

**INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE**

Report No.: AC3065

Date ISDS Prepared/Updated: 10/30/2007

I. BASIC INFORMATION

A. Basic Project Data

Country: Mexico	Project ID: P106589
Project Name: Information Technology (IT) Industry Development	
Task Team Leader: Eloy Eduardo Vidal	
Estimated Appraisal Date: December 12, 2007	Estimated Board Date: May 29, 2008
Managing Unit: CITPO	Lending Instrument: Specific Investment Loan
Sector: General transportation sector (34%);General water, sanitation and flood protection sector (33%);General energy sector (33%)	
Theme: Other financial and private sector development (P)	
IBRD Amount (US\$m.):	80.00
IDA Amount (US\$m.):	0.00
GEF Amount (US\$m.):	0.00
PCF Amount (US\$m.):	0.00
Other financing amounts by source:	
<u>Borrower</u>	120.00
	120.00

B. Project Objectives [from section 2 of PCN]

The general objective of the Project is to develop the IT and ITES Industry in Mexico. The Project aims to transfer the best international experience to: (1) develop the indigenous IT Industry; (2) attract outsourcing companies to Mexico ; and (3) attract captive offshoring of international corporations to Mexico. The Project will initially focus in key states that show better leadership and have resources to achieve success in creating a vibrant industry in the short term and in market segments where Mexico has comparative advantages: as capacity in these successful states saturates, it will spread to less developed regions and states and will benefit all Mexico in the end, improving the competitiveness and efficiency of the Mexican economy and fostering the development of SMEs.

C. Project Description [from section 3 of PCN]

The project is designed in response to a strong demand from State Governments, and strongly reinforces previous efforts made by the Secretaria de Economia through the PROSOFT program. It is expected that the project could entail an IBRD loan of around US\$80 million.

The exact scope of the project is currently under discussion, but it is expected to include the following components:

a. Improvement of the Policy, Regulatory and Legal Frameworks and Strengthening of Institutions

This component will review the existing Policy, Regulatory and Legal Frameworks and institutional performance for IT/ITES business development, including inter alia data privacy issues, digital signatures, data security, digital property rights, labor laws and media convergence. It will propose recommendations to bring them to the status of international best practices, and assist the institutions in charge of implementing and enforcing them.

Regarding the telecommunications sector, a study will be prepared to determine the impact of the current regulatory framework on the performance of the IT companies, and will make specific policy-oriented recommendations. Specifically, the study will focus on the regulation of VoIP, unbundling of the local loop and convergence of the broadcasting and telephone industries.

Given the importance of a business-friendly environment, the program will review the existing government-businesses interaction processes and procedures, and support initiatives to streamline them, in particular through effective use of ICTs.

The project will critically assess the current business incentives regime, suggest improvements and changes to make it more effective, and propose new initiatives following international best practices. It will also support the development and implementation of external monitoring and evaluation of PROSOFT.

b. Strengthening of Selected State IT Clusters and Agencies

For those States that have the endowment to develop the IT Industry and the political will to do it, the Project will support the preparation and implementation of a strategy to help access to export markets to support the scalability and sustainability of IT industry in the State. These strategies will be tailored to each specific State, and will have four components: 1) prioritization of target market segment(s), 2) SWOT analysis of each location and comparison with global competition; 3) preparation of an investment program; and 4) delivery of recommendations and an action program. The implementation of this strategy will include cluster activities such as (a) support to the State and National Associations to foster linkages with US, European and other Associations to promote the IT Industry, develop linkages between companies of both countries and foster business development; (b) twinning arrangements between Mexican and foreign executives and professionals of the IT industries of both countries will be supported, to encourage the development of the linkages between the companies, train the Mexican staff and attract new business to Mexico; (c) IT companies exchange programs with foreign companies and business accelerators; (d) outreach efforts to target international investors (international events, business and technology fairs, etc.) and reception efforts to help them discover the State and its potential; (e) participation of the IT clusters in international trade events; and (f) organization of large local events with international participants, to promote the industry.

c. Development of Human Resources

This Component will help the IT Industry achieve scalability, this is the ability to grow fast, to compete globally, by increasing the quantity and quality of human skills required to do the job. To change the Mexican education system is a formidable task that would take a generation to do and is beyond the scope of this Project. Therefore, we will use a more focused approach that consists of two steps: (1) in coordination with the Industry, create a system of certification of professionals working in the IT and the ITES Industry, both at the engineer level (graduates) and at the call center level, and market niches ; (2) support the development of Technical Institutions and programs that provide the training to reach certification, using the model that was highly successful in Andhra Pradesh . It will also assist IT companies by providing training in quality assurance programs like ITSqc, COPC etc., for the ITES sector, and scholarships for certification (MoProSoft, CMMI, PMP, ISO-9000);

d. Supporting Infrastructure

Experience shows that the IT Industry develops faster and better through Clustering in agglomerations of small, medium and large companies, research centers, universities, financial institutions and incubators. Linkages between demand and supply, human skills and industry, and capital and entrepreneurs produce the so called “Silicon Valley” effect. One of the main established vehicles for encouraging Clustering is IT Parks, which are dedicated facilities for the IT/ITES industry. This component will support the construction of IT Parks through PPPs with investments coming from the private sector and marketing, management and expansion of such facilities being done by the private sector, including all the ingredients mentioned above to foster clustering of the industry and in line with lessons learned: the role of the public sector will be limited to public infrastructure and shared services, while the private sector will invest in building, managing, marketing and operating the IT Parks. This component will also fund equipment needed by the industry but unaffordable by an individual company due to its high cost, which therefore must be shared by all. For example, animation and content creation may require render farms.

