

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

MEXICO

**PROGRAM TO PROMOTE PUBLIC-PRIVATE PARTNERSHIPS IN
MEXICAN STATES (PIAPPEM)**

(ME-M1032)

DONORS MEMORANDUM

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ABBREVIATIONS

Bank	Inter-American Development Bank
BANOBRAS	Banco Nacional de Obras y Servicios Públicos, S.N.C. [National Bank of Public Works and Services]
CESI	Committee on Environment and Social Impact
GNP	Gross National Product
MIF	Multilateral Investment Fund
PIAPPEM	Programa para el Impulso de Asociaciones Público-Privadas en Estados Mexicanos [Program to Promote Public-Private Partnerships in Mexican States], also called the Program
PPP	Public-Private Partnership
Program	Program to Promote Public-Private Partnerships in Mexican States, also called PIAPPEM
SEA	State Executing Agency
SHCP	Secretaría de Hacienda y Crédito Público [Ministry of Finance]

**MEXICO: PROGRAM TO PROMOTE PUBLIC-PRIVATE PARTNERSHIPS IN
MEXICAN STATES (PIAPPEM)
(ME-M1032)**

I. EXECUTIVE SUMMARY

Executing agency and coordinator:	The Bank's Country Office in Mexico (COF/CME), in coordination with the Office of the MIF, will be responsible for supervising the proposed program. The various pilot projects will be carried out by a select group of Mexican states.						
Beneficiaries:	The direct beneficiaries of the program will be: (i) state governments (including the Federal District), which by participating in the program will improve their capacity to optimize the use of public funds, (ii) private companies, which will have the opportunity to invest in infrastructure projects and the provision of public services, and (iii) the people, businesses, and industry, which will have greater access to more diverse, efficient, and better quality public services and infrastructure.						
Amount and source of financing:	<table border="0" style="width: 100%;"> <tr> <td>Nonreimbursable financing (Technical Cooperation Facility):</td> <td style="text-align: right;">US\$3,930,000¹</td> </tr> <tr> <td>Local Contribution:</td> <td style="text-align: right;"><u>US\$3,900,000²</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">US\$7,830,000</td> </tr> </table>	Nonreimbursable financing (Technical Cooperation Facility):	US\$3,930,000 ¹	Local Contribution:	<u>US\$3,900,000²</u>	Total	US\$7,830,000
Nonreimbursable financing (Technical Cooperation Facility):	US\$3,930,000 ¹						
Local Contribution:	<u>US\$3,900,000²</u>						
Total	US\$7,830,000						
Objective:	The general objective is to help make Mexican states more competitive, by promoting the expansion and improvement of public services and infrastructure through the use of Public-Private Partnerships (PPPs). The purpose of the program is to strengthen the legal and institutional capacity of Mexican state governments, so that they can apply harmonized PPP models, thereby increasing private participation in the expansion and operation of infrastructure and public services at the state level.						
Execution timetable:	Execution: 54 months Disbursement: 60 months						
Special contractual conditions:	None.						

¹ Includes resources supporting PPP cluster activities.

² An approximate calculation of the total counterpart funding that will be required. The funds will be provided by the executing agencies of individual projects.

Social and environmental review:

The Committee on Environment and Social Impact (CESI) reviewed the program on 6 October 2006 (meeting 39-06). CESI recommended that specific awareness-raising and training activities to reinforce SEA capacity to address and mitigate environmental and social risks associated with the development and implementation of PPP arrangements be incorporated into the program, and included in contracts between the public and private sectors (see paragraphs 3.5 and 8.1).

