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MULTILATERAL INVESTMENT FUND

MEXICO

**FEDERAL DISTRICT: PROMOTION OF PUBLIC-PRIVATE
PARTNERSHIPS**

(ME-M1043)

DONORS MEMORANDUM

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ABBREVIATIONS

MIF	Multilateral Investment Fund
PCR	Project completion report
PIAPPEM	Program to Promote Public-Private Partnerships in Mexican States (ATN/MT-10287-ME)
PPMR	Project performance monitoring report
PPP	Public-private partnership
SDP	Service Delivery Project (a Mexican form of PPP)

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I. EXECUTIVE SUMMARY

Executing agency:	Federal District’s Department of Finance, through its Office of the Deputy Secretary for Planning		
Beneficiaries:	The direct beneficiaries of the project will be: (i) private companies, which will have the legal and institutional certainty they require to invest in infrastructure projects and the delivery of public services; (ii) the Government of the Federal District, which will improve its capacity to optimize the use of public funds; and (iii) the people, businesses, and industry that will have greater access to more diverse, efficient, and better quality public services and infrastructure.		
Financing:	Modality:		
	ATN/MT-10287-ME (nonreimbursable):	US\$284,824 ¹	(39%)
	Local counterpart:	<u>US\$440,500</u>	(61%)
	Total:	US\$725,324²	(100%)
Objectives:	The general objective is to promote the expansion and improvement of public services and infrastructure through the use of public-private partnerships (PPPs) in the Federal District. The purpose is to strengthen the legal and institutional capacity of the Federal District government, so it can apply harmonized PPP models, thereby increasing private participation in the expansion and operation of infrastructure and public services.		
Execution timetable:	Execution period:	22 months	
	Disbursement period:	26 months	
Special contractual clauses:	As conditions precedent to the first disbursement of the MIF’s contribution: (i) the beneficiary will appoint two PPP specialists to work exclusively with the consultants hired for the project and provide them with work space at the Office of the Deputy Secretary for Planning, with a view towards formally establishing a permanent public-private project promotion unit as a project outcome; and (ii) evidence of the Office of the Deputy Secretary for Planning’s approval of the Operating Regulations for the project will be presented. The subsequent		

¹ The MIF contribution includes US\$1,367 for the impact evaluation account.

² This includes resources for PPP cluster activities.

replenishment of the revolving fund will be subject to evidence of the selection of a pilot project to be structured as a PPP, as described in Component III, as well as evidence of the availability of resources to perform the respective studies.

**Environmental
and social
review:**

In accordance with the Bank's toolkit, this project has been classified as a category "C" operation, which was accepted by the Environmental and Social Impact Review Secretariat on 10 December 2007.

II. BACKGROUND

- 2.1 Mexico City is one of the world's most populous cities. Its metropolitan area is home to nearly 20 million people, thousands of whom live without access to the basic items they need to improve their standard of living and personal development. The poverty affecting large groups of the population and the dearth of job opportunities translate into large urban areas of exclusion in which residents are subjected to a continuous vicious circle that perpetuates their marginalization.
- 2.2 In addition to the public services critical to fighting poverty and inequality, the residents of Mexico City require a modern, quality infrastructure. The need for an efficient, dynamic, and ever-expanding transport system warrants special attention. The rehabilitation of public spaces is essential for attracting productive investment, as well as for improving public safety. Citizens are demanding improved housing conditions and the refurbishment of their streets and avenues. And to boost quality of life, an adequate health, education, and water supply infrastructure is needed.
- 2.3 Nevertheless, the levels of public investment, particularly in public works, have contracted over the last 11 years. In 1995, investment in public works as a percentage of the Federal District's net spending was 25.9%, compared to 13.9% in 2006. This drastic reduction is largely due to a weakening in the Federal District's capacity to finance productive and consumer activities as a result of the 1994 economic and financial crisis, which has lingered as demographic growth has exploded and the District's financing capacity has eroded. According to the Federal District's Office of the Deputy Secretary for Planning, the contraction in public investment spending has widened the gap between demand for services and the supply capacity.
- 2.4 The seriousness of this contraction is underscored by the fact that infrastructure assets positively impact economic growth and the income gap shrinks as the quantity and quality of infrastructure increases. Unfortunately, it is difficult to justify the type of budgetary increase that would allow the infrastructure deficit to be addressed, especially considering the budgetary needs of other items higher on the social agenda. Nevertheless, postponing investment in infrastructure means restricting the city's capacity for economic growth and limiting its competitiveness.
- 2.5 Given the scarcity of public resources, the Federal District has decided to use the public-private partnership (PPP) model as an alternative for mitigating the infrastructure deficit, finding more efficient forms of financing, spending public resources more efficiently, freeing up resources for investment in other social priorities, pressing for delivery of better public services, and promoting private investment and innovation in public infrastructure projects. Private sector participation in infrastructure financing is a strategic course of action the Federal District will take in order to reduce the ongoing restrictions it faces in this area.
- 2.6 **The problem to be addressed.** Although the PPP system has become sufficiently consolidated at the federal level in various types of concessions and service delivery projects (SDP), the Federal District lacks an appropriate legal and institutional