e. Funding of the IT Industry

The project will finance a study to explore the best alternatives to attract and develop: (1) Seed Capital and Angel investors financing; (2) Venture Capital financing; (3) Growth financing; (4) Merger and Acquisition financing; and (5) Capital Markets for the IT Industry. The component will also include technical assistance and training programs to the financial institutions and investors in general to appraise IT companies and projects, develop and implement exchange programs with US and European financial institutions, promotion programs and visits of the IT Industry to financial institutions, and vice versa. This component will not provide funds to finance the IT companies, as this should be a private sector effort.

f. Government Services Outsourcing

Experience in many countries has shown that the Government, being the largest user of IT Services, could promote the development of the IT Industry, and at the same time improve its efficiency and effectiveness by subcontracting these services, or outsourcing them to the private sector, increasing its transparency and delivering better services to the citizens. Therefore, the Project will include a component that will carry out a study on outsourcing of Government services to the IT Industry, using the best international practices, to recommend PPPs and outsourcing guidelines to local, state and federal governments. It will then develop pilot projects

to support federal, state and local government initiatives to outsource services to the private sector, by giving technical assistance to them to develop PPP models, define key strategic areas with high impact, prepare the bidding documents and contracts and train their staff.

D. Project location (if known)

Capital cities of Mexican States.

E. Borrower’s Institutional Capacity for Safeguard Policies [from PCN]

To be assessed.

F. Environmental and Social Safeguards Specialists

Mr Gunars H. Platais (LCSN)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
<p>Environmental Assessment (OP 4.01) – While most of the project’s activities would not entail any direct environmental impact, the project includes a component to finance “IT Parks” in pre-selected locations in capital cities of Mexican states. The PCN notes that these facilities are generally located in urban areas, “where there is abundant labor force and universities that can provide training for their employees, and close to major airports.”</p> <p>Since some construction activities may be part of the project, an Environmental Assessment (EA) will be carried out prior to appraisal, in accordance with OP 4.01. IT parks invoke images of entire campuses of multiple large buildings and supporting infrastructure (such as parking lots, roads, etc.). Such large developments could entail substantial environmental impacts, and siting criteria are a key element in minimizing these impacts. Site screening criteria will be established in the project to ensure that any natural habitats and physical cultural resources (as per OP 4.04 and OP 4.11, respectively) are identified in the proposed sites.</p> <p>If sites are determined prior to appraisal, the EA will include (i) a description of the selected sites and the criteria used in selecting them to minimize potential impacts; (ii) a description of the proposed facilities and the potential environmental and social impacts related to their construction and operation; (iii) any necessary mitigation measures, including measures to ensure no net loss of critical natural habitats (if applicable); (iv) evidence of consultation with affected populations and other stakeholder groups on the environmental aspects of the proposed works (including documentation of what issues were raised and whether they were taken into account in project design); (v) environmental rules for contractors, including procedures for any chance finds of culturally or archeologically significant resources during construction; (vi) institutional responsibilities (including budget) for environmental management during construction and operation; and (vii) provisions and responsibilities for monitoring the environmental mitigation and management aspects.</p> <p>If the exact sites of the proposed facilities are not determined during project preparation, the EA will stipulate the screening criteria to be used in selecting appropriate sites, describe the typology of facilities eligible for financing and any likely environmental or social impacts related to their construction and operation; and specify procedures and institutional responsibilities (including budget) for screening, consultations, environmental management during construction and operation, and monitoring as described above.</p>			

Safeguard Policies Triggered	Yes	No	TBD
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Indigenous Peoples (OP/BP 4.10)		X	
Involuntary Resettlement (OP/BP 4.12)			X
<p>Involuntary Resettlement (OP 4.12) – Given that the target placement for the IT Parks is in densely populated urban areas close to labor markets, airports and universities, there is a high possibility that land acquisition for their construction could cause involuntary displacement of people or economic activities. For any construction sites known prior to appraisal, a careful screening will be conducted to determine whether there will be any instances of involuntary resettlement as covered under OP 4.12, and if needed, Resettlement Action Plan(s) should be developed, consulted and disclosed prior to appraisal. If the exact sites are not identified during project preparation, a Resettlement Policy Framework will be developed and disclosed in accordance with OP 4.12.</p>			
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

Environmental Category: B - Partial Assessment

III. SAFEGUARD PREPARATION PLAN

- A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: 11/01/2007
- B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS: N/A
- C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS.
An environmental assessment will be started before appraisal.

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

IV. APPROVALS

<i>Signed and submitted by:</i>		
Task Team Leader:	Mr Eloy Eduardo Vidal	06/25/2007
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Mr Reidar Kvam	09/13/2007
Comments:		
Sector Manager:	Mr Philippe Dongier	06/25/2007
Comments:		