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MULTILATERAL INVESTMENT FUND

MEXICO

**STATE OF GUANAJUATO: PROMOTING PUBLIC-PRIVATE
PARTNERSHIPS**

(ME-M1047)

DONORS MEMORANDUM

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ABBREVIATIONS

COPI	Coordinación General de Programación y Gestión de la Inversión Pública del Gobierno de Guanajuato [Office for the Coordination of Public Investment Programming and Management of the State of Guanajuato]
ESR	Environmental and Social Review group
PIAPPEM	Program to Promote Public-Private Partnerships in Mexican States (ATN/MT-10287-ME)
PPMR	Project performance monitoring report
PPP	Public-private partnership
Project	State of Guanajuato: Promoting Public-Private Partnerships
QRR	Quality and risk review
SDP	Service delivery project (Mexican PPP model)
UP3/Guanajuato	Unit for the Promotion of Public-Private Projects in Guanajuato
UP3/PIAPPEM	Technical coordination unit of the PIAPPEM program (IDB)

**STATE OF GUANAJUATO: PROMOTING PUBLIC-PRIVATE PARTNERSHIPS
(ME-M1047)**

I. EXECUTIVE SUMMARY

Beneficiary and executing agency:	Office for the Coordination of Public Investment Programming and Management of the State of Guanajuato (COPI)		
Beneficiaries:	The direct beneficiaries of the project will be: (i) private companies, which will have the legal and institutional certainty they need to invest in infrastructure projects and the provision of public services; (ii) the Government of Guanajuato, which will improve its capacity to optimize the use of public funds; and (iii) the population, businesses, and industries of Guanajuato, which will have greater access to more diverse, efficient, and better quality public services and infrastructure.		
Amount and source of financing:	ATN/MT-10287-ME:	365,326 ¹	(24%)
	Local contribution:	<u>1,131,400</u>	(76%)
	Total:	1,496,726	(100%)
Objectives:	The general objective is to promote the expansion and improvement of public services and infrastructure in Guanajuato through public-private partnerships (PPP). The purpose is to strengthen the legal and institutional capacity of the government of Guanajuato to use harmonized PPP arrangements to boost private participation in the expansion and operation of public services and infrastructure.		
Execution timetable:	Execution period: 22 months Disbursement period: 26 months From the effective date of the technical-cooperation agreement		
Exceptions to Bank policies:	None		
Special contractual clauses:	The first disbursement of the MIF contribution will be contingent on: (i) the beneficiary demonstrating in a manner acceptable to the Bank that it has appointed two specialists in public-private partnerships (PPP) to work full time with the consultants to be		

¹ Resources for implementing the project; the source is MIF operation ATN/MT-10287-ME.

hired for the project, and that they have been given office space in COPI with a view to institutionalizing, as a project outcome, a Unit for the Promotion of Public-Private Projects (UP3/Guanajuato), and (ii) proof that COPI has approved the project Operating Regulations.

Replenishment of the revolving fund will be conditional on at least one pilot project being selected for formulation as a PPP arrangement, as described in Component III, and on resources being available for the corresponding studies.

The Bank may recognize, as part of the local counterpart contribution to the project, expenditures of up to US\$159,000 incurred by the state of Guanajuato since 26 October 2007 (date of the Guanajuato state government's letter of intent to participate in the PIAPPEM program) to carry out the activities described in paragraph 4.2, provided that procedures similar to Bank procedures, and acceptable to the Bank have been adhered to.

Environmental and social review:	In accordance with the Bank's toolkit, this project was classified as category "C" operation, which was accepted by the ESR group on 1 April 2008.	
Coordination with other official development finance institutions:	No other official development institution is working in the sector.	
Tentative dates:	ESR–April 2008 QRR–May 2008	Donors–June 2008

II. BACKGROUND

- 2.1 A number of service delivery projects (SDP) promoted by the Federal Government have been executed in the State of Guanajuato. When the first highly specialized hospital project implemented in Mexico under the SDP model (*Hospital del Bajío*) launched operations in 2007, it became a paradigm for other Mexican states and the countries of the region. Similar initiatives have been undertaken in the road sector: the Querétaro-Irapuato highway and the Irapuato-La Piedad highway. In addition, studies for the Irapuato Center for High Performance are well advanced. This has favorably disposed the Guanajuato state government to promote private participation in public infrastructure projects.
- 2.2 Accordingly, the state is looking to adapt its legal framework comprehensively to developing infrastructure and services projects with private sector participation.