framework for the effective implementation of PPP models. Moreover, there are still major deficiencies in institutional and technical capacity that would prevent the authorities from participating fully in the structuring of PPP projects and acting as serious technical partners with the various participants in PPP projects. Consequently, very few projects have been offered to the private sector locally, and those have been quite limited in scope.

- 2.7 The Federal District would like to have adequate, reliable legal and institutional frameworks that clearly define the rules of the game and provide private investors with the certainty needed to drive the formation of PPPs at an attractive cost. It would also like to have the institutional and technical capacity that would allow it to be a technical partner in the processes of evaluation, prioritization, structuring, design, and promotion of PPP projects among private investors.
- 2.8 **Federal District/PIAPPEM collaboration project.** In February 2007, the Multilateral Investment Fund (MIF) Donors Committee approved the Program to Promote Public-Private Partnerships in Mexican States (PIAPPEM) (ATN/MT-10287-ME), whose purpose is to help Mexican states³ strengthen their legal and institutional frameworks, as well as their institutional and technical capacity, in order to successfully implement PPP models. PIAPPEM is structured as an umbrella program, to support six Mexican states in reforming their legal frameworks and strengthening their respective institutional structures and units related to PPPs. A core element of the program is to harmonize implementation of PPP models in the various participating states, in order to minimize the private sector's uncertainty about investing with the public sector in infrastructure and delivery of services in the various state jurisdictions.
- 2.9 Based on the PIAPPEM Technical Coordination Office's initial consultations with authorities in several states, the political will and capacity to implement the program vary considerably, weakening the feasibility of PIAPPEM. Accordingly, a competitive selection methodology⁴ was developed to address the criteria set forth in the PIAPPEM Donors Memorandum: economic impact, state debt rating, political conditions, and actual implementation capacity, as well as the level of marginalization. Based on the analysis prepared by the Technical Coordination Office, the Federal District was identified as one of the entities with the strongest political will and the most favorable conditions for implementing the program, and where PPPs are most likely to boost local competitiveness.
- 2.10 This project is the first in the PIAPPEM program and aims to support the development and implementation of PPP models in the Federal District, expanding and improving its public infrastructure and therefore the potential competitiveness of the local private sector. For such purposes, on 3 August 2007, as part of

³ The PIAPPEM Donors Memorandum classifies the federal district as an eligible subnational entity.

⁴ The methodology is described in detail in Annex IX, "State selection process for implementation of the PIAPPEM program," approved by the PIAPPEM review committee, and included in the corresponding changes to the Operating Regulations.

scheduled PIAPPEM activities, a diagnostic workshop was held with Federal District authorities to analyze the District's ability to participate successfully in the PIAPPEM vis-à-vis its institutional, legal, and technical capacity to implement PPP models. The findings of this assessment (Annex VII) guided the development of the various actions planned as part of this project.

