018 Basin Summary Report for the Rio Grande Basin in Texas, published by the International Boundary and Water Commission, U.S. Section, which is one of 15 partner agencies that collaborate with the Texas Commission on Environmental Quality (TCEQ) to administer the Texas Clean Rivers Program (CRP).

⁵ The city of Rio Bravo is within Assessment Unit 2302_03. Monitoring Station 17247 at Progreso, Texas, has reported water quality concerns for depressed dissolved oxygen.

Figure 5
RIO GRANDE WATER QUALITY IN SEGMENT 2302



Source: U.S. IBWC, 2018 Basin Summary Report for the Rio Grande Basin in Texas

B. Project Impacts

System improvements will help prevent contamination of ground and surface water and human exposure to untreated wastewater. The Project will rehabilitate inoperable infrastructure and help to ensure the adequate treatment of current and future wastewater flows in compliance with NOM-001-SEMARNAT-2021.⁶

Specifically, the Project is expected to generate environmental and human health benefits related to the following outcomes:

- Improve wastewater collection and treatment services for 2,399 existing wastewater connections in Nuevo Progreso.
- Eliminate 19 liters per second (lps) or 0.43 million gallons per day (mgd) of untreated wastewater discharges to the Rio Grande.

⁶ This new standard, which went into effect on April 3, 2023, establishes new maximum permissible levels of contaminants in treated wastewater discharges.

C. Transboundary Impacts

Implementation of the proposed Project will eliminate a source of contamination to the Rio Grande River, a shared binational water body. Moreover, due to the proximity of Progreso, Texas, there are frequent border crossings between the two communities. The rehabilitation of wastewater collection and treatment infrastructure will positively impact the health of residents in this neighboring city and other communities down river, since these actions will help reduce the risk for waterborne diseases deriving from exposure to untreated wastewater.

3.2.2. Compliance with Applicable Environmental Laws and Regulations

The Project should comply with the following official Mexican standards and regulations:

- Official Mexican Standard NOM-002-SEMARNAT-1996, which establishes the maximum permissible levels of contaminants in wastewater discharges to urban or municipal wastewater collection systems.
- Official Mexican Standard NOM-001-CONAGUA-2011, which establishes the specifications for hermeticity in water distribution systems, residential water connections and wastewater collection systems, as well as testing methods.
- Official Mexican Standard NOM-001-SEMARNAT-2021, which establishes the maximum permissible levels of contaminants in wastewater discharges to national waters and resources.
- Official Mexican Standard NOM-004-SEMARNAT-2002, which establishes the maximum permissible levels of contaminants in sludges and biosolids for their uses and final disposal.

NOM-001-SEMARNAT-2021 entered into effect on April 3, 2023, tightening restrictions on contaminants in treated wastewater discharges. Under the compliance program and guidelines established by CONAGUA, utilities will have until March 2027 to bring their treatment facilities into compliance with the new standard. This Project supports the utility's plans to bring its treatment plant into compliance.

A. Environmental Clearance

The Project will not deviate from existing infrastructure sites and alignment. All activities will take place in previously disturbed areas; therefore, no environmental clearance is anticipated for Project implementation.

B. Mitigation Measures

Although Project implementation will have no significant adverse effect on the environment, the Project sponsor will follow best management practices to mitigate any temporary and minor adverse impacts during construction and operation of the Project, including:

- Application of water to reduce the emission of dust particles and soil erosion;
- Vehicle tune-ups to reduce emissions and noise effects;

- Construction is to be scheduled between 8 a.m. and 5 p.m. to prevent extended disturbance from noise; and
- Placement of warning signs to prevent potentially hazardous situations.

By following best management practices, the temporary impacts due to construction will be minimized. In addition, COMAPA Río Bravo will be responsible for maintaining compliance with any water quality requirements, authorization procedures, or recommendations for best management practices. Moreover, the long-term results derived from the implementation of the proposed Project will be positive overall.