- This requires the reform of the state constitution (to permit multiyear resource management and programming), and the development of an SDP law compatible with the Public Services and Infrastructure Concessions Act, in effect since 2002, as well as other applicable regulations.
- 2.3 These legal changes, along with pertinent institutional changes and increasing the technical capacity of state officials, are indispensable to developing a vast portfolio of projects that can be implemented as SDP arrangements and/or concessions. In fact, a portfolio valued at more than US\$1.62 billion was identified in PIAPPEM's Office for Technical Coordination (UP3/PIAPPEM) (see Annex VII) assessment of the education, health, sports, justice, and roads sectors. For example:
- a. An investment of approximately US\$162 million is needed to upgrade the state's dilapidated road network in coming years and to design a long-term road conservation program.
 - b. In the health sector, more than US\$143 million are required for a number of community and general hospitals to serve the needs of the population.
 - c. There is a program of high-performance sports centers and another for constructing and refurbishing classrooms in middle and high schools, valued at close to US\$171 million.
 - d. There is a major penitentiary infrastructure project.
 - e. Guanajuato suffers from serious water shortages, which requires urgent attention.
- 2.4 Given the widespread shortage of public resources and sharp needs in the infrastructure sector, the state government has decided to make use of public-private partnerships as an alternative for mitigating the infrastructure deficit, in its search for new management and financing models that make more efficient use of public funds. Participation of the private sector in the management of infrastructure and related services is a strategic approach that will enable the government to address ongoing limitations in this area.
- 2.5 **Identification of the problem.** At the federal level, PPP arrangements are suitably grounded in the concession and service delivery project (SDP) models. However, despite federal efforts in the state, Guanajuato itself does not have a suitable legal and institutional environment for implementing PPP arrangements at the local level. In addition, weak institutional and technical capacity at the state level prevents authorities from participating fully in processes to formulate PPP projects, and from serving as meaningful technical counterparts for the different stakeholders that participate in this type of project. For these reasons, at the local level very few projects have been offered to the private sector, and those that have been are very limited in scope.
- 2.6 The Guanajuato state government wants to develop suitable and reliable legal and institutional frameworks that clearly define the ground rules and provide the certainty needed by private investors to implement PPPs at an attractive cost. The

- state government would also like to boost institutional and technical capacity to serve as the technical counterpart in processes to evaluate, prioritize, formulate, design, and promote PPP projects among private investors.
- 2.7 **Guanajuato/PIAPPEM collaboration project.** In February 2007, the MIF Donors Committee approved the Program to Promote Public-Private Partnerships in Mexican States—PIAPPEM (ATN/MT-10287-ME)—the purpose of which is to help Mexican states strengthen their legal and institutional frameworks, and upgrade their institutional and technical capacity so they can successfully implement PPP arrangements. PIAPPEM would help six Mexican states reform their legal frameworks and strengthen their institutional frameworks and the units that work with PPPs. A key element of the PIAPPEM is to harmonize the implementation of PPP arrangements in participating states, with a view to minimizing uncertainty so the private sector can invest with the public sector in infrastructure development and service delivery in different states.
- 2.8 The UP3/PIAPPEM's initial contacts with the authorities of various Mexican states revealed different levels of political will and capacity to implement the program, two criteria which affect the viability of the PIAPPEM. At the same time, competitive methodology³ was designed for the selection process, based on the criteria set out in the Donors Memorandum on the PIAPPEM: economic impact, rating of the state's debt, political conditions, real capacity for implementation, and poverty level. The UP3/PIAPPEM analysis showed that one of the states with the strongest political will and the most advantageous conditions for implementing the program was Guanajuato, a state where PPPs have the greatest potential to impact local competitiveness.
- 2.9 The present project would support the development and implementation of PPP arrangements in Guanajuato with a view to increasing and improving its public infrastructure and, consequently, the local private sector's prospects for competitiveness. To this end, Guanajuato expressed its interest in participating in the PIAPPEM in a letter of intent to the Bank. On 14 January 2008, as part of the programmed activities of the PIAPPEM, an assessment workshop was held with government authorities to examine its current conditions for participating successfully in PIAPPEM, bearing in mind its institutional, legal, and technical capacity for implementing PPP arrangements. The results of this assessment (Annex VII) were used to design the different actions described in this project.
- 2.10 The project will benefit from a harmonized toolkit developed for the PIAPPEM at the central level, which will be delivered to all states participating in the program. The tools are: (a) the aforementioned assessment of the legal and institutional framework, and of the capacity for PPPs and for identifying a project pipeline (Annex VII); (b) a model PPP contract; (c) a PPP operating manual; (d) technical assistance during the process to set up PPPs; (e) specialized PPP training for staff involved in formulating PPP arrangements; (f) international PPP models; (g) state-of-the-art PPP financing models; and (h) comparative study of laws governing PPPs in the Mexican states.

- 2.11 This project will be included in the MIF cluster “Supporting Competitiveness through Public-Private Partnerships” (document MIF/GN-107).

III. OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The **general objective** is to promote the expansion and improvement of public services and infrastructure through the use of public-private partnerships in Guanajuato. The **purpose** is to strengthen the legal, institutional, and technical capacity of the state government to use harmonized PPP arrangements to boost private participation in expanding and operating public services and infrastructure at the local level.
- 3.2 To achieve these objectives, the project will be divided into three components: (i) formulation of guidelines for the establishment and/or improvement of the legal and regulatory frameworks; (ii) definition and institutional strengthening of the Guanajuato state government so it can implement PPP projects; and (iii) formulation of at least one pilot project.

B. Components

Component I. Formulation of guidelines for the establishment and/or improvement of the legal and regulatory framework (MIF: US\$0; local contribution: US\$70,000)

- 3.3 The objective of this component is to adapt the state’s legal and regulatory framework in order to strengthen capacity to implement PPP arrangements in a climate of certainty and confidence for the private sector. To this end, the state government will secure the services of a legal firm to develop a package of proposals to modify the current legal framework, based on the findings of the assessment (Annex VII).
- 3.4 This legal firm will propose legislative changes that enable the state government to consolidate a reliable and transparent legal framework that permits: (i) implementation of PPP arrangements in Guanajuato; (ii) approval by competent government agencies (State Congress); (iii) multiyear budgets; (iv) commitments to pay by the Government of Guanajuato that qualify as recurrent expenditures rather than public debt; (v) use of clear methodologies for cost-benefit analyses and the evaluation of proposals, and (vi) implementation of clear and transparent processes for awarding contracts.

Component II. Definition and institutional strengthening of the Government of Guanajuato for implementation of PPP projects (MIF: US\$230,500; local contribution: US\$308,000)

- 3.5 The objective of this component is to strengthen the government’s institutional, technical, and operational capacity to formulate PPP projects. To this end, the COPI will hire two specialized consultants to strengthen the technical team of the

government-created Unit for the Promotion of Public-Private Projects (UP3/Guanajuato). The purpose will be to:

- (i) define the mechanics of interagency coordination and operation within the state government for PPP project formulation;
- (ii) identify a pipeline of projects suitable for PPP arrangements;
- (iii) establish contacts and coordination mechanisms between the private and public sectors for identifying and promoting projects, as well as defining areas for cooperation;
- (iv) formulate at least one PPP pilot project that would generate and gain institutional and technical experience in developing PPPs; and
- (v) demonstrate and provide objective criteria for justifying the subsequent institutionalization of a technical unit devoted exclusively to PPP implementation, as suggested by international experience.

3.6 The members of the UP3/Guanajuato will be a coordinator specialized in project design, evaluation, and management; an administrative and/or financial law specialist; a specialist in public structures or building projects; and a finance specialist with experience in project financing and appraisal. Two of these specialists will be financed by the MIF for up to 20 months. Once the first pilot project has been successfully designed, COPI is expected to have sufficient grounds to justify institutionalizing the UP3/Guanajuato as a highly specialized entity that facilitates the implementation of PPP projects.

3.7 As explained in paragraph 2.10, the UP3/Guanajuato will receive a technical toolkit from the UP3/PIAPPEM to strengthen its work.

Component III. Formulation of the pilot project (MIF: US\$85,000; local contribution: US\$753,400)

3.8 The objective of this component is to create a bank of potential PPP projects, and to design at least one PPP pilot project to be implemented by the state government so it can generate and gain institutional and technical experience in PPP arrangements, through activity learning. To this end, the beneficiary will hire consulting services to help create a bank of projects suitable for PPP arrangements, from which the PPP pilot project will be chosen.

3.9 COPI will head the process of identifying, designing, promoting, bidding on, and awarding the pilot project. Through the Unit, it will coordinate the procurement of consulting services for the different feasibility studies, and draw up the contracts and bidding conditions for awarding the pilot project. The outputs of the consulting services will be: (a) environmental and social impact studies; (b) scaling of the optimal level of technology for the project; (c) financial analysis of the project to determine capacity to pay, and analysis of the possibility of including public resources as nonreimbursable financing in order to strengthen financial viability;

and (d) a cost-benefit analysis that demonstrates that it is more beneficial for the institution to develop the project as a PPP arrangement than through traditional public works mechanisms. In addition, the Unit will be responsible for publicizing the project among private investors, at both the national and international levels, and for conducting the necessary bidding and award processes.

- 3.10 These consulting services will be financed with the resources of the executing agency, from the funds of this technical cooperation operation.