- 2.11 This project will benefit from a kit of harmonized tools developed centrally within the PIAPPEM framework for delivery to all states participating in the program. These tools are: (a) the abovementioned diagnostic assessment of the legal and institutional framework and PPP capacities, and the identification of a project portfolio (Annex VII); (b) a model PPP contract; (c) a model PPP operating manual; (d) technical assistance in PPP structuring processes; (e) a PPP specialization course for officials involved in implementing these models; (f) international PPP models; (g) the state of the art in PPP financing models; and (h) a comparative study of PPP laws in Mexican states.
- 2.12 This project will be part of 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 (PPPs) in the Federal District. The **purpose** is to strengthen the legal, institutional, and technical capacity of the Federal District government, so it can apply harmonized PPP models, thereby increasing private participation in the expansion and operation of infrastructure and public services at the local level.
- 3.2 To achieve these objectives, the project has three components: (i) development of standards for establishing and/or improving the legal and regulatory framework; (ii) organization and institutional strengthening of the Federal District government for the execution of PPP projects; and (iii) structuring of a pilot project.

B. Project components

Component I. Development of standards for establishing and/or improving the legal and regulatory framework (MIF: US\$0; local counterpart: US\$57,500)

- 3.3 This component's objective is to develop a legal and regulatory framework that enables the Federal District to implement PPP models that provide the private sector with certainty and confidence. To do this, the Federal District will engage the services of a law firm to develop, using the findings of the diagnostic assessments (Annex VII), a package of proposals for the reform of the current legal framework, as well as a legal proposal for the organization and structure of a public-private project promotion unit in the Federal District.

- 3.4 The legislative reforms will provide a reliable, transparent legal framework that will allow: (i) the implementation of PPP models in the Federal District; (ii) approvals by competent governmental authorities (legislative assembly); (iii) multiyear budgets; (iv) payment commitments by the Federal District that qualify as current spending rather than public debt; (v) the use of clearly defined methodologies for conducting cost-benefit analyses and evaluating proposals; and (vi) the implementation of clear and transparent processes for awarding contracts.

Component II. Organization and institutional strengthening of the Federal District government for the execution of PPP projects (MIF: US\$192,000; local counterpart: US\$383,000)

- 3.5 This component's objective is to strengthen the Federal District's institutional, technical, and operational capacity for structuring PPP projects. To do this, the technical team making up the public-private project promotion unit to be established by the Federal District will be strengthened. The unit's purposes will be: (i) to develop interagency operations and coordination mechanisms within the Federal District for structuring PPP projects; (ii) to identify a portfolio of projects that can be developed under PPP models; (iii) to establish contact and institute coordination between the public and private sectors in order to identify and promote projects and areas of cooperation; (iv) to structure at least one pilot PPP project to create and cultivate institutional and technical experience in PPP development; and (v) to serve as a demonstration experience that lays a foundation for the subsequent creation of a technical unit devoted exclusively to PPP implementation, as suggested by international experience.
- 3.6 The public-private project promotion unit will consist of a coordinator specialized in project design, evaluation, and management, a specialist in administrative and/or financial law, a specialist in public construction or building projects, and a specialist in finance with knowledge of project financing techniques and project evaluation. Two of these specialist consultants will be financed by the MIF for a period not to exceed 20 months. The PIAPPEM Technical Coordination Office will provide the project with a technical toolkit to strengthen its work (see paragraph 2.11), as well as technical assistance in structuring the pilot PPP project and an intensive harmonized PPP specialization course for approximately 20 Federal District officials involved in PPP development.

Component III. Structuring of a pilot project (MIF: US\$30,000; local counterpart: US\$0)

- 3.7 This component's objective is to structure a pilot PPP project that will serve as a practical learning experience for the Federal District to create and build its institutional and technical capacity for developing PPP models. The public-private project promotion unit will take the lead in identifying, structuring, promoting, tendering, and contracting a PPP project. To do this, it will have to coordinate the various technical, economic, design, feasibility, and impact studies needed, as well as the bidding documents and conditions and corresponding contract. These studies

will be financed by the executing agency using resources other than those committed under this technical-cooperation project.

