

**TECHNICAL COOPERATION PROFILE  
JAPAN SPECIAL FUND (JSF)**

**FEBRUARY 27, 2007**

**I. BASIC PROJECT DATA**

**Beneficiary country:** Mexico  
**Project name:** Strategic Plan for Revitalizing Veracruz Historic Center  
**Project number:** ME-T1028  
**Project team:** Catherine Fox (RE2/SO2), team leader; Carolina Piedrafita (RE2/SO2); Claudia Cox (RE2/SO2); Maristella Aldana (LEG/OPR); Eduardo Rojas (SDS/SOC); and Francisco Bustamante (COF/CME).  
**Date of request:** December 1<sup>st</sup>, 2006  
**Beneficiary:** Municipality and State of Veracruz  
**Executing Agency:** Municipality of Veracruz  
**Financing plan:** IDB (JSF): US\$1,320,000  
Local: US\$ 330,000  
Total: US\$1,650,000  
**Tentative dates:** Programming Committee: March 2007  
Loan Committee: April 2007  
Approval: May 2007  
**Execution period:** 24 months  
**Disbursement period:** 30 months

**II. BACKGROUND AND PROBLEM STATEMENT**

- 2.1 Veracruz has 500 years of history since Hernán Cortés landed on the continent in 1519 at what is today the port of Veracruz. In addition to its patrimony, twenty-three percent of commerce that enters Mexico comes through the port of Veracruz. This is equivalent to 17 million tons annually of commercial cargo, which due to its volume and diverse products makes the port one of the most important in the country.
- 2.2 Veracruz has approximately 600,000 inhabitants. Its Historic Center comprises 198.74 hectares and has a residential population of 14,769 people. In addition, approximately 150,000 people come into and go out of the Center every day.
- 2.3 The Historic Center is in a state of deterioration. Public transportation is inadequate. Parking availability is insufficient. Public infrastructure is obsolete for water and sanitation, rain drainage and electricity. Public food markets –of which the Historic Center has two– are littered with garbage and lack facilities to ensure adequate hygiene. Also, collection and disposal of garbage are inadequate.

- 2.4 These factors have contributed to: (i) the migration of residents at a negative rate of 2.6% annually over a period of the last 10 years; (ii) the decrease of formal business activity combined with the deterioration of the quality of the commercial products being offered; (iii) the deterioration of buildings and historic monuments; (iv) an increased activity of street vendors; and (v) an under-utilization of museums and restaurants by tourists who seek better services elsewhere.
- 2.5 These conditions are further aggravated due to a lack of sustainable financing, organization, and management of efforts to revitalize the Historic Center. Municipal administrations change every three years and either favor or ignore the Center so that policies and attitudes change with each mandate. Moreover, the Historic Center has many stakeholders. For example, the National Institute for Anthropology and History is responsible for preserving 500 historic monuments and buildings located in the Historic Center; and the *Autoridad Portuaria Integral* (API), occupies the piece of land that would grant the Historic Center access to the sea, unleashing its tremendous tourism potential.
- 2.6 The Municipality of Veracruz has made progress to revitalize the Historic Center. In 2004 by Presidential Decree the Center was recognized as an Area of Historic Monuments. With this decree, Veracruz is able to access federal resources and real estate investors may benefit from tax exemptions.<sup>1</sup> In 2005 the Municipality created the *Dirección del Centro Histórico* (DCH) to attend to the Center's priority revitalization projects, four of which are currently being executed. Also in 2005, the local University Cristóbal Colón was commissioned to formulate an Urban Plan for the Historic Center.
- 2.7 Because of its history, architectural and cultural importance to the country, and its potential to generate tourism and improve conditions for businesses and inhabitants, the Municipality of Veracruz has requested support to: (i) prepare a Strategic Plan for the design of a socio-economic project to revitalize the Historic Center in the context of the city and its port; and (ii) establish an institutional structure that incorporates key stakeholders from the public and business sectors and the civil society so that it survives changing municipal administrations, and ensures a more efficient use of public assets and resources.
- 2.8 The Municipality of Veracruz is expected to request a credit from the IDB to help finance execution of the Strategic Plan.

### **III. PROGRAM OBJECTIVE AND DESCRIPTION**

- 3.1 The Technical Cooperation (TC) objective is to formulate a Strategic Plan and create a sustainable, tripartite executing entity –with public sector, private

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<sup>1</sup> A 2005 Presidential Decree grants the following incentives: (i) immediate deductibility of property investments for income tax purposes; (ii) a maximum 60 percent reduction in pre-tax property assessment for purposes of computing transfer tax payment, with the stipulation that the buyer must renovate the building (if the buyer does not renovate the building, the tax not paid by the seller must be paid by the buyer); and (iii) a 90 percent five-year tax abatement for restored properties.

investors, and civil society– to implement a future integral socio-economic revitalization project. The TC will finance the following components:

