

**FACT SHEET: Description and Assessment of National Support Mechanisms for Financing Projects of Urban Transportation**

## MEXICO

Item	Year				
	1992	2002	2012	2022 est.	2032 est.
Population (millions) <sup>1</sup>	81.2	97.5	112.3	117.0	121.6
Share of population living in urban areas (%) <sup>2</sup>	71.3	74.6	77.8	79.2	80.6
Gross domestic product per capita (US\$) <sup>3</sup>	4,154	6,324	10,064	N/A	N/A
Vehicle ownership per 1,000 residents <sup>4</sup>	86	154	232	427	578
Administrative structure	Federal government divided in 31 states and 1 Federal District				

### 1. NATIONAL POLICIES

#### Trends in Transportation

Public transport has remained as the main mode of urban transportation. Automobile ownership is increasing and two wheelers is on the rise. The road-based urban transport sector is largely atomized and unregulated; service is provided in low-capacity units. To improve the efficiency of urban transport and to steer it towards a lower-carbon development path, the Government of Mexico created the PROTRAM (Federal Support Program for Mass Transit). To date, PROTRAM has given financial support to 11 BRT systems and to 1 suburban rail system.

#### National Policies

Mexico does not have a National Policy defined in a government program. The legal framework establishes that states and - in few cases - municipalities are responsible for urban transportation. However, at the national level, PROTRAM is the funding program for mass transit developments. Funds for PROTRAM comes from the National Fund for Infrastructure (FONADIN in Spanish), which is a fund created to promote national infrastructure in several areas of development, including urban transport. PROTRAM finances costs for studies and total project investment.

#### Institutional Framework

Level of Government	Institutions	Role
First	Most important: National Works and Public Services Bank (BANOBRA), the Secretariat of Finance and Public Credit	Exert an indirect influence - through PROTRAM - on the strategies to promote urban

<sup>1</sup> National Council of Population, CONAPO

<sup>2</sup> CONAPO

<sup>3</sup> The World Bank

<sup>4</sup> CTS – The World Bank. Low Carbon Development for Mexico Study, 2008

	(SHCP) and the Secretariat of Communications and Transport (SCT)	transportation improvements
<b>Second</b>	States	Responsible for regulating urban transportation
<b>Third</b>	Municipalities	Have administrative authority to assist in the regulation tasks

## 2. PROJECT IDENTIFICATION AND DEVELOPMENT

Institutions in charge of the development of mass transit technical projects	States (or in some cases municipalities) come with their project to BANOBRAS for funding
Financial assistance at the national level	Up to 50 percent of total costs for studies (non recoverable); The State or the municipality must ensure to cover the remaining 50% of the costs for studies.
Technical assistance at the national level	BANOBRAS provides technical and financial support to strengthen local institutions involved in the planning, operation and regulation of urban transport

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Encourages dialogue</li> <li>• Promotes the creation of technical knowledge</li> <li>• Promotes private investment</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Lack of technical expertise</li> <li>• Institutional capacity</li> <li>• Lack of ex-post evaluation</li> </ul>

## 3. FUNDING FOR INFRASTRUCTURE<sup>5</sup>

Program	Federal Support Program for Mass Transit (PROTRAM)
Administering Entity	National Bank of Public Works and Services (BANOBRAS)
Objectives	<ul style="list-style-type: none"> <li>• Provides financial support to cities to develop mass transit projects</li> <li>• Ensures the integration of projects to sustainable mobility plans</li> <li>• Promotes the creation of public–private partnerships for the development and operation of projects.</li> <li>• Strengthens local institutions participation in the planning, operation and regulation of urban transport</li> </ul>
Scope	Infrastructure, control systems, executive projects and fare collection
Eligible modes	Primarily BRT, LRT, Metro and Suburban Rail systems
Eligibility	Cities with a population above 500,000

<sup>5</sup> EMBARQ. Evaluate, Enable, Engage. Principles to Support Effective Decision Making in Mass Transit Investment Programs

Authorization	Multiple – year program
Award types	Grants and loans
Recipients	State and municipal governments

### Evaluation Process

The evaluation process involves three main phases:

1. **Pre-feasibility:** In the first phase of the evaluation process, cities (called promoters) present basic concepts of projects which are evaluated by the advisory working group (entity responsible for the evaluation and recommendation in the decision-making process). Then, promoters sign an agreement with PROTRAM in which they establish the terms of the cooperation between the financial institution and the recipient.
2. **Feasibility:** Promoters can start the evaluation cycle from the feasibility phase -if support for the financing of studies is required-, or directly from the investment phase if the city has already developed the necessary studies to support the formulation of the mass transit project. This phase includes PROTRAM's approval of the proposed project and the reviewing of follow-up studies.
3. **Investment:** Technical evaluations are performed. The Advisory Working group and technical subcommittee of evaluation and financing are involved in this process. The last stage of the cycle ends with the conclusion of the agreement for financial support and monitoring of project progress.