- 3.8 The technical-economic and financial feasibility analyses will consider, *inter alia*, the following: (a) environmental and social impact studies; (b) scaling of the most appropriate level of technology for the project; (c) financial analysis of the project to determine ability to pay, as well as the possibility of incorporating nonreimbursable public resources to make it financially viable; and (d) a cost-benefit analysis to demonstrate that the entity will benefit more by using a PPP model to implement the project than by using traditional public works mechanisms. The promotion unit will also promote the project to developers, builders, operators, private investors, and financial institutions, and conduct the corresponding tendering and contracting processes.

IV. COST AND FINANCING

- 4.1 The estimated cost of the project is US\$725,324. Of this amount, the MIF will contribute US\$284,824 through ATN/MT-10287-ME, and the Federal District will contribute US\$440,500, of which at least 50% will be in cash. The estimated budget is presented in the following table:

Table 1. Budget by component (US\$)

Components	ATN/MT-10287-ME	Local counterpart	Total	%
I. Development of standards for establishing and/or improving the legal and regulatory framework		57,500	57,500	8
II. Organization and institutional strengthening of the Federal District government for the execution of PPP projects	192,000	383,000	575,000	81
III. Structuring of a pilot PPP/SDP project	30,000	-	30,000	4
Audits	17,250	-	17,250	2
Evaluations (midterm and final)	17,250	-	17,250	2
Contingencies	16,900	-	16,900	2
Subtotal	273,400	440,500	713,900	100
Percentage	38	62	100	
Impact evaluation account ⁵	1,424	-	-	-
PPP cluster activities	10,000	-	-	-
TOTAL	284,824	440,500	725,324	-

- 4.2 **Recognition of expenditures.** The Bank may recognize up to US\$63,250 in expenditures incurred by the Federal District on or after 3 August 2007 (date of the diagnostic assessment workshop on PPP capacity, see paragraph 2.9) against the local counterpart contribution, provided the Federal District's procurement policies

⁵ MIF II Commitments – Managing for Results – Impact Evaluation System (document MIF/GN-92-4).

and procedures have been followed. These expenditures were incurred to contract the consulting services for activities planned under Component I (Development of standards for establishing and/or improving the legal and regulatory framework), as follows: (i) analysis of the Federal District's regulatory framework; (ii) analysis of successful experiences in structuring legal-financial models; (iii) proposal to adapt the legal and regulatory frameworks to execute SDPs in the Federal District; and (iv) development and adaptation of regulatory frameworks to create institutional mechanisms for the development of SDPs in the Federal District.

- 4.3 **Sustainability.** The outcomes of the activities, outputs, and models produced by the project in the Federal District are expected to mobilize the private capital that will drive investment in public services and infrastructure. Once the first pilot project has been successfully structured, the Department of Finance is expected to have the evidence it needs to justify the creation of a highly specialized entity to facilitate implementation of successive PPP projects, namely, the public-private project promotion unit. In other words, by the time the technical-cooperation project with the MIF has been completed and a contract for the first pilot project has been awarded, the promotion unit is expected to have received sufficient strengthening to give it the institutional mandate and technical capacity it needs to independently perform, in the medium and long term, promotion (project identification, evaluation, and selection), control, monitoring, and oversight activities for contracts in the construction and operation stages, as well as serve as the technical partner for consultants during the structuring of projects in the local PPP program. It is also expected that the boroughs making up the Federal District will take an interest in applying PPP models once they see the project outcomes.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 The project's executing agency will be the Federal District's Department of Finance through its Office of the Deputy Secretary for Planning, which will form a public-private project promotion unit and exclusively assign to it two specialists from the Federal District government, as well as work space. The Department of Finance has the human and technical capacity to facilitate implementation of the planned activities, as well as the mandate to "coordinate the cost-benefit analysis of the main investment projects, as well as the development and implementation of the main projects."
- 5.2 **Procurement.** For the resources contributed by the MIF, the executing agency will procure goods and related services and select and contract consulting firms and/or individual consultants in accordance with the applicable Bank policies set forth in documents GN-2349-7 and GN-2350-7. Annex VI contains the project's first procurement plan, which will be updated at least once yearly. For the resources contributed by the Federal District, the executing agency will follow Federal District's procurement policies.