II. BACKGROUND

- 2.1 Mexico lags behind other Latin American countries in public infrastructure investment. At the beginning of the present decade, for instance, total investment in infrastructure and maintenance (transportation, water, sanitation, and electricity) as a percentage of GNP was around 6% in Chile and Colombia and 3% in Brazil, whereas in Mexico it was barely 1%, a level that had remained virtually unchanged by 2005³.
- 2.2 For Mexico to achieve the levels of infrastructure coverage and quality that exist in South Korea, it would need to make annual investments amounting to 2.6% of GNP over the next 20 years. Although this would increase economic growth by an additional 3.2% per year⁴, it would be difficult to support a budgetary increase to address the infrastructure deficit because budgetary appropriations are needed in other areas with greater social priority. Yet, delaying the necessary investment in infrastructure would mean restricting the country's competitiveness and its economic growth.
- 2.3 The decentralization strategy pursued in Mexico over the last ten years left certain functions associated with infrastructure and social services in such sectors as health, education, and transportation in the hands of the states. Historically, infrastructure development has been highly uneven from one state to another, and not even the most advanced states have the financial resources, the institutional and technical capacity, and the legal and regulatory frameworks to fully take on these tasks.
- 2.4 Given this situation, there is a clear need to explore alternative mechanisms to cover the deficit in public infrastructure. For several decades now, the authorities in various countries have been looking for alternative sources of financing through mechanisms known as Public-Private Partnerships (PPPs). The main feature of a mechanism of this kind is the participation of a private investor who assumes the commitments and responsibilities involved in infrastructure development, including the use of own resources to operate and maintain the asset for a certain number of years. In return, the investor receives remuneration for making the infrastructure and assets available to users.
- 2.5 International experience shows that PPP projects: (i) encourage more efficient use of public spending, (ii) increase resources for investments in other social priorities, and (iii) help provide better public services and promote private investment and innovation in the development of public infrastructure projects. Unfortunately, subnational PPP arrangements in most Latin American countries are hindered by the lack of an appropriate legal and institutional framework, as well as by insufficient institutional and technical capacity to promote, structure, and implement private participation in infrastructure projects.

³ Data from Nadbank.

⁴ World Bank (2005). Mexico: Infrastructure Public Expenditure Review (IPER).

- 2.6 **Current situation.** Despite the country's high sovereign credit rating, its macro-economic stability, and its ability to attract foreign investment, private participation in infrastructure in Mexico is less than in countries like Argentina, Brazil, Chile, and Colombia. Given its characteristics, Mexico is one of the few developing countries that is able to attract substantial amounts of private financing for infrastructure with relative ease. This situation is reinforced by the growing maturity of institutional investors, which has led to a greater demand for debt instruments in local currency across the yield curve. Recently, subnational governments have taken advantage of this situation to issue debt to finance their needs, as have private investors with more options to diversify their portfolios.
- 2.7 In terms of the legal framework, the Mexican federal government has formulated and fine-tuned a regulatory framework that encourages and regulates Public-Private Partnership mechanisms, such as Service Delivery Projects (SDPs). In an SDP arrangement, a private provider-investor designs, builds, finances, and operates support infrastructure in order to provide a comprehensive array of services to entities and agencies in the public sector. The regulatory framework establish rules and principles that govern SDPs in Mexico, thus facilitating long-term contracts and offering certainty to prospective investors as to the state fulfilling its contractual obligations.
- 2.8 **Identification of the problem.** Although PPPs now receive sufficient backing at the federal level as an SDP arrangement, most states do not have the legal and regulatory machinery to implement PPP models at local level. In addition, institutional and technical capacity is still substantially inadequate, a shortcoming that prevents the authorities from developing tools to evaluate, prioritize, structure, design, and promote PPP projects.
- 2.9 To provide certainty to investors and to make it easier to enter into PPPs at an attractive cost, the states must establish sound and appropriate legal frameworks so that risk can be spread efficiently among the parties involved. To this end, the adoption of policies and laws that spur private participation in infrastructure and the provision of public services would allow the states to boost their capacity to meet the needs of their populations.⁵
- 2.10 **Proposed program.** The present program will support the development and implementation of subnational PPP arrangements in Mexico, thus helping to increase and improve public infrastructure and therefore the competitiveness of the local private sector. To accomplish this aim, a competition will be arranged for Mexican states that are interested in reforming their legal frameworks and strengthening their PPP-related units.
- 2.11 This process is **innovative** given that at the present time there are very few state initiatives that seek to directly apply PPP mechanisms. A key element of the program is to harmonize the legal frameworks of the participating states in order to

⁵ Among the few states that have taken such steps are Mexico, Oaxaca, Durango, Tamaulipas, and Guerrero.

minimize uncertainty and obstacles to private participation in PPPs. Interest and participation by the private sector is expected to increase substantially once these states have similar legal and institutional frameworks in place. Moreover, any new elements that lead to greater efficiency, low operating costs, transparency, and applicability could be added to the model. The execution mechanism is thus innovative insofar as it is based on a competitive bidding process with proposals submitted by state agencies. This will allow projects to which the authorities are strongly committed to be selected, thereby offering greater chances of the program's success.

