

The first public-private joint investment in Mexico is made under the PPS scheme

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Mexico City, D. F. February 13. The first state joint investment operation for constructing public infrastructure under the Service Rendering Projects (PPS ¿ Spanish acronym) scheme was settled between the Oaxaca state administration of governor Ulises Ruiz Ortiz, Grupo Financiero and the consulting firm Estrategia Financiera Profesional.

With this operation, Oaxaca becomes the first state in Mexico to develop the PPS model on a state level in which public-private joint investment is intended for the construction and maintenance of an Administrative City in the municipality next to the state capital under the PPS scheme.

The Service Rendering Projects (PPS) scheme helps governments (federal, state or municipal) to drive additional investment in infrastructure projects to offer public services. In this concept, the public sector executes a service contract with a private investor who shall make the investment to build, equip and give maintenance to the infrastructure. Once the work is completed, a compensation will be paid over the next 15 years for the availability of the constructed infrastructure, which makes it possible to defer the investment in capital expense over a long term horizon and thereby making more efficient use of the resources without constituting public debt.

It is important to point out the participation of the political forces that converged in the Honorable Local Congress, as their support was a decisive factor to make the PPS scheme and this project possible by pushing through the reforms needed to the state legal framework.

In this operation, Banorte and Estrategia Financiera, a consulting firm that specializes in comprehensive financial services for public entities, were in charge of the design and instrumentation of the PPS scheme, along with the Minister of Finance of the Government of the State of Oaxaca, Miguel Angel Ortega Habib, who in turn appointed as project coordinator Esdras Cruz y Cruz, the Undersecretary of Finance.

Grupo Financiero Banorte contributed with a credit line for the private investor who will carry out the projects, applying its vast experience in addressing the financial needs of the country¿s states and municipalities as well as in structured financing and investment schemes.

This modernization project was conceived to respond to multiple challenges given the increasing demand for better services for the Oaxaca community and combining the preservation of its historical sites that are an invaluable heritage that support an intense tourism activity.

In view of the above, it was decided to build an Administrative City in the city of Tlaxiaco de Cabrera. It will include nine buildings for eight agencies of the Executive Branch of the state government. It was also decided to construct a Judicial City of Reyes Mantecón in the municipality of San Bartolo Coyotepec, that contemplates 16 office buildings to which 22 public departments and agencies will be relocated.

This same scheme will be used to settle the highway project that will connect Ejutla ¿ Puerto Escondido, which will eventually be a plus for both domestic and foreign tourism.