



1. Project Data :		Date Posted : 07/24/2000	
PROJ ID: P040685	OEDID: L3937	Appraisal	Actual
Project Name : Infrastructure Privatization Technical Assistance	Project Costs (US\$M)	46.0	18.45
Country: Mexico	Loan/Credit (US\$M)	30.0	12.1
Sector, Major Sect .: Privatization, Public Sector Management	Cofinancing (US\$M)		
L/C Number: L3937			
	Board Approval (FY)		96
Partners involved : none	Closing Date	06/30/1999	06/30/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

(i) Help Govt. choose structural options for reform of infrastructure sector . (ii) Develop a legal and regulatory framework supporting privatization . (iii) Eliminate or reduce constraints to privatization in sectors covered by loan . (iv) Support the privatization process through the Interministerial Commission on Privatization (CID). Infrastructure sectors originally included in the project were transportation, telecommunications, electricity and secondary petrochemicals.

b. Components

(i) Consultants to assist in the analysis of sector structure and the development of strategic options, policies and regulations. (ii) Consultants to design and assist with the privatization process . (iii) Training programs and other human resource development. (iv) Procurement of software, hardware and related equipment .

c. Comments on Project Cost, Financing and Dates

Total project cost was estimated at appraisal to be US\$ 46 million, with the Bank loan covering US\$ 30 million and the Government providing US\$ 16 million. US\$ 17.9 million was canceled from the loan when it was concluded that project funds would not be used for electricity, secondary petrochemicals or ports privatization or for cross -sectoral work.

3. Achievement of Relevant Objectives :

The project helped the government choose structural options for reform in all the sectors covered . It helped reduce constraints to privatization through legal and regulatory reform and the identification of privatization mechanisms designed to attract private investment . The loan was very successful in its objectives for the transport and telecommunications subsectors . A significant amount of TA was financed to analyze, prepare and assist in the privatization of railways, airports, basic telephone services, satellites and radio spectrum, and important privatization was achieved in each of these subsectors . Training was provided to two regulatory agencies . Consultants and equipment assisted CID in establishing and servicing sectoral working groups, and in establishing a computerized documentation center on privatization . No project funds were used to study the privatization of ports, because this was essentially completed during project preparation .

4. Significant Outcomes /Impacts:

The project supported significant privatization in several major subsectors . In basic telephone services, the benefits of privatization are being realized, if more slowly than expected : there are 19 long distance carriers, and long distance rates have fallen; the number of lines relative to the population (though still low by international standards) has increased, and the number of cellular phones has expanded rapidly . Auctions have been held for the radio electric spectrum, and the satellite company was privatized . Railway services have been concessioned . Since then, freight traffic has increased considerably (with only 40 percent of the original labor force); significant new investments have been made; pilferage has fallen; and services have improved significantly . Airport privatization is in process. Substantial privatization took place in natural gas, not originally part of the project . The Mexican authorities particularly valued the international experience brought by the Bank to the privatization process . Proceeds from privatization amount to about US\$ 4.7 billion, with significant amounts still to be generated from

railways and airports. While this level is well below the original estimate of US\$ 12-14 billion, revenue generation was not the primary objective of privatization.

5. Significant Shortcomings (including non-compliance with safeguard policies):

Most of the components dealing with privatization of electricity and secondary petrochemicals were dropped from the project, although some studies were undertaken in electricity. A proposal exists for private participation in power generation and a break up of the industry, but a decision by Congress was delayed by the build up to the Presidential elections. Privatization of secondary petrochemical plants was suspended because of political opposition, along with union protests and environmental liability risks, which deterred private interest. Very little was done under the cross-sectoral component of the project, covering the privatization framework, the regulatory framework, and the business environment for PPI; this is being pursued in a subsequent study. Achievements in strengthening the regulatory framework were limited.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Partial	Substantial	The privatization supported by the project, and the expertise contributed by the Bank and its consultants and absorbed by the Mexicans, represent a substantial institutional development impact.
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

7. Lessons of Broad Applicability:

(i) It is important to determine precisely, by sector, the political commitment to privatization during project preparation. (ii) Because of the importance of the regulatory framework to the functioning of newly privatized institutions, it is important to focus on the regulatory framework before privatization. (iii) One of the Bank's key contributions can be in the intellectual area of providing international expertise in techniques for privatization; the quality of Bank staff and consultants is critical.

8. Audit Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR fully and concisely covers all aspects of the project.