- 2.12 It will be possible to **replicate** and disseminate the lessons learned and best practices derived from program execution in other similar projects in other subnational entities in the region, and even in other countries. Moreover, there is significant **demand** for this program, as noted in numerous meetings with state authorities who have identified several specific PPP projects that are subject to institutional constraints and the limitations of the legal framework.⁶ Intervention by the MIF is warranted, as the state entities are unlikely to develop PPP projects on their own, considering the financial, technical, and organizational hurdles they are up against.
- 2.13 Lastly, the Bank's Infrastructure Fund (InfraFund) has expressed an interest in contributing US\$1.5 million to support technical feasibility studies for the specific infrastructure projects that are identified as the program proceeds. It would be beneficial to link InfraFund up with this program since it would be better able to identify PPP projects that are eligible for financing and would have a greater possibility of success due to the strengthening of legal and institutional frameworks. This presents a significant opportunity to maximize the use of resources and to complement the initiatives of the MIF and InfraFund.

III. PROGRAM OBJECTIVES AND COMPONENTS

A. Program Objectives

- 3.1 The *general objective* is to help increase the competitiveness of the Mexican states, promoting the expansion and improvement of public services and infrastructure through the use of Public-Private Partnerships (PPP). The purpose is to strengthen the legal and institutional capacity of Mexican state governments, so that they can apply harmonized PPP models, thereby increasing private participation in the expansion and operation of infrastructure and public services at the state level.
- 3.2 To achieve these objectives, the program will include three components: (i) awareness-raising, promotion, and development of PPP best practices models and projects, (ii) preparation, selection, and implementation of final proposals, and (iii) dissemination of lessons learned and best practices.

⁶ Six states have now expressed interest in participating: Guanajuato, Aguascalientes, Mexico, Zacatecas, Veracruz, and the Federal District.

B. Program components

1. Component I. Awareness-raising, promotion, and development of PPP best practices models and projects (MIF: US\$229,500)

- 3.3 The objective of this component is to contact and inform state authorities and private sector entities about the benefits, characteristics, and requirements involved in implementing PPP arrangements. This component includes a workshop in which the PPP models used in the region would be presented, and the risks and benefits discussed. At the same time, a request for proposals for the program would be announced and all interested state agencies would be invited to submit proposals for projects that could be financed.
- 3.4 The materials and models developed for this workshop will be distributed to participants and will be available to the public on the program website. In addition, working meetings will be held with state authorities to inform them about the PIAPPEM and coordinate their participation in the proposal submission process.
- 3.5 As a way to harmonize legal frameworks and other aspects of the PPP arrangements, a series of models and tools will be developed at the outset of the program for use by the participating states and other bodies. Incorporating these models into the projects for component II will produce economies of scale that are expected to reduce the costs of implementing the necessary measures, while the addition of best international practices will enhance the efficiency and effectiveness of the PPPs in the participating states. The model contracts to be developed as part of the program will include an environmental review and a review of due diligence based on IDB policies and applicable laws. In addition, mechanisms will be included for public participation and consultation and access to information.

2. Component II. Preparation, selection, and implementation of final proposals (MIF: US\$3,443,700; Local contribution: US\$3,900,000)

- 3.6 The objective of this component is to select, prepare, and supervise state projects to improve legal and institutional frameworks for PPP arrangements. In order to give consideration to different state entities, it is proposed that the program be structured as a Competitive Bidding Facility. The criteria to be considered for approval of proposals include: their social and economic impact, the innovative nature of the Public-Private Partnerships sought by the program in question, and geographic diversity, in order to prevent MIF support from being concentrated in any given region.
- 3.7 Interested states will be selected on the basis of the following criteria: (i) the state's debt must be rated at least fair; and (ii) the political, economic, and business conditions must exist for project implementation.
- 3.8 In their proposals, the states may request support for other PPP-related activities, and the scope and focus of these activities will depend on the individual situation and degree of development and specific interests of each entity. Activities that may be supported include: (a) formulation of rules to establish/improve the legal and

- regulatory frameworks; (b) development and dissemination of contractual, legal, regulatory, financial, operating, and management models; (c) assistance with the identification and structuring of financing mechanisms; and (d) establishment/strengthening of PPP State Execution Agencies or entities.
- 3.9 A technical coordinator will be hired for the Bank's Country Office in Mexico (see paragraph 5.1) to help identify and prepare proposals. As an expert in PPP arrangements, the Coordinator will also be actively involved in a number of component I and III activities.
- 3.10 Six state projects are expected to be approved, each of which may receive a maximum of US\$500,000 in nonreimbursable funding from the MIF. The funding may not represent more than 42% of the total project amount. Generally speaking, the execution period of individual projects will not exceed 36 months and the disbursement period 42 months.

