



# Mexico: Mexican Senate approves Public-Private Partnership Law to Boost Infrastructure Investment

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## Summary

On Wednesday, December 14, the Mexican Senate approved and sent to President Calderon for his final revision and approval a bill that hopefully encourage private investment in public infrastructure projects. Since the beginning of his Administration President Calderon has been very active in this critical aspect of Mexico's economy, and in July 2007, announced the National Infrastructure Plan for Mexico to boost Mexico's economy, generate more public works and create the needed infrastructure to upgrade Mexico's communications and transportation systems.

This new Public-Private Partnership Law (PPP Law) allows the government to enter into infrastructure and service provision contracts with private companies for up to 40 years. The Public-Private Partnership Law provides more legal certainty to private investors through an equal distribution of risks, facilities access bank loans, and harmonizes existing state public-partnership models into one federal law. All investors will be allowed to participate in bidding processes, except for some restricted sectors according to the existing Foreign Direct Investment Law. **End Summary.**

## Key aspects considered in the new Public-Private Partnership Law:

- 1) *Seeks to formalize the associations of the public federal administration with individuals for the provision of services, including those needed to construct infrastructure, by means of financing structures different from the existing ones in the Law of Public Works.*
- 2) *The Government sign contracts to receive services from the private sector without requesting the acquisition of fixed assets.*
- 3) *The adjudication of the projects will be done by means of public competition, in which any interested parties that fulfill the requirements of the tender and the corresponding bases may compete.*
- 4) *It will be possible directly award a contract in the case that an invitation generates no valid results.*
- 5) *In case of restricted invitations, the contract will be awarded to the best of the presented propositions, if less than three propositions are received.*
- 6) *Contract for services will better stipulate the terms and conditions being provided by the private entity, specifications, and the risks that each of the parties would assume in the development of the project.*
- 7) *Once the new law is approved, the Government has agreed to match private infrastructure investment up to MEX \$240,000 million.*
- 8) *Infrastructure areas/projects that being include:*
  - a) *Irrigation water developments,*
  - b) *Port infrastructure projects with the south of the United States,*
  - c) *Public transportation projects,*
  - d) *Roads and railroad communication systems improvements,*
  - e) *To construct electrical infrastructure with lower and competitive rates.*

- 9) *At the same time this law would generate new alternatives to stimulate the internal market and diminish the risks of local and foreign investment. The initiative would generate new employment and would help to recover levels of previous years. In 2010 there were 850,000 new jobs in Mexico and in 2011 it estimates 650,000 more.*
- 10) *The new APP's Law instituted an "offers not requested" clause, in which the individuals interested of developing specific projects will be able to propose their projects, even when a public tender does not yet exist.*

### **For More information**

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