IV. COST AND FINANCING

- 4.1 The estimated cost of the project is US\$1,496,727, of which US\$365,326 will be financed by the MIF through ATN/MT-10287-ME, and US\$1,131,400 by the local counterpart (General Coordinating Office for Programming and Management of Public Investments of the Government of Guanajuato) (COPi). At least 50% of the counterpart funding will be in cash. The estimated budget follows:

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

Component	ATN/MT-10287-ME	Contribution Guanajuato	Total	%
I. Formulation of guidelines for the establishment and/or improvement of the legal and regulatory framework	-	70,000	70,000	5%
II. Definition and institutional strengthening of the Government of Guanajuato for implementation of PPP projects	230,500	308,000	538,500	36%
III. Formulation of the PPP/SDP pilot project	85,000	753,400	838,400	56%
Audits	15,000		15,000	1%
Evaluations	18,000		18,000	1%
Contingencies	7,000	-	7,000	1%
Subtotal	353,500	1,131,400	1,484,900	100%
Percentage	24%	76%	100%	
Impact assessment	1,826	-	1,826	
Activities of the cluster	10,000	-	10,000	
Total	365,326	1,131,400	1,496,726	
Percentage	24%	76%		

- 4.2 **Recognition of expenditures.** The Bank may recognize, as part of the local counterpart contribution to the project, expenditures of up to US\$159,000 incurred by the state government since 26 October 2007 (date of the Guanajuato state government's letter of intent to participate in the PIAPPEM program) to carry out the activities described below, provided that procedures similar to Bank procedures, and acceptable to the Bank, have been adhered to. The expenditures will relate to the hiring of consulting services for the following activities:

- 4.3 *Component I: Formulation of guidelines for the establishment and/or improvement of the legal and regulatory framework.* (i) analysis of the current state of the regulatory framework of Guanajuato; (ii) analysis of successful efforts to design legal-financial arrangements; (iii) proposal for adapting the legal and regulatory frameworks to permit the development of SDPs in Guanajuato; and (iv) design and adaptation of regulatory frameworks to ensure institutional efficiency for the development of SDPs in Guanajuato. The estimated cost of these activities is US\$71,000.
- 4.4 *Component III: Formulation of pilot PPP/SDP projects: Studies for the design of the pilot project:* (i) Market studies, economic-financial feasibility studies, basic engineering studies, preliminary activities, environmental studies, and other preinvestment studies; and (ii) advisory services for financial, legal, and technical matters, and for project administration. Up to US\$88,000 in costs may be recognized.
- 4.5 **Sustainability.** The success of the activities, outputs, and models of the Guanajuato project will mobilize private capital as an incentive for investment in the provision of public services and infrastructure. Once the first pilot project has been successfully formulated, the COPI is expected to have sufficient grounds to justify institutionalization of the UP3/Guanajuato as a highly specialized entity that facilitates the implementation of PPP projects. In other words, when the technical cooperation operation with the MIF has come to an end and once the first pilot project has been awarded, the UP3/Guanajuato is expected to be strengthened in the medium and long terms until it has the institutional mandate and technical capacity to carry out, on its own, promotional activities (project identification, evaluation, and selection), as well as oversight, monitoring, and supervision of build and operate contracts. It will also have the capacity to serve as the technical counterpart for consultants designing projects for the state PPP program. Moreover, the municipios of Guanajuato are expected to express interest in PPP arrangements once they become familiar with the project's outcomes.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 The project beneficiary and executing agency will be the Office for the Coordination of Public Investment Programming and Management of the State of Guanajuato (COPI), a deconcentrated state agency with its own legal standing. It was created by Government Decree 33 to arrange for and secure resources to help achieve the government's goals and actions, and to analyze, propose, and promote, in coordination with the appropriate agencies, funding alternatives for investment programs and projects involving the public, private, and social sectors. COPI will act through the General Office for Investment Projects, which will create a Unit for the Promotion of Public-Private Projects (UP3/Guanajuato), to which it will contribute two full-time state government experts, and provide office space. The UP3/Guanajuato will formulate PPP projects in the state, in the short, medium and long terms, and coordinate and implement the present project. The COPI has the

human and technical capacity to facilitate implementation of the programmed activities, as well as the mandate to “coordinate the cost-benefit analysis of the principal investment projects, and to develop and implement the principal projects.”

- 5.2 **Procurement of consulting services and goods.** In the case of resources provided by the MIF, the executing agency will procure goods and related services, and select and engage consulting firms and/or individual consultants, in accordance with Bank procurement policies (documents GN-2349-7 and GN-2350-7, of July 2006). Annex VI contains the project’s first procurement plan, which will be updated at least once a year. For actions to be implemented exclusively with resources provided by the COPI, the executing agency will observe local procurement policies provided they are similar to those of the Bank and acceptable to the latter.
- 5.3 **Execution period.** The execution period will be 22 months and the disbursement period 26 months, each of which will be reckoned from the effective date of the technical-cooperation agreement between the beneficiary and the Bank. The Bank will set up a revolving fund for a maximum of 20% of the MIF contribution, to be managed in a separate account of the local contribution. A financial audit will be conducted at the end of the execution period.
- 5.4 **Project readiness.** The project’s logical framework and itemized budget are ready, and preliminary versions exist of the Operating Regulations, the schedule of activities, and the procurement plans, and are available in the technical files. (These documents are available in the project technical files.)