3. Component III. Dissemination of lessons learned and best practices (MIF: US\$51,800)

- 3.11 The purpose of this component is to compile, organize, and disseminate the outcomes produced by the program. It is hoped that a considerable pool of experience, lessons learned, and best practices will be collected to promote the use of harmonized PPP strategies and models by the authorities of other subnational entities in Mexico, regardless of whether or not they have participated in the PIAPPEM, and by the authorities of other countries in the region. This pool of knowledge is to be disseminated on program and MIF websites, and in publications. The scope of this dissemination would be scaled up through coordination and cooperation between various projects in the MIF Cluster to *Support Competitiveness through PPPs* (MIF/GN-107).

IV. PROGRAM COST AND FINANCING

- 4.1 The estimated cost of the program is US\$7,830,000, of which US\$3,930,000 will be financed by the MIF from the Technical Cooperation Facility, and US\$3,900,000 will be contributed by the beneficiary Mexican states. Fifty-eight percent of the cost of component II subprojects would be financed by the participating Mexican states, and the remaining 42% by the MIF. Components I and III are expected to be 100% financed by the MIF. The commitment period for approval of individual projects is 24 months after the program is approved.

Table 1. Budget by component (in US\$)

Components	MIF	Local Contribution	Total	%
I. Awareness-raising, promotion, and development of PPP best practices models and projects	229,500	--	229,500	2.9
II. Preparation, selection, and implementation of final proposals	3,443,700	3,900,000	7,343,700	94.2
III. Dissemination of lessons learned and best practices	51,800	--	51,800	0.7
Administration of the program	135,000	--	135,000	1.7
Evaluations	40,000	--	40,000	0.5
Subtotal	3,900,000	3,900,000	7,800,000	100.0
Percentage	50%	50%		
Cluster activities	30,000	--	30,000	
Total	3,930,000	3,900,000	7,830,000	

4.2 An amount equal to US\$30,000 for use in monitoring the MIF cluster will be administered by the Bank in order to carry out the activities related to the cluster to *Support Competitiveness Through PPPs* (MIF/GN-107), in accordance with document MIF/GA-14-1.

4.3 **Sustainability.** The achievements resulting from program activities, products, and models are expected to attract private capital to spur investment in the provision of public services and infrastructure in the participating entities. This in turn will speed up the use of PPP models, both in the aforementioned entities as well as in other subnational entities that have not participated in the program. Once the MIF resources have been used up, the staff of PPP Units within the participating state entities are expected to apply to future PPPs the lessons learned and methods used during program implementation, with resources of their own. Other states and possibly a few municipios are also expected to become interested in PPPs when they see the results of the program.

V. EXECUTING AGENCY AND EXECUTION PROCEDURE

5.1 **Program coordination.** The Bank's Country Office in Mexico, in coordination with the Office of the MIF, will supervise the program. It will be responsible for: (i) preparing and applying the operating guidelines and drawing up technical documentation and competition documents, (ii) promoting the program, (iii) launching the competition and handling the selection process, (iv) providing technical support to the Mexican states involved, (v) monitoring component II-financed projects, (vi) implementing dissemination-related activities, (vii) evaluating the program, and (viii) hiring and supervising external consultants. A technical coordinator and a program administrative officer (for technical coordination) will be hired to pursue this aim.

- 5.2 Individual projects (component II) will be implemented by the Mexican states selected through the SEAs identified by the authorities of each entity. The SEAs are expected to be located within a government agency, for instance in the latter's investment or planning units, with the mandate, the human resources, and the technical capacity to implement the activities planned.
- 5.3 **Review Committee.** A Review Committee will be formed, composed of three PPP specialists from the MIF, RE2, and the academic world. The Committee's function will be to define, in conjunction with the Technical Coordination Office, the guidelines, scope, and strategies to be followed in implementing the program, and to evaluate the technical, institutional, and financial feasibility of each project proposed, and the extent to which it is consistent with the program objectives. The Review Committee will recommend the projects to be prepared. Each individual project will be presented to the MIF Donors Committee by the short procedure.
- 5.4 **Contracting of consulting services and procurement.** The Technical Coordination Office of the PIAPPEM and the SEAs will be responsible for procurement of goods and related services and of consulting firms and/or individual consultants in accordance with applicable Bank policies (GN-2349-7 and GN-2350-7). For procurement of goods and related services, these entities may apply the shopping method for contracts in amounts of less than US\$30,000, as specified in paragraph 3.5 of document GN-2349-7.
- 5.5 The entities may use any of the selection and contracting methods specified in GN-2350-7 to hire consultants. For the purposes of paragraph 2.7 of GN-2350-7 (Policies for selecting and contracting consultants financed by the IDB), the short list of consultants whose estimated cost is less than the equivalent of US\$100,000 per contract may consist entirely of national consultants. Before purchasing goods or selecting and hiring a consulting firm, the executing agencies must submit to the Bank the procurement plan for the first 18 months of each project.
- 5.6 **Program readiness.** The program design and the participating state selection criteria have been prepared and reviewed with the Ministry of Finance's Investment Unit and with Banco Nacional de Obras y Servicios Públicos (Banobras). The itemized program budget and preliminary versions of the Operating Regulations, Schedule of Activities, and Procurement and Contracting Plan were also prepared, and are available in the technical files (Annexes II, III, IV, and V). The terms of reference for Technical Coordination staff are ready and currently available (see Annexes VI and VII). Meetings have been held with the authorities of six Mexican states that expressed interest in participating and in providing the counterpart resources once the program has been approved.

