

Private sector participation in the balance: the case of Mexico

Lilian Saade
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Contents