VI. MONITORING AND EVALUATION

A. Supervision and monitoring

- 6.1 The MIF Office in Mexico (MIF/CME) and the PIAPPEM Office for Technical Coordination will be responsible for supervision and monitoring. The COPI will prepare and submit the project progress reports to the Bank within 30 days after the end of each six-month period, and a final report within 30 days after the last disbursement.

B. Evaluations

- 6.2 The Bank will use project funds to hire consultants for two evaluations (midterm and final). The midterm evaluation will take place when 50% of the financing has been disbursed, or when 50% of the project has been completed, whichever occurs first. Three months before the end of the project implementation period, the Bank-hired consultant will carry out the final evaluation. The executing agency will provide such information as the consultants may need to perform the evaluations. For each evaluation, the following quantitative and qualitative factors will be required as a minimum: (i) the progress of the first pilot PPP project; (ii) the level of interest in the state Congress and relevant executive areas of the state government in supporting PPPs; (iii) the technical advance of UP3/Guanajuato staff

in specialized aspects of PPPs; and (iv) the progress made on the proposed institutional and legal framework for implementation of PPP arrangements in the state government. The evaluations will be based on the indicators in the logical framework and the progress reports, and will indicate if any significant deviations occurred in the activities carried out, recommend corrective measures, and emphasize lessons learned.

VII. BENEFITS AND RISKS

A. Benefits

- 7.1 The project will help create an environment of legal, regulatory, and institutional certainty for the public and private sectors in Guanajuato with respect to long-term contracts, in an effort to promote private participation in the delivery of public services and infrastructure through PPPs. The project will also provide the state government with the tools and capacity to identify, evaluate, and design projects that generate greater benefits, using the PPP methodology. It is also expected to improve access to basic services in the state, especially for low-income people.

B. Risks

- 7.2 In general, the most significant risk anticipated for states participating in the PIAPPEM is the possibility that local congresses will resist changes to the regulations and/or will reject proposals for institutional adjustment. Despite the firm determination of participating authorities to move forward on this matter, the local legislative branch may still reject the proposed changes. To mitigate this risk, the project team has included the following as a key criterion for the selection of states to participate in the PIAPPEM: the political will of their authorities to promote the proposed modifications, and the likelihood that these authorities can forge a consensus in their respective local legislatures. In the case of Guanajuato, the prospects are favorable since there is strong agreement between the local executive and legislative branches.

VIII. SOCIAL AND ENVIRONMENTAL IMPACT

- 8.1 This technical cooperation project includes general technical assistance for the design of projects and for strengthening the legal, regulatory, and institutional factors needed for facilitating the implementation of PPPs in the state. For these reasons, no direct negative environmental and social impacts are expected to result from this operation. Nonetheless, given the pipeline of service delivery and/or infrastructure projects expected to be generated by the present program, financing will be sought for environmental and social impact assessments and for the design of risk mitigation measures, in accordance with national regulations and Bank policies.
- 8.2 As part of the institutional training provided to the states, attention will be given to the possible social and environmental impact of PPP arrangements, and to the use

of best practices in their management and mitigation. The purpose is to ensure that social and environmental criteria are taken into account in both the design of individual projects and the contracts for public-private partnerships for the pipeline of service delivery projects identified under the present operation. In addition, the present project will include mechanisms that encourage the UP3/Guanajuato to promote participation, public consultation, and access to information when it designs PPP projects for which it is responsible.

- 8.3 In accordance with the Bank's toolkit, this project was classified by the project team as a category "C" operation, and this classification was accepted by the ESR on 1 April 2008.

IX. SPECIAL CONTRACTUAL CLAUSES

- 9.1 The first disbursement of the MIF contribution will be contingent on: (i) the beneficiary demonstrating in a manner acceptable to the Bank that it has appointed two specialists in public-private partnerships (PPP) to work full time with the consultants to be hired for the project, and that they have been given office space in COPI with a view to institutionalizing, as a project outcome, a Unit for the Promotion of Public-Private Projects (UP3/Guanajuato), and (ii) proof that COPI has approved the project Operating Regulations.
- 9.2 Replenishment of the revolving fund will be conditional on at least one pilot project being selected for formulation as a PPP arrangement, as described in Component III, and on resources being available for the corresponding studies.