VI. MONITORING AND EVALUATIONS

A. Supervision and Monitoring

- 6.1 The Bank's Country Office in Mexico, in cooperation with the Office of the MIF, will be responsible for supervision and control.
- 6.2 The Office of the MIF will administer resources to cover expenses in connection with cluster workshop activities, attendance by executing agency staff at the events, the hiring of a technical advisor, and other related activities, all of which will be charged to the cluster activities budget.

B. Evaluations

- 6.3 The Bank's Country Office in Mexico will use program funds to hire external consultants to perform midterm and final program evaluations. The midterm evaluation will take place 30 months into the program, and the final evaluation three months before the last disbursement, or when 95% of the MIF contribution has been disbursed. The consultant's midterm evaluation will consider: (i) the number of state proposals implemented, and (ii) the scope and general quality of the proposals and any adjustments that need to be made in implementing them. The consultant's final evaluation will cover: (i) the scope of the indicators in the program logical framework and the extent to which they have been attained; (ii) progress made on the changes to the legal and institutional framework in the participating states and the quality of such changes; and (iii) the portfolio of infrastructure projects undertaken, or likely to be undertaken, under PPPs in those states. During program execution, the Bank will gather information on the program supervision and evaluation indicators. These indicators are specified in the logical framework (see Annex I) and will be used to determine the overall impact and evaluate the outcomes.
- 6.4 The Bank's Country Office in Mexico will hire independent consultants to perform the midterm and final evaluations of each project in component II. The evaluations will look at project performance and outcomes based on the indicators in the logical framework and background data.

VII. PROGRAM BENEFITS AND RISKS

A. Benefits

- 7.1 The program will help create an environment of legal, regulatory, and institutional certainty for long-term contracts between the public and private sectors, which will promote private sector participation in the provision of public services and infrastructure under PPP arrangements. Similarly, the program will give the states the tools and capacity to identify, evaluate, and select those projects that will generate the most benefits through the use of the PPP methodology. The program is consistent with the MIF's objective of playing a catalytic role in private sector

development, while complementing the Bank's activities in the infrastructure sector.

- 7.2 **Beneficiaries.** The direct beneficiaries of the program will be (i) state governments (including the Federal District) which, by participating in the program, will improve their ability to optimize the use of public funds, (ii) private companies, which will have the opportunity to invest in infrastructure projects and the provision of public services, and (iii) the people, businesses, and industry, which will have greater access to public services and a more diverse, efficient, and better quality infrastructure.

B. Risks

- 7.3 The most significant risk anticipated is structural resistance in each participating state to the proposed regulatory and/or institutional changes. Despite the participating states' desire to move forward, local legislatures may decline to approve the proposed changes. To alleviate this risk, the project team has considered some key criteria for selecting states to participate in the program. These criteria are the political will of state authorities to promote the proposed changes, and the possibility of the authorities building a consensus in their local legislatures.

VIII. SOCIAL AND ENVIRONMENTAL IMPACT

- 8.1 The present technical-cooperation program includes overall technical assistance for project preparation, and legal, regulatory, and institutional strengthening to facilitate the implementation of subnational PPPs. Also, there are no anticipated negative environmental or social impacts resulting directly from this operation. However, with respect to the portfolio of services and/or infrastructure projects that the program is expected to generate, every effort will be made to provide financing for environmental and social impact studies and risk mitigation plans in accordance with national regulations and Bank policies. In addition, the institutional training provided to the states will cover any social and environmental impacts brought about by the PPPs, as well as best practices for their management and mitigation. This will be done to ensure that in developing a portfolio of service projects for this program, social and environmental criteria are considered in the preparation of individual projects, and in the public and private partnership contracts. Lastly, mechanisms will be included to ensure participation, public consultation, and access to information for each state project.