- 5.3 **Execution period.** The project will have an execution period of 22 months and a disbursement period of 26 months. The Bank will establish a revolving fund for a maximum of 20% of the MIF contribution, which will be managed in an account separate from 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, itemized budget, and preliminary versions of the Operating Regulations, schedule of activities, and procurement plan have been prepared and are available in the technical files (Annexes I, II, IV, V, and VI).

VI. MONITORING AND EVALUATION

A. Supervision and monitoring

- 6.1 The MIF and the PIAPPEM Technical Coordination Office will be responsible for supervision and control. The Office of the Deputy Secretary for Planning, through the public-private project promotion unit, will prepare and deliver progress reports to the Bank within 30 days after the end of each six-month period, and a final report within 30 days following the last disbursement.

B. Evaluations

- 6.2 Two evaluations will be contracted by the Bank using project resources. The first will be conducted when 50% of the MIF's contribution has been disbursed or halfway into the execution period, whichever occurs first. The final evaluation will be completed three months prior to completion of project execution. Both evaluations will consider at least the following quantitative and qualitative elements: (i) progress of the first pilot PPP project; (ii) the level of interest in the Federal District legislature and the relevant Federal District executive agencies in supporting PPP; (iii) technical progress of the officials in the PIAPPEM Technical Coordination Office on specialized PPP issues; and (iv) progress in the proposal for an institutional and legal framework that facilitates implementation of PPP models in the Federal District government. These analyses will be based on the indicators in the logical framework and the progress reports. The evaluations will indicate whether planned activities have fallen significantly behind schedule and recommend corrective measures, with an emphasis on lessons learned.

VII. BENEFITS AND RISKS

A. Benefits

- 7.1 The project will help create an environment of legal, regulatory, and institutional certainty for long-term contracts between the public and private sectors in the Federal District, which will promote participation by the private sector in the delivery of services and infrastructure through PPP models. The project will also provide the Federal District with the tools and the capacity to identify, evaluate, and

structure the projects that produce the greatest benefits through the use of the PPP methodology.

B. Risks

- 7.2 The most significant risk anticipated in the states participating in the PIAPPEM is potential structural resistance in local legislatures to the proposed regulatory and/or institutional changes. Despite the participating authorities' desire to move forward, local legislatures may decline to approve the proposed changes. To mitigate this risk, the project team has identified some key criteria for selecting states to participate in the PIAPPEM program. These criteria are the political will of state authorities to promote the proposed changes and the likelihood that the authorities will be able to build consensus among their respective local legislatures. The case of the Federal District government looks favorable inasmuch as there is significant agreement between the local executive and legislative branches.

VIII. SOCIAL AND ENVIRONMENTAL IMPACT

- 8.1 This technical-cooperation project consists of general technical assistance in project preparation and legal, regulatory, and institutional strengthening to facilitate the implementation of PPP models at the state level. For these reasons, no negative environmental or social impacts are expected as a direct result of this operation. Nevertheless, with respect to the portfolio of service/infrastructure projects that this operation is expected to generate, financing will be sought to conduct environmental and social impact assessments and prepare 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 that may be associated with the implementation of PPPs, as well as the best practices for their management and mitigation. This will ensure that social and environmental criteria are considered in the preparation of individual projects and PPP contracts, as a portfolio of service projects for this operation is developed. Lastly, mechanisms will be included to ensure that the public-private project promotion unit encourages public participation and consultation, and access to information as it structures the PPP projects under its responsibility.
- 8.2 In accordance with the Bank's toolkit, this project has been classified by the project team as a category "C" operation, which was accepted by the Environmental and Social Impact Review Secretariat on 10 December 2007.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 As conditions precedent to the first disbursement of the MIF's contribution: (i) the beneficiary will appoint two PPP specialists to work exclusively with the consultants hired for the project and provide them with work space at the Office of the Deputy Secretary for Planning, with a view towards formally establishing a permanent public-private project promotion unit as a project outcome; and

(ii) evidence of the Office of the Deputy Secretary for Planning's approval of the Operating Regulations for the project will be presented. The subsequent replenishment of the revolving fund will be subject to evidence of the selection of a pilot project to be structured as a PPP, as described in Component III, as well as evidence of the availability of resources to perform the respective studies.