STATE OF GUANAJUATO: PROMOTING PUBLIC-PRIVATE PARTNERSHIPS (PIAPPEM) (ME-M1047)
LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
Goal			
Promote the expansion and improvement of public services and infrastructure in the state of Guanajuato through Public-Private Partnerships (PPPs)	Two years after project completion: a) At least three PPP projects financed with investment in public infrastructure in the state of Guanajuato.	<ul style="list-style-type: none"> Ex post evaluation report by an independent consultant as part of the PIAPPEM. Official statistics of Guanajuato. Information on public infrastructure in Guanajuato prepared by nongovernment institutions. 	<ul style="list-style-type: none"> The political, institutional, macroeconomic, and legal scenarios in Mexico and Guanajuato continue to enable the sustainability of PPP arrangements.
Purpose			
Strengthen the legal and institutional capacity of the Government of Guanajuato to implement PPP/SDP arrangements, facilitating increased private-sector participation in the expansion and operation of state public services and infrastructure.	By the end of the project: <ul style="list-style-type: none"> The Government of Guanajuato has a legal and institutional framework that facilitates the implementation of PPP/SDP arrangements, as well as a pipeline of at least 25 potential projects. A concession and/or services contract has been awarded to at least one pilot project using some type of PPP arrangement. 	<ul style="list-style-type: none"> Government's final report on project outcomes. Final project evaluation report by an independent consultant. Concession and/or services contract signed by the winning bidder. 	<ul style="list-style-type: none"> Private enterprises show a growing interest in participating in PPP arrangements. Resources are available for conducting studies and formulating pilot projects.
Components			
1. Formulation of guidelines for the establishment and/or improvement of the legal and regulatory framework	By month 1, the first draft of the proposed changes to the regulatory framework for strengthening PPP arrangements has been submitted to the Office for the Coordination of Public Investment Programming and Management of the State of Guanajuato (COPI). By month 13, the Reform Law Initiative has been	<ul style="list-style-type: none"> Draft document on adaptation initiative Receipt showing adaptation initiative has been submitted to the state Congress. Project Performance Monitoring Reports (PPMR); semiannual 	<ul style="list-style-type: none"> The Guanajuato state government remains committed to institutionalizing PPP arrangements. The state Congress supports and approves the Initiative.

Narrative summary	Indicators	Means of verification	Assumptions
	formally submitted to the state Congress by the head of the executing agency.	progress reports; midterm and final evaluations; project completion report (PCR).	
2. Definition and institutional strengthening of the state government for implementation of PPP projects	<p>By month 7 , COPI has defined the organizational and operational structure of the Unit for the Promotion of Public-Private Projects (UP3/Guanajuato), as well as its relationship to other government agencies involved in implementing PPPs.</p> <p>By month 2, UP3/Guanajuato has received training in the design of PPP processes, and has a model contract and an operating manual for PPP projects.</p>	<ul style="list-style-type: none"> • Documentation on the organizational and operational structure of the Unit for the Promotion of Public-Private Projects (UP3/Guanajuato) • Training activity reports. • PPMR; semiannual progress reports; midterm and final evaluations; PCR. 	<ul style="list-style-type: none"> • The state government remains committed to institutionalizing PPP arrangements.
3. Formulation of a pilot PPP/SDP project	<p>By month 5, UP3/Guanajuato has identified at least one pilot PPP project to be developed.</p> <p>By month 22, the state government has awarded the concession and/or service contract for the first pilot project formulated according to a PPP/SDP arrangement.</p>	<ul style="list-style-type: none"> • Formal decision of the outcome of the competition to award the long-term concession and/or services contract for the first pilot project designed as a PPP • PPMR; semiannual progress reports; midterm and final evaluations; PCR 	<ul style="list-style-type: none"> • Resources exist for conducting the studies and for formulating the pilot project. • The private sector is interested in participating in PPP arrangements. A sufficient number of potential PPP projects exist to create a tentative project pipeline.

Narrative summary	Indicators	Means of verification	Assumptions
Activities			
Component 1. Formulation of guidelines for the establishment and/or improvement of the legal and regulatory framework			
1.1 Conduct an assessment of the current state of the regulatory framework	By month 1, the analysis of the current regulatory framework has been completed.	<ul style="list-style-type: none"> Final report of the legal adviser on the works contracted by COPI. 	<ul style="list-style-type: none"> The COPI agrees with the proposals of the legal adviser.
1.2 Draw up a proposal for adapting the legal and regulatory frameworks to permit PPP/SDP development.	By month 2, proposal completed for adapting the legal and regulatory frameworks to permit PPP/SDP development.	<ul style="list-style-type: none"> Final report of the legal adviser on the works contracted by COPI. 	
Component 2. Definition and institutional strengthening of the Guanajuato state government for the implementation of PPP projects			
2.1 Appoint director and one specialist for UP3/Guanajuato	By month 1, coordinator and specialist of UP3/Guanajuato technical team have been appointed, charged to the executing agency.	<ul style="list-style-type: none"> Official document establishing the responsibilities and organizational chart of UP3/Guanajuato, duties, and monthly remuneration of the director and the specialist of UP3/Guanajuato 	
2.2 Hire two specialists for UP3/Guanajuato	By month 2, two specialists have been contracted to form part of UP3/Guanajuato, charged to MIF resources.	<ul style="list-style-type: none"> Official document establishing the duties and organizational chart of UP3/Guanajuato, as well as contracts specifying the duties and monthly remuneration of the specialists attached to UP3/Guanajuato 	
2.3 Hire logistical support staff for UP3/Guanajuato	By month 2, a person has been hired to provide logistical support for UP3/Guanajuato, charged to the executing agency.	<ul style="list-style-type: none"> Official document establishing the duties and organizational chart of UP3/Guanajuato, as well as the contracts specifying the duties and monthly remuneration of the logistical support person for UP3/Guanajuato 	