### Key Aspects in the Evaluation Process

1. Analysis of public transport situation in the city that presents the project
2. A comprehensive Plan of Sustainable Urban Mobility (PIMUS in Spanish)
3. The infrastructure project

### Cost-Benefit Analysis<sup>6</sup>

Discount rate (%)	12 %
Typical analysis period (years)	30 years
Residual value included (Yes/No)	Yes
Initial year in analysis	First year of construction
Threshold for viability	IRR Above 12 percent
<b>Non-monetized costs and benefits</b> (please briefly describe parameters evaluated)	
Economic	<ul style="list-style-type: none"> <li>• Land use, land tenure and service infrastructure impacts</li> <li>• Federal policies require some type of comprehensive mobility plan that</li> </ul>

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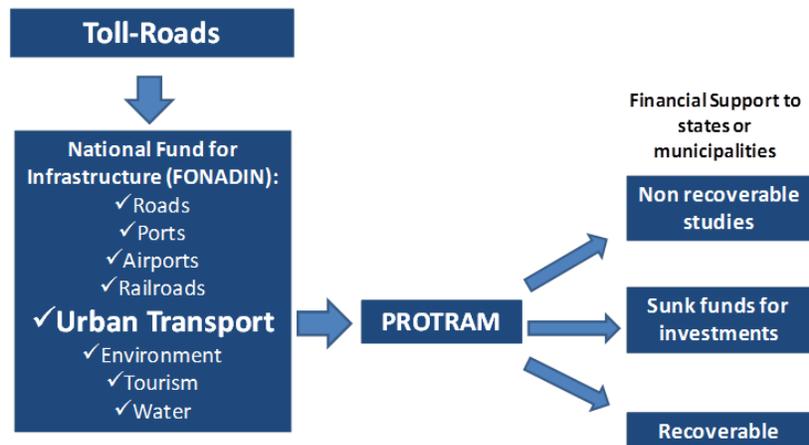
	<p>incorporates land use considerations</p> <ul style="list-style-type: none"> <li>• Travel reductions</li> <li>• Modal share</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Reduction of global and local emissions, as CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub> from improved vehicle operation, reduced trip lengths, use of more efficient modes of transport and improved technologies.</li> <li>• Geotechnical stability study</li> <li>• Analysis of soil contamination</li> <li>• Study of water quality</li> <li>• Inventory of trees to cut or move</li> <li>• Environmental Management Plan for the construction, operation and monitoring plans</li> </ul>
Service Quality	<p>Projects should include:</p> <ul style="list-style-type: none"> <li>• Travel time reduction</li> <li>• Improve infrastructure for bus stations</li> <li>• Prepaid cards for fares</li> <li>• Safety in stations</li> <li>• Replacement of old buses for new ones</li> </ul>
Strategic	Social and Environmental Impact Assessment and Social Management Plan cleared by SEMARNAT and SEDESOL
Distributional	<p>Socio economic diagnosis for the preparation of the baseline in order to evaluate the impacts and to determine future evaluation and monitoring activities including:</p> <p>Identification and assessment of potential impacts including affected population, business and productive activities, public facilities, etc</p>
Other (Health, road safety, etc.)	To be contained in the Integral Plan of Sustainable Urban Mobility

### Funding Shares<sup>7</sup>

Maximum national funding share	Up to 50%
Minimum private participation required	34 %
Minimum local governments participation required	Ensure to cover the remaining 50% of the costs for studies

<sup>7</sup> PROTRAM

### Funds Flow Diagram



### Evaluation and Participation

Are technical evaluators and funding decision makers separated?	No
Who is in charge of technical evaluation? (a government agency, a private consultant, an NGO, etc.)	BANOBRAS with the support of NGO's. External evaluators or private consultants allowed
Are other public agencies involved in the evaluation and decision-making process?	A Consultative Working Group is formed by representatives of federal institutions and by a specialist in infrastructure projects for the evaluation and supervision of program projects
How local governments are involved in the decision-making-process?	They are not directly involved in the decision-making process. Local governments are the main responsible to provide all required studies to support the proposed project.
Is community is involved in the decision-making process?	No

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Technical support is provided to ensure that all projects are considered for financing</li> <li>• Improves local technical capacity in the development of urban transportation projects</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Cost-Benefit analysis does not take into account indirect benefits associated with urban transport improvements</li> <li>• Main focus is on public transport corridor and on creating infrastructure</li> <li>• Limited institutional capacity</li> <li>• The Program does not consider support for medium and small cities</li> </ul>

## **4. FUNDING FOR OPERATION**

Currently there is no funding for operation and maintenance