**FEDERAL DISTRICT: PROMOTION OF PUBLIC-PRIVATE PARTNERSHIPS (PIAPPEM)
(ME-M1043)**

LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
Goal			
To boost the competitiveness of the Federal District by promoting the expansion and improvement of public services and infrastructure through the use of PPP/SDP models.	Two years after project completion: (a) At least three projects involve investment in public infrastructure with private participation (PPP/SDP) in the Federal District. (b) The public infrastructure index improves by at least 15 percentage points in the Federal District.	<ul style="list-style-type: none"> Ex post evaluation report by an independent consultant as part of the PIAPPEM. Official Federal District infrastructure statistics. Federal District public infrastructure indexes developed by nongovernmental institutions. 	<ul style="list-style-type: none"> The macroeconomic, political, institutional, and legal climate in Mexico and the Federal District remains favorable for ensuring the sustainability of PPP models.
Purpose			
To strengthen the legal and institutional capacity of the Federal District government so it can apply PPP/SDP models, thereby increasing private participation in the expansion and operation of infrastructure and public services.	Upon completion of project execution: <ul style="list-style-type: none"> The Federal District has a legal and institutional framework to facilitate the implementation of PPP/SDP models, in addition to a portfolio of at least 25 potential projects. A service concession and/or contract has been awarded for at least one pilot project using a PPP model. 	<ul style="list-style-type: none"> Final report by the Federal District on project outcomes. Final evaluation report by an independent consultant. The service concession and/or contract signed by the successful bidder. 	<ul style="list-style-type: none"> Private-sector interest in participating in PPP models increases. Resources are available for studies and the structuring of pilot projects.
Components			
1. Development of standards for establishing and/or improving the legal and regulatory framework.	By month three, the first draft of the bill to reform the regulatory framework to make PPP models viable is submitted to the Federal District's Finance Department.	<ul style="list-style-type: none"> Draft bill Receipt of delivery of the bill to the legislative assembly. 	<ul style="list-style-type: none"> The Federal District remains committed to incorporating PPP models into the institutional framework.

Narrative summary	Indicators	Means of verification	Assumptions
	By month six, the reform bill is formally submitted to the legislative assembly by the Federal District's Finance Department.	<ul style="list-style-type: none"> • Project performance monitoring reports (PPMR); semiannual progress reports; midterm and final evaluations; project completion report (PCR). 	<ul style="list-style-type: none"> • The local legislative assembly supports and approves the initiative.
2. Organization and institutional strengthening of the Federal District government for the execution of PPP projects.	<p>By month seven, the Federal District's Department of Finance has defined the organizational and operational structure of the Public-Private Project Promotion Unit and its relationship with the other government entities involved in the implementation of PPP.</p> <p>By month five, the Promotion Unit has been trained in PPP structuring processes and has a model contract and an operations manual for PPP projects.</p>	<ul style="list-style-type: none"> • Documentation on the organizational and operational structure of the Public-Private Project Promotion Unit. • Final report on the 2007/2012 PPP investment program. • Training activity reports. • PPMR; semiannual progress reports; midterm and final evaluations; PCR. 	<ul style="list-style-type: none"> • The Federal District remains committed to incorporating PPP models into the institutional framework. • There are enough potential PPP projects to generate a preliminary portfolio.
3. Structuring of a pilot PPP/SDP project.	<p>By month five, the Promotion Unit has identified at least one pilot PPP project.</p> <p>By month 22, the Federal District's Finance Department has awarded the service concession and/or contract for the first pilot project structured under the PPP/SDP model.</p>	<ul style="list-style-type: none"> • Certificate of award of a long-term service concession and/or contract for the first pilot project structured under the PPP model. • PPMR; semiannual progress reports; midterm and final evaluations; PCR. 	<ul style="list-style-type: none"> • Resources are available for studies and the structuring of pilot projects. • The private sector is interested in participating in PPP models.