- 3.2 **Component 1. Formulate a Strategic Plan.** Component 1 will finance consultancies to determine potential economic and financial development, as well as carry out social and urban studies for the Strategic Plan. This research will include environmental and social impact analyses, where needed. Another consultancy will design a communications strategy. This component also covers costs for communication strategy initial implementation.
- 3.3 **Component 2. Create and start-up a tripartite executing entity.** This component will finance a consultant to determine feasible legal arrangements for creating an effective tripartite executing entity –partnership among government, private investors, and civil society. It will also finance the costs of contracting for 12 months the core specialists needed to start-up the tripartite executing entity operations. Another consultancy will determine a financial plan in order for the executing agency to be self-sustaining after the TC funds have disbursed. Component 2 also covers costs for the design and installation of a monitoring and evaluation system.
- 3.4 **Component 3. Institution strengthening.** Component 3 will finance the cost of contracting a TC Secretary who, in collaboration with the DCH of the Municipality of Veracruz, will oversee implementation of the TC. It will also finance the design and installation of information systems that will allow the DCH to create an inventory and monitor the conservation of historic sights. Component 3 will also finance a study of best practices regarding historic center revitalization efforts in other countries.
- 3.5 **Component 4. Feasibility studies.** Once the Strategic Plan identifies urban, social and productive sector projects, the executing entity will need to conduct additional, more in-depth feasibility studies. These studies, where needed, will further research ways to address any foreseen negative environmental or social impact.

#### IV. COST AND FINANCING

- 4.1 The estimated TC amount is US\$1,650,000, of which 20% (US\$330,000) will be provided by local resources, either through in-kind services or with costs of Value Added Tax (VAT) imposed on contracts.

**Table IV.1**  
**Cost**

Type of expense	JSF	Local	TOTAL
<b>Component 1.</b> Prepare Strategic Plan	386,650	45,450	432,100
<b>Component 2.</b> Create and start-up executing entity	427,000	58,050	485,050
<b>Component 3.</b> Institution strengthening	276,350	38,625	314,975
<b>Component 4.</b> Feasibility studies	210,000	31,500	241,500
In-kind services (material and salaries of ex agency)	-	156,375	156,375
Auditing	20,000	-	20,000
<b>TOTAL</b>	<b><u>1,320,000</u></b>	<b><u>330,000</u></b>	<b><u>1,650,000</u></b>

## V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Municipality of Veracruz will be the executing agency of this TC through the DCH and its Procurement Department.
- 5.2 **Technical responsibility.** The DCH, with the support of a high-level urban development consultant, will carry out the technical responsibility of the TC in collaboration with staff from relevant municipal departments and sector specialists, as needed.
- 5.3 **Administrative responsibility.** The Procurement Department of the Municipality of Veracruz is in charge of acquisition within the municipality and will carry out the administrative tasks of this TC. The department has a staff of seven specialists, and has a good track record administering similar contracts.

## VI. MAJOR ISSUES

- 6.1 **Skills profile of executing unit.** The Municipality of Veracruz has the capacity to execute this TC, but requires a level of interaction not usually found in technical units of local government agencies. To mitigate this weakness, the Municipality has agreed to hire for two years a high-level urban development specialist, as well as form a group of advisors who would respond to technical and private sector access needs, as needed.

## VII. ACTION PLAN

- 7.1 Final approval of the Plan of Operations is expected by end May 2007. The delivery of all TC products will take a total of two years, as of the signing of the TC Agreement. A preliminary execution chronogram follows.

Table VII.1  
Execution chronogram

ACTIVITY	2007	2008		2009
	Jun-Dec	1° Sem.	2° Sem.	1° Sem.
<b>1. Prepare Strategic Plan</b>				
○ Study economic, urban, social elements				
○ Design and implement communications strategy				
<b>2. Create and start-up Tripartite Executing Entity</b>				
○ Plan organization design and sustainable financing				
○ Contract core specialists to start up operations				
○ Design and install monitoring and evaluation systems				
<b>3. Institution strengthening Municipality Veracruz</b>				
○ Contract TC Secretary				
○ Design and installation systems for inventory				
○ Study of best practices from international experience				
<b>4. Feasibility studies for selected projects</b>				

## VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 There is no negative environmental impact foreseen as the TC finances studies and a strategic planning process. Positive social impact is expected as a result of consensus-building activities and the creation of a tripartite executing entity.



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Oficio 305.- IV.- 006

México, D. F., a 16 de febrero del 2007.

**SR. LAWRENCE HARRINGTON**

Representante para México  
Banco Interamericano de Desarrollo  
Av. Horacio No. 1855, piso 6  
Col. Los Morales-Polanco  
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Presente

Como es de su conocimiento, se han realizado acercamientos entre el Municipio de Veracruz y el Banco Interamericano de Desarrollo (BID) con objeto de estudiar la posibilidad de obtener apoyo de ese organismo financiero internacional en un Plan para dinamizar el centro histórico de Veracruz.

Al respecto y conforme a la solicitud realizada por ese Municipio, me permito solicitar su apoyo a fin de que se otorgue una cooperación técnica no reembolsable que permita definir el programa de actividades correspondiente.

Agradeciendo de antemano su atención a la presente y sin otro particular por el momento, aprovecho la ocasión para reiterar a usted la seguridad de mi más atenta y distinguida consideración.

Atentamente,  
La Directora General Adjunta

**Alicia Núñez de la Huerta**

*ASB*

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RECEPCION  
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