

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services
H.R. 5400 Authorizing Changes to the North American Development Bank
September 26, 2002

We are meeting today to consider H.R. 5400, a bill to authorize certain agreements between the United States and Mexico on the operation of the North American Development Bank and the Border Environment Cooperation Commission. The changes in this legislation were specifically requested by the Administration after President Bush and President Fox of Mexico reached an agreement on improvements in the way these institutions operate. I want to thank Subcommittee Chairman Bereuter for crafting this bill and working in a bipartisan manner in order to ensure that these institutions full fill their mandates to improve the environmental quality along the U.S. and Mexico border.

The NAD Bank is an international financial institution established and capitalized in equal parts by the United States and Mexico for the purpose of financing environmental infrastructure projects. It was created along with its sister institution, the BECC, under the North American Free Trade Agreement (NAFTA).

By most accounts the performance of the NAD Bank has been unsatisfactory. Since its inception, the NAD Bank has approved only \$23.5 million and disbursed only \$11 million in loans to projects, despite having \$450 million in authorized paid-in capital and a total lending capacity of \$3 billion. It is my hope that that the legislation we consider today will increase the effectiveness of the NAD Bank.

H.R. 5400 has two key provisions: first, it will enable the NAD Bank to make grants; second, non-market rate loans out of its paid-in capital and it will extend the region in which the bank may operate inside Mexico from 100 to 300 kilometers. The current requirement that the Bank make market rate loans has limited the numbers of transactions and proven to be unduly burdensome for a region that suffers from widespread poverty. The change from 100 to 300 kilometers will open up the scope of projects in which the Bank may participate in. These two provisions are key components of President Bush and President Fox's agreement to improve this institution.

Another important provision in H.R. 5400 will require the Secretary of the Treasury to submit an annual report to Congress on the operations of the NAD Bank.

This is a very straight forward piece of legislation, and I hope that we can approve it with bipartisan support.