Narrative summary	Indicators	Means of verification	Assumptions
Activities			
Component 1. Development of standards for establishing and/or improving the legal and regulatory framework			
1.1 Perform the analysis of the current regulatory framework.	By month two, the analysis of the current regulatory framework is complete.	<ul style="list-style-type: none"> Final report of the legal advisor on the work contracted by the Federal District's Finance Department. 	<ul style="list-style-type: none"> The Federal District's Finance Department agrees with the proposals made by the legal consultant.
1.2 Develop a proposal to adapt the legal and regulatory frameworks for PPP/SDP.	By month three, a proposal is developed to adapt the legal and regulatory frameworks for PPP/ SDP.	<ul style="list-style-type: none"> Final report of the legal advisor on the work contracted by the Federal District's Finance Department. 	
1.3 Develop a legal proposal for the organization and structure of the Public-Private Project Promotion Unit.	By month three, a proposal is developed for the organization and structure of the Promotion Unit.	<ul style="list-style-type: none"> Final report of the legal advisor on the work contracted by the Federal District's Finance Department. 	
Component 2. Organization and institutional strengthening of the Federal District government for the execution of PPP projects			
2.1 Appoint a director and a specialist to the Public-Private Project Promotion Unit.	By month two, the coordinator and specialist of the Unit's technical team are contracted by the executing agency.	<ul style="list-style-type: none"> Official document indicating the powers and organization of the Promotion Unit, as well as contracts stipulating the functions and monthly compensation of the Promotion Unit director and specialist. 	<ul style="list-style-type: none"> Qualified personnel are available.

Narrative summary	Indicators	Means of verification	Assumptions
2.2 Contract of two specialists for the Promotion Unit.	By month two, two specialists for the Unit are hired using MIF resources.	<ul style="list-style-type: none"> • Official document indicating the powers and organization of the Promotion Unit, as well as contracts stipulating the functions and monthly compensation of the Promotion Unit specialists. 	
2.3 Equip the Promotion Unit.	By month two, the Promotion Unit has an assigned and properly equipped workspace.	<ul style="list-style-type: none"> • Document indicating the assignment of office space, as well as receipts for the purchase of computers, furniture, printers, letterhead, etc. 	
2.4 Hold a Federal District government forum (disseminate project outcomes to the public and private sectors)	By month five, a forum is held in the Federal District to disseminate national and international experiences with PPPs.	<ul style="list-style-type: none"> • Descriptive report on the forum. 	
2.5 Hold PIAPPEM course.	By month five, the PIAPPEM course is held to train the PIAPPEM technical team plus 21 officials.	<ul style="list-style-type: none"> • Program and content of the PIAPPEM course. • Descriptive report on the PIAPPEM course. 	
2.6 Develop the institutional framework for PPP/SDP implementation adapted to the specific needs of the Federal District.	<p>By month five, the institutional framework for implementing PPP models in the Finance Department is defined with the following considerations:</p> <ul style="list-style-type: none"> • The interagency coordination needed for implementation of PPPs; and • The establishment of contact and coordination between the public and private sectors in order to identify projects and areas of cooperation. 	<ul style="list-style-type: none"> • Final document on the most efficient organizational design for the Federal District, for PPP promotion, construction, and operation activities in the short, medium, and long term. 	

Narrative summary	Indicators	Means of verification	Assumptions
Component 3. Structuring of a pilot PPP/SDP project			
3.1 Structure and tender a pilot PPP project.	By month 22, a pilot PPP project is structured and tendered.	<ul style="list-style-type: none"> • Certificate of award for a long-term service concession and/or contract for the first pilot project structured under the PPP model. 	<ul style="list-style-type: none"> • Project opportunities exist in the Federal District.
3.2 Develop the 2007/2012 PPP/SDP program.	<p>By month seven, the 2007/2012 PPP/SDP program is defined with the following components:</p> <ul style="list-style-type: none"> • Support in the process of identification and design of projects that can be developed using a PPP model; • Ranking of PPP/SDP projects; • Development of planning and programming for local PPP investments; and • Identification of appropriate financing models for pilot projects. 	<ul style="list-style-type: none"> • Final report on the study to develop the 2007/2012 PPP/SDP investment program, including a list of infrastructure and service projects that specifies the investment amounts, and financing sources and structure, and an annual schedule of investments. 	