MEXICO: PROGRAM TO PROMOTE PUBLIC-PRIVATE PARTNERSHIPS IN MEXICAN STATES – PIAPPEM (ME-M1032)
LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
Goal			
<p>Help increase the competitiveness of Mexican states, by promoting the expansion and improvement of public services and infrastructure through the use of Public-Private Partnerships (PPPs).</p>	<p>Two years after completion of PIAPPEM:</p> <p>a) Investment in public infrastructure projects with private participation increases in the states targeted by the program and accounts for at least 15% of total public investment.</p> <p>b) The public infrastructure index improves at least 15 percentage points in the states served by the program</p>	<ul style="list-style-type: none"> • Ex post evaluation report prepared by an independent consultant. • Official statistics on state public infrastructure. • State public infrastructure indexes prepared by nonofficial institutions. 	<ul style="list-style-type: none"> • The macroeconomic, political, institutional, and legal conditions in Mexico and the Mexican states remain favorable, so as to ensure the sustainability of PPP arrangements.
Purpose			
<p>Strengthen the legal and institutional capacity of Mexican state governments, so that they can apply harmonized PPP arrangements, thus making it possible to increase private participation in the expansion and operation of public services and infrastructure at the state level.</p>	<p>Upon completion of the PIAPPEM:</p> <p>a) Institutionalized (in operation) and harmonized PPP methodologies in at least six states.</p> <p>b) Working institutions and legal frameworks (created and/or strengthened) to facilitate PPPs in at least six states.</p> <p>c) At least two potential PPP projects identified in each of the states targeted by the program (a total of at least 12 potential projects).</p>	<ul style="list-style-type: none"> • Final report on the outcomes of each technical assistance project, to be prepared by each of the participating states. • Program final evaluation report, to be prepared by an independent consultant. • Program Performance Monitoring Report (PPMR) and Program Completion Report (PCR). • Tentative terms of reference for potential PPP projects and/or expressions of interest by private firms in participating in such projects. 	<ul style="list-style-type: none"> • Increased interest by private firms in participating in PPPs. • Increased commitment on the part of the states in institutionalizing PPP arrangements. • Resources are available for feasibility studies on PPP projects.

Narrative summary	Indicators	Means of verification	Assumptions
Components			
<p>Component 1. Awareness-raising, promotion, and development of PPP best practices models and arrangements.</p>	<p>Three months into the program:</p> <p>1.1 At least 18 state governments have received awareness-raising and promotional information on the benefits, nature, and requirements of PPPs, in general, and detailed information on the PIAPPEM, in particular.</p> <p>Four months into the program:</p> <p>1.2. At least 10 letters of intent from state governments have been received by the PIAPPEM.</p> <p>Seven months into the program:</p> <p>1.3. PPP best practices models and reports have been developed.</p>	<ul style="list-style-type: none"> • Acknowledgement of receipt of the information and promotional materials. • Letters of intent duly sent to the PIAPPEM. • Consultant’s final report on the legal model and PPP best contractual practices. • Report of the program Technical Coordinator on the institutional and operational PPP model, as well as the PPP best methodology and financial practices. 	<ul style="list-style-type: none"> • Increased interest by private firms and state governments in participating in PPPs.
<p>Component 2. Preparation, selection, and implementation of final proposals.</p>	<p>12 months into the program:</p> <p>2.1. At least 10 proposals submitted to the PIAPPEM have been duly prepared and submitted to the Review Committee for evaluation, and at least six have been declared eligible based on program criteria.</p> <p>18 months into the program:</p> <p>2.2. At least six projects have been approved by the Donors Committee to receive financial support from the PIAPPEM.</p> <p>51 months into the program:</p> <p>2.3. Six PIAPPEM technical assistance projects have been implemented.</p>	<ul style="list-style-type: none"> • Decision issued by the PIAPPEM Review Committee. • Documents approving the projects issued by the Donors Committee. • Midterm evaluation of the program. • Midterm and final evaluations of each project. • PPMR. • Semiannual program progress reports. 	<ul style="list-style-type: none"> • The governments of the participating states have the minimum capacity to submit proposals and assimilate the technical assistance activities in PPP arrangements. • The legal and institutional structure of the state governments makes it possible to harmonize the proposed PPP models.