C. Pending Environmental Tasks and Authorizations

There are no environmental authorizations pending.

3.3. Financial Criteria

The total estimated cost of the Project is US\$1,150,000, including construction, equipment, supervision, and contingencies. COMAPA Río Bravo requested a US\$500,000 grant from NADBank through its Community Assistance Program (CAP) to help finance the Project. Table 3 presents a breakdown of total Project costs and the proposed sources of funding.

Table 3
PROJECT INVESTMENT & FINANCING PLAN
 (USD)

Uses		Amount	%
Construction*		\$ 1,150,000	100.0
TOTAL		\$ 1,150,000	100.0
Sources	Instrument	Amount	%
NADBank CAP	Grant	\$ 500,000	43.5
COMAPA Río Bravo	Equity	650,000	56.5
TOTAL		\$ 1,150,000	100.0

* Includes supervision and contingencies.

The proposed Project complies with all CAP criteria.⁷ It is located within the U.S.-Mexico border region served by NADBank, is being sponsored by a public-sector entity, and is in an environmental sector eligible for NADBank financing. Additionally, as a wastewater collection project, it is considered a priority under the CAP program.

Based on the financial analysis conducted by NADBank, COMAPA Río Bravo lacks the administrative and financial capacity to comply with all legal and regulatory requirements to access debt in a timely manner. The CAP grant is needed to make the Project affordable. As

⁷ The Sponsor applied for CAP funding and the Project was developed under the previous program guidelines dated April 2020.

shown in the table above, COMAPA Río Bravo will fund 56.5% of the total cost of the Project, which exceeds the 10% minimum requirement established in the CAP guidelines.

4. PUBLIC ACCESS TO INFORMATION

4.1. Public Consultation

NADBank published the draft certification and financing proposal for a 14-day public comment period beginning January 16, 2024. The following Project documentation is available upon request:

- Final Design Update for the Rio Bravo Sewer system to convey the Rio Bravo, Tamaulipas sewage to the Wastewater Treatment Plant, August 2022.
- Official Letter B00.811.06-559 dated December 8, 2023 issued by the Department of Drinking Water and Wastewater of the Rio Grande Basin Office of CONAGUA.

The 14-day public comment period ended on January 30, 2024, with no comments received.

4.2. Outreach Activities

The Sponsor reported on the progress of the proposed Project at several monthly meetings of its board, with the participation of CONAGUA and State personnel. Those meetings were open to the public, and their agendas were published in advance. Additionally, the comprehensive effort to improve the systems in both Nuevo Progreso and Rio Bravo along with the regional WWTP have been closely coordinated with State Public Works and Water Ministry, CONAGUA, the U.S. Environmental Protection Agency (EPA) and NADBank. An environmental information document and the certification activities for the anticipated BEIF investment in the Rio Bravo project will have a broader public outreach process, which will include components of the Nuevo Progreso project.

NADBank conducted a media search to identify potential public opinion about the Project. No reference to the Project was found.

The Project Sponsor informed NADBank that no comments expressing concern about the Project have been received, and there has been no public opposition to the Project.

5. RECOMMENDATION

Certification Criteria Compliance

The Project falls within the eligible sector of wastewater and is located within the border region, as required under the NADBank Charter. The 14-day public comment period ended on January 30, 2024, with no comments received. The Project review performed by the

NADBank Chief Environmental Officer confirms that the Project complies with all certification requirements, and there are no pending activities required for compliance.

Funding Criteria Compliance

The Project Sponsor requested a grant from NADBank through its CAP program to complete the financing of the Project. The Project complies with all CAP eligibility criteria; therefore, NADBank proposes providing a CAP grant for up to US\$500,000 to COMAPA Río Bravo, in accordance with the terms and conditions proposed in Annex B.

Accordingly, based on the foregoing conclusions as supported and presented in detail in this certification and financing proposal, NADB hereby recommends certification of the project and approval of the proposed CAP grant.