Narrative summary	Indicators	Means of verification	Assumptions
2.4 Procure furniture and equipment for UP3/Guanajuato	By month 2, UP3/Guanajuato has furniture and equipment, charged to MIF.	<ul style="list-style-type: none"> • Receipts for the purchase of computer equipment, furniture, printers, office supplies, etc. 	<ul style="list-style-type: none"> • Skilled professionals are available.
2.5 Transportation and per diems for UP3/Guanajuato staff	Every two months, from the effective date of the agreement, state government experts make external work-related visits, charged to the MIF and the executing agency.	<ul style="list-style-type: none"> • Vouchers of expenditures on transportation and per diems 	
2.6 Guanajuato Forum (to disseminate project outcomes in the public and private sectors)	By month 18, forum held in Guanajuato to disseminate lessons learned and project outcomes, charged to MIF.	<ul style="list-style-type: none"> • Report on the forum 	
2.7 Hold PIAPPEM course.	By month 2, PIAPPEM course held to train UP3/PIAPPEM technical team plus 21 additional staff.	<ul style="list-style-type: none"> • Program and curriculum of the PIAPPEM course • Report on the PIAPPEM course. 	
2.8 Define the institutional framework for implementing PPP/SDP, tailored to the specific needs of Guanajuato.	<p>By month 7 , institutional framework designed for implementing PPP arrangements within COPI, including:</p> <ul style="list-style-type: none"> • The interagency coordination necessary for developing projects involving private-sector participation; and • The creation of contacts and coordination mechanisms among the public and private sectors to identify projects and areas for cooperation. 	<ul style="list-style-type: none"> • Final document on the most efficient organizational structure for the state government to develop, in the short, medium, and long terms, activities to promote, construct, and operate PPPs. 	

Narrative summary	Indicators	Means of verification	Assumptions
Component 3. Design of a PPP/SDP pilot project			
3.1 Design and bid on a pilot PPP project.	By month 22, pilot PPP project formulated and bid on.	<ul style="list-style-type: none"> Formal decision on the outcome of the competition to award the long-term concession and/or services contract for the first pilot project designed as a PPP. 	<ul style="list-style-type: none"> Opportunities for projects exist in Guanajuato.
3.2 Design the PPP/SDP program for 2007/2012.	<p>By month 8 , the PPP/SDP program for 2007/2012 has been defined with the following components:</p> <ul style="list-style-type: none"> Support for the process of identifying and designing projects that can be developed as PPP arrangements; Ranking of PPP/SDP projects; Preparation of planning and programming for local PPP investments; and Identification of financing arrangements suitable for the development of pilot projects. 	<ul style="list-style-type: none"> Final report on the study to prepare a PPP/SDP investment program for 2007/2012, including a list of infrastructure and services projects, and specifying the investment amounts, sources, and financing structure, and annual investment schedule. 	
3.3 Event to promote pipeline of PPP projects	By month 11 , event to promote pipeline of PPP projects held in Guanajuato	<ul style="list-style-type: none"> Report on the proceedings of the event to promote the pipeline of PPP projects 	
3.4 Materials for disseminating pilot project	By month 13, materials for disseminating pilot project printed, charged to MIF.	<ul style="list-style-type: none"> Receipts for payment of the materials 	
3.5 Materials for disseminating project pipeline	By month 11, materials for disseminating project pipeline printed, charged to MIF.	<ul style="list-style-type: none"> Receipts for payment of the materials 	
3.6 International road show to launch pilot project	By month 15, international road show for the pilot project held for foreign investors, charged to MIF and the executing agency.	<ul style="list-style-type: none"> Report on the proceedings of the international road show 	
3.7 State road show to launch pilot project	By month 16, state road show for pilot project held in Guanajuato, charged to MIF and the executing	<ul style="list-style-type: none"> Report on the proceedings of the state road show 	

Narrative summary	Indicators	Means of verification	Assumptions
	agency.		
3.8 Individual meetings with investors regarding pilot project	By month 17, individual meetings held with investors regarding pilot project, charged to MIF and the executing agency.	<ul style="list-style-type: none"> • Minutes of the meeting with investors 	
3.9 Studies for formulating pilot project	By month 12, the studies and projects for formulating the pilot project conducted, charged to executing agency.	<ul style="list-style-type: none"> • Contracts signed with specialized firms for conducting studies and projects for formulating the pilot project 	