Narrative summary	Indicators	Means of verification	Assumptions
<p>Component 3. Dissemination of lessons learned and best practices.</p>	<p>At the end of the program:</p> <p>3.1. At least 30 states and municipios (inside and outside Mexico) are familiar with the program outcomes and lessons learned.</p> <p>3.2. At least 50% more Mexican states (than the original number expressing interest in letters of intent) are interested in replicating the PPP models developed by the PIAPPEM.</p> <p>3.3. At least two governments in other parts of the region are interested in replicating in their states the PPP models developed by the PIAPPEM.</p>	<ul style="list-style-type: none"> • Acknowledgment of receipt of information materials. • Record of hits and information requests from the MIF website. • Final evaluation of the program. • PPMR. • Semiannual progress reports on the program. 	<ul style="list-style-type: none"> • The program shows perceptible results and attracts the interest of other Mexican state governments and governments in other countries. • The political, legal, and institutional conditions exist for Mexican state governments and governments in other countries to replicate the PPP models developed under the program.
Activities			
<p>Component 1. Awareness-raising, promotion and development of PPP best practices models and projects.</p> <p>1.1. Develop a website to launch the program.</p> <p>1.2. Hold a training workshop for interested states.</p> <p>1.3. Assist interested states in preparing their initial proposals.</p> <p>1.4. Develop PPP best practice models and projects.</p>	<p>Total: US\$ 229,500</p> <p>MIF: US\$ 229,500</p> <p>Counterpart: US\$ 0</p> <p>1.1.1 Development, publication, and dissemination of information and promotional materials (by month two).</p> <p>1.1.2 A PIAPPEM website is designed and maintained (by month two).</p> <p>1.1.3 Working meetings with at least 12 states to inform them about the PPP topic and promote the PIAPPEM (by month three).</p> <p>1.2.1 A workshop to launch the PIAPPEM held with at least ten states that have submitted letters of intent (by month five).</p>	<ul style="list-style-type: none"> • Acknowledgement of receipt of information and promotional materials. • Website running with current information and links. • Minutes of meetings. • Letters of intent duly sent to the MIF. • Workshop proceedings. • Consultant’s final report on the legislative model and PPP best contractual practices. • Report of the Technical Coordinator on the PPP institutional and operational model and on the PPP best methodological and financial practices. 	<ul style="list-style-type: none"> • State governments are interested in receiving information on PPP models. • State governments interested in the PIAPPEM have the minimum capacity to prepare their initial proposals for technical assistance.

Narrative summary	Indicators	Means of verification	Assumptions
	<p>1.3.1 Working meetings with at least eight of the states identified in paragraph 1.2.1, to support them in preparing their tentative proposals (by month seven).</p> <p>1.4.1 A legislative model and report on PPP best contractual practices developed (by month seven).</p> <p>1.4.2 A PPP institutional and operational model developed, as well as a report on best methodological practices and best financial practices (by month seven).</p>	<ul style="list-style-type: none"> • Semiannual progress report. 	
<p>Component 2. Preparation, selection, and implementation of final proposals.</p> <p>2.1. Prepare final proposals to be officially submitted in accordance with the competitive proposal process.</p> <p>2.2. Select the winning PIAPPEM proposals.</p> <p>2.3. Supervise the technical progress of the projects selected.</p>	<p>Total: US\$ 7,343,700 MIF: US\$ 3,443,700 Counterpart: US\$ 3,900,000</p> <p>2.1.1 Working meetings to prepare the final proposals that will participate in the RFP process, with at least seven states (identified in Component 1), by month nine.</p> <p>2.2.1 The PIAPPEM Review Committee is set up by month nine.</p> <p>2.2.2 At least seven proposals delivered to the Review Committee.</p> <p>2.2.3 At least six projects declared eligible by the Review Committee by month 12.</p> <p>2.2.4 At least six project proposals submitted to the Donors Committee by month 17.</p> <p>2.2.5 At least six projects approved by the Donors Committee by month 18.</p> <p>2.3.1 At least one approved project is under way by month 21.</p>	<ul style="list-style-type: none"> • Minutes of meetings. • Confirmation that the Review Committee has been set up. • Acknowledgement of receipt of final proposals. • Review Committee opinions on the final proposals reviewed and evaluated. • Documents approving the projects issued by the Donors Committee. • Letter notifying the states whose proposals were approved. • Agreements signed between individual states and the MIF to execute the projects. • Reports on inspection visits to states with approved projects currently being executed. • Semiannual progress reports. 	<ul style="list-style-type: none"> • There are no significant delays due to challenges to the proposal selection process. • There are no objections or significant delays in approving the PIAPPEM projects by the Donors Committee. • There are state executing agencies that have had experience with and are familiar with PPP models and that have access to information on international best practices.