**FEDERAL DISTRICT: PROMOTION OF PUBLIC-PRIVATE PARTNERSHIPS (PIAPPEM)
(ME-M1043)**

SUMMARY BUDGET

	MIF /PIAPPEM (Cash)	Fed. District Govt. Cash	Fed. District Govt. In kind	Total
Component I. Development of standards for establishing and/or improving the legal and regulatory framework	0	57,500	0	57,500
Activity 1.1: Analysis of the current regulatory framework.	0	14,375	0	14,375
Activity 1.2: Proposal to adapt the legal and regulatory frameworks for PPP/SDP.	0	14,375	0	14,375
Activity 1.3: Legal proposal for the organization and structure of the Public-Private Project Promotion Unit.	0	14,375	0	14,375
Activity 1.4: Training senior management from participating enterprises on inclusive business issues.	0	14,375	0	14,375
Component II: Organization and institutional strengthening of the PPP execution unit in the Federal District government	192,000	163,000	220,000	575,000
Activity 2.1: Appointment of the Promotion Unit director and one specialist.	0	0	160,000	160,000
Activity 2.2: Contracting of two Promotion Unit specialists.	161,000	0	0	161,000
Activity 2.3: Equipping of the Promotion Unit.	11,500	0	0	11,500
Activity 2.4: Federal District forum on PPP/SDP (disseminate project outcomes to the public and private sectors).	19,500	0	0	19,500
Activity 2.5: Attendance at PIAPPEM course for Federal District government officials.	0	0	60,000	60,000
Activity 2.6: Development of the institutional framework for PPP/SDP implementation adapted to the specific needs of the Federal District.	0	163,000	0	163,000
Component III: Structuring of a pilot PPP/SDP project	30,000	0	0	30,000
Activity 3.1: Support in defining the 2007/2012 PPP/SDP program.	30,000	0	0	30,000
Audits	17,250	0	0	17,250
Evaluations	17,250	0	0	17,250
Contingencies	16,900	0	0	16,900
SUBTOTAL	273,400	220,500	220,000	713,900
Impact evaluation account	1,424			1,424
Cluster activities	10,000			10,000
TOTAL	284,824	220,500	220,000	725,324

FEDERAL DISTRICT: PROMOTION OF PUBLIC-PRIVATE PARTNERSHIPS (PIAPPEM) (ME-M1043)

TABLE OF RELATED PROJECTS

Projects in the “Supporting Competitiveness through Public-Private Partnerships” Cluster

	Project number / Date approved	Project title, executing agency, and amount	Signing date and original disbursement period in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulations, change in executing agency, etc.
1	ATN/MT-8724-BR 19 May 2004	Public-Private Association – Minas Gerais Ministry of Planning, Budget and Management US\$675,000	5 July 2004 36 months	52.52%	Project activities agreed on to fulfill the established objectives continue to be implemented satisfactorily.
2	ATN/MT-9587-BR 14 December 2005	National Program for the Institutional Development of Public-Private Partnerships Ministry of Planning, Budget and Management US\$2,480,000	20 October 2006 36 months	0%	Progress is slow, and the project is using counterpart funds (approximately US\$200,000 to date) and processing reimbursements with MIF resources, instead of using a revolving fund.
3	ATN/MT-9636-CO 21 December 2005	Public-Private Partnership Program in IIRSA Instituto Nacional de Concesiones [National Concessions Board] US\$420,000	31 August 2006 24 months	20%	Although there were delays in execution at the outset, the issues have been resolved and normal implementation is underway.
4	ATN/MT-10287-ME 14 February 2007	Program to Promote Public-Private Partnerships in Mexican States – PIAPPEM Inter-American Development Bank US\$3,930,000	14 February 2007 60 months	2.57%	The performance indicators show a positive trend, and it appears highly probable that the assumptions will hold true.