STATE OF GUANAJUATO: PROMOTING PUBLIC-PRIVATE PARTNERSHIPS (PIAPPEM) (ME-M1047)

BUDGET SUMMARY

	ATN/MT- 10287- ME/MIF	Guanajuato Cash	Guanajuato In-kind	Total
Component I. Formulation of guidelines for the establishment and/or improvement of the legal and regulatory framework	0	70,000	0	70,000
Activity 1.1: Analysis of the current state of the regulatory framework	0	21,000	0	21,000
Activity 1.2: Analysis of successful efforts to design legal-financial arrangements	0	28,000	0	28,000
Activity 1.3: Proposal for adapting the legal and regulatory frameworks to enable development of SDPs	0	21,000	0	21,000
Component II: Definition and institutional strengthening of the PPP executing unit in Guanajuato	230,500	128,000	180,000	538,500
Activity 2.1: Appointment of the director and one specialist for the UP3/Guanajuato	0	0	129,000	129,000
Activity 2.2: Contracting of 2 specialists for UP3/Guanajuato	129,000	0	0	129,000
Activity 2.3: Contracting of logistical support staff for UP3/Guanajuato	0	35,500	0	35,500
Activity 2.4: Furniture and equipment for UP3/Guanajuato	15,000	0	0	15,000
Activity 2.5: Transportation and per diems for professionals of UP3/Guanajuato	16,500	16,500	0	33,000
Activity 2.6 Forum to publicize outcomes of the PIAPPEM/ Guanajuato project	20,000	0	0	20,000
Activity 2.7: Participation of Guanajuato officials in PIAPPEM course	0	0	51,000	51,000
Activity 2.9: Cost of logistics for PIAPPEM course	0	6,000	0	6,000
Activity 2.10: Definition of institutional framework for implementing PPP/SDP, tailored to specific needs of Guanajuato	50,000	70,000	0	120,000
Component III: Design of PPP/SDP pilot project	85,000	753,400	0	838,400
Activity 3.1: Support for defining the PPP/SDP program for 2007/2012	0	55,000	0	55,000
Activity 3.2: Event to promote project pipeline	32,000	32,000	0	64,000
Activity 3.3: Materials for disseminating pipeline of PPP projects	17,000	0	0	17,000
Activity 3.4: Materials for disseminating pilot project	15,000	0	0	15,000
Activity 3.5: Organization of and participation in international road show for pilot project	14,000	13,500	0	27,500
Activity 3.6: Organization of and participation in state road show for pilot project	5,000	2,500	0	7,500
Activity 3.7: Organization of and participation in individual meetings with investors for pilot project	2,000	400	0	2,400
Activity 3.8: Studies for design of pilot project	0	650,000	0	650,000
Audits	15,000	0	0	15,000
Evaluations	18,000	0	0	18,000
Contingencies	5,000	0	0	5,000
SUBTOTAL	353,500	951,400	180,000	1,484,900
Impact assessment account	1,827	0	0	1,827
Activities of the cluster	10,000	0	0	10,000
TOTAL	365,327	951,400	180,000	1,496,727

**STATE OF GUANAJUATO: PROMOTING PUBLIC-PRIVATE PARTNERSHIPS (PIAPPEM)
(ME-M1047)**

PROJECT CLUSTER “SUPPORTING COMPETITIVENESS THROUGH PUBLIC-PRIVATE PARTNERSHIPS”

	Project N°/ Date of Approval	Project title, executing agency, and amount	Date signed and original disbursement period in months	Percentage disbursed	Observations: Satisfactory execution or problems encountered during execution, including delays, extensions, reformulation, change of executing agency, etc.
1	ATN/MT-8724-BR 19 May 2004	Public-Private Partnership Programs Ministry of Planning and Budget US\$675,000	5 July 2004 36 months	52.52%	The project activities agreed upon for achieving the objectives set continue to be carried out satisfactorily.
2	ATN/MT-9587-BR 14 December 2005	National Program for Institutional Development of Public Private Partnerships Ministry of Planning and Budget US\$2,480,000	20 October 2006 36 months	0%	The project is advancing slowly, with counterpart resources (approximately US\$200,000 to date), and an arrangement for reimbursement of MIF resources, when these rather than resources from the revolving fund were used to cover expenses incurred.
3	ATN/MT-9636-CO 21 December 2005	Program of Public-Private Partnerships in IIRSA National Concession Institute US\$420,000	31 August 2006 24 months	20%	Although delays occurred early in project execution, the issues were satisfactorily addressed and now the project is proceeding according to plan.
4	ATN/MT-10287-ME 14 February 2007	Program to Promote Public-Private Partnerships in Mexican States– PIAPPEM IDB US\$ 3,930,000	14 February 2007 60 months	2.57%	Performance indicators show a positive trend and it is highly likely the assumptions are valid.