

# GUADALAJARA TOLL ROADS PROJECT (ME-L1015)

## PROJECT ABSTRACT

### Overview

The Inter-American Development Bank (“IDB”) is analyzing a potential partial credit guarantee (“PCG”) to support a local and/or international bond issuance for the expansion, operation and maintenance of the 558 km system known as *Maravatío-Zapotlanejo and Guadalajara-Aguascalientes-León toll roads* (the “Project”) in west-central Mexico. The Project represents the first in a list of toll road systems, currently under control of the *Fideicomiso de Apoyo al Rescate de Autopistas Concesionadas* (“FARAC”), which could be re-concessed to the private sector under long-term contracts with the Government of Mexico (“GoM”).

The PCG and related financing would be pursuant to the terms and conditions of a 30-year concession contract with the *Secretaría de Comunicaciones y Transportes* (the “Concession” and “SCT”, respectively). The PCG is to be analyzed during the bidding stage such that the IDB support for the transaction would be available to potential bidders prior to bid submission. Once the bid is awarded, the Bank would be in a position to work with the winning bidder to finalize the transaction, subject to confirmation of the technical, financial, legal and environmental/social feasibility of the winning bid proposal.

The proceeds from the payment for the Concession rights would provide the Mexican government with significant resources that may be channeled into other important development priorities, including new infrastructure development.

### The Project

This toll highway package represents the largest and most important highway network of the Occidente-Bajío-Centro region in Mexico. The toll highways connect major Mexican cities, such as Guadalajara, the second largest in Mexico, Morelia, Zamora, León, and Aguascalientes, among others. This is one of the most dynamic regions in the country, representing 15.7% of Mexico’s Gross Domestic Product. The region’s GDP has grown at an average annual rate of 2.3% from 2000 to 2005, which is 0.5% more than the national average in the same period. In addition, this highway network serves to link important cities like Colima, Puerto Vallarta, Tepic, Zacatecas, Irapuato, Toluca, and Mexico City.

The road sections are summarized as follows:

- **Maravatío-Zapotlanejo:** This highway started operations in October 1993. It is a four lane, divided highway with a total length of 309.7 km of length; and provides an east-west axis across the Occidente-Bajío-Centro region and connects

important cities in the states of Michoacán and Jalisco. It is part of the most direct route between México City and Guadalajara, the two largest cities in the country. This highway has four tollbooths.

- **Guadalajara-Zapotlanejo:** This highway was constructed in the 60s as a two-lane toll road, and two additional lanes were added in 1994. It has a total length of 26 km with asphalt pavement. It is one of the most important access roads to the city of Guadalajara, since it connects the toll roads of Maravatio-Zapotlanejo and Zapotlanejo-Lagos de Moreno. This toll highway is the main access road that connects the Occidente-Bajío-Centro region to Guadalajara. It has one tollbooth.
- **Zapotlanejo-Lagos de Moreno:** This toll highway started operations in May 1991 and has a total length of 118.5 km. It is a four-lane divided highway with asphalt pavement, and provides direct communication to the region known as Altos de Jalisco, with many medium-sized towns, which have strong economic with Guadalajara. This toll highway is very important for freight transportation between the industrial cities of Guanajuato, Aguascalientes, San Luis Potosi, and Jalisco. It has two tollbooths.
- **León-Lagos-Aguascalientes:** This toll highway started operations in September 1992 and has a total length of 104 km. It is a four-lane divided road with asphalt pavement. This toll highway connects the States of Guanajuato, north of Jalisco and Aguascalientes. Guanajuato lies in the center of the Mexico and plays a key strategic role in freight and passenger transportation across Mexico. The toll highway has two tollbooths located at León and Encarnación de Díaz.

Through IDB's participation in the transaction, the Bank will seek to credit-enhance the long-term debt issuance that could be used to finance the acquisition of the concession as well as capital expenditures and major maintenance that must take place in the early years of the Concession. It is contemplated that the eventual concessionaire will be able to secure financing at 25+ year tenors from local and/or international investors, when taking into account the credit protection offered by the Bank in the form of the PCG.