Narrative summary	Indicators	Means of verification	Assumptions
<p>Component 3. Dissemination of lessons learned and best practices.</p> <p>3.1. Develop and distribute information materials on the PIAPPEM.</p> <p>3.2. Hold a program sustainability workshop.</p> <p>3.3. Hold a final conference on the lessons learned and best practices.</p>	<p>Total: US\$ 51,800</p> <p>MIF: US\$ 51,800</p> <p>Counterpart: US\$ 0</p> <p>3.1.1 At least three best practices duly documented on the execution of the program by month 52.</p> <p>3.1.2 PIAPPEM website updated with outcomes, lessons learned, best practices (at least one) and preparation of case studies by month 52.</p> <p>3.1.3 Information materials prepared and distributed to at least 30 states and municipios (in Mexico and in other countries) by month 52.</p> <p>3.2.1 A sustainability workshop held with at least five institutions that may contribute elements on the subject (by month 52).</p> <p>3.3.1 A conference organized and held with at least 100 participants (by month 52).</p>	<ul style="list-style-type: none"> • Website running with current information and links. • Acknowledgement of receipt of information materials. • Report on workshop. • Report on conference. • Semiannual progress reports. 	<ul style="list-style-type: none"> • PIAPPEM website reaches entities interested in PPP models. • Public and private sector interest in PPPs remains unchanged or increases.

PROGRAM TO PROMOTE PUBLIC-PRIVATE PARTNERSHIPS IN MEXICAN STATES – PIAPPEM (ME-M1032)
ITEMIZED BUDGET

Item	Categories	Total			Program Total
		MIF	Counterpart		
			In cash	In kind	
I	Component I: Awareness-raising, promotion, and development of PPP best practices models and arrangements	229,500	0	0	229,500
I.1	Develop a website and launch the program	6,350	0	0	6,350
I.2	Hold a training workshop for interested states	9,050	0	0	9,050
I.3	Providing assistance to interested states in preparing initial proposals	14,100	0	0	14,100
I.4	Develop PPP best practice models and projects	200,000	0	0	200,000
II	Component II: Preparation, selection, and implementation of final proposals	3,343,700	1,950,000	1,950,000	7,343,700
II.1	Prepare final proposals to be officially submitted in accordance with the PIAPPEM the competitive proposal process	14,100	0	0	14,100
II.2	Select and carry out the PIAPPEM winning projects	2,800,200	1,900,000	1,900,000	6,720,000
II.3	Supervise the technical progress of the selected projects	15,600	0	0	15,600
II.4	Support the Technical Coordinator	594,000	0	0	594,000
III	Component III: Dissemination of lessons learned and best practices	51,800	0	0	51,800
III.1	Develop and distribute information materials about the PIAPPEM	12,000	0	0	12,000
III.2	Hold a program sustainability workshop	2,000	0	0	2,000
III.3	Organize a final conference on lessons learned and best practices	37,800	0	0	37,800
IV	Administration	135,000	0	0	135,000
V	Program evaluations	40,000	0	0	40,000
	SUBTOTAL	3,900,000	1,950,000	1,950,000	7,800,000
	Cluster activities	30,000	0	0	30,000
	GRAND TOTAL	3,930,000	1,950,000	1,950,000	7,830,000

**MEXICO: PROGRAM TO PROMOTE PUBLIC-PRIVATE PARTNERSHIPS IN MEXICAN STATES– PIAPPEM (ME-M1032)
RELATED PROJECTS**

A. Corporate Social Responsibility Cluster Projects

Project Number / Date Approved	Project Title, Executing Agency and Amount	Date Signed and Original Disbursement Period in Months	Percent Disbursed	Comments: Satisfactory execution, or problems in execution, including delays, extensions, reformulation, change in executing agency, etc.
ATN/MT-8724-BR 19 May 2004	Public-Private Partnerships Program Ministry of Budget Planning US\$675,000	5 July 2004 36 months	27%	The performance indicators show a positive trend and assumptions have high probability of occurring.
ATN/MT-9587-BR 14 December 2005	National Program for Institutional Development of Public-Private Partnerships Ministry of Budget Planning US\$2,480,000	1 November 2006 36 months	0%	Federal elections and changes in the administration led to a delay in contract signature and budgetary appropriations.
ATN/MT-9636-CO 21 December 2005	Public-Private Partnership Program in IIRSA National Concessions Institute US\$420,000	31 August 2006 24 months	0%	Delayed because the Colombian government is reviewing its strategy in support of PPPs at the national and subnational level.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-__/07

Mexico. __/__ - ____ -ME. Nonreimbursable Technical Cooperation for a
Program to Promote Public-Private Partnerships in Mexican States
(PIAPPEM)

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary, and to take such additional measures as may be pertinent for the execution of a program to promote public-private partnerships in Mexican States.
2. That up to the amount of US\$3,930,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on __ _____ 2007)

LEG/OPR/RGII/IDBDOCS863243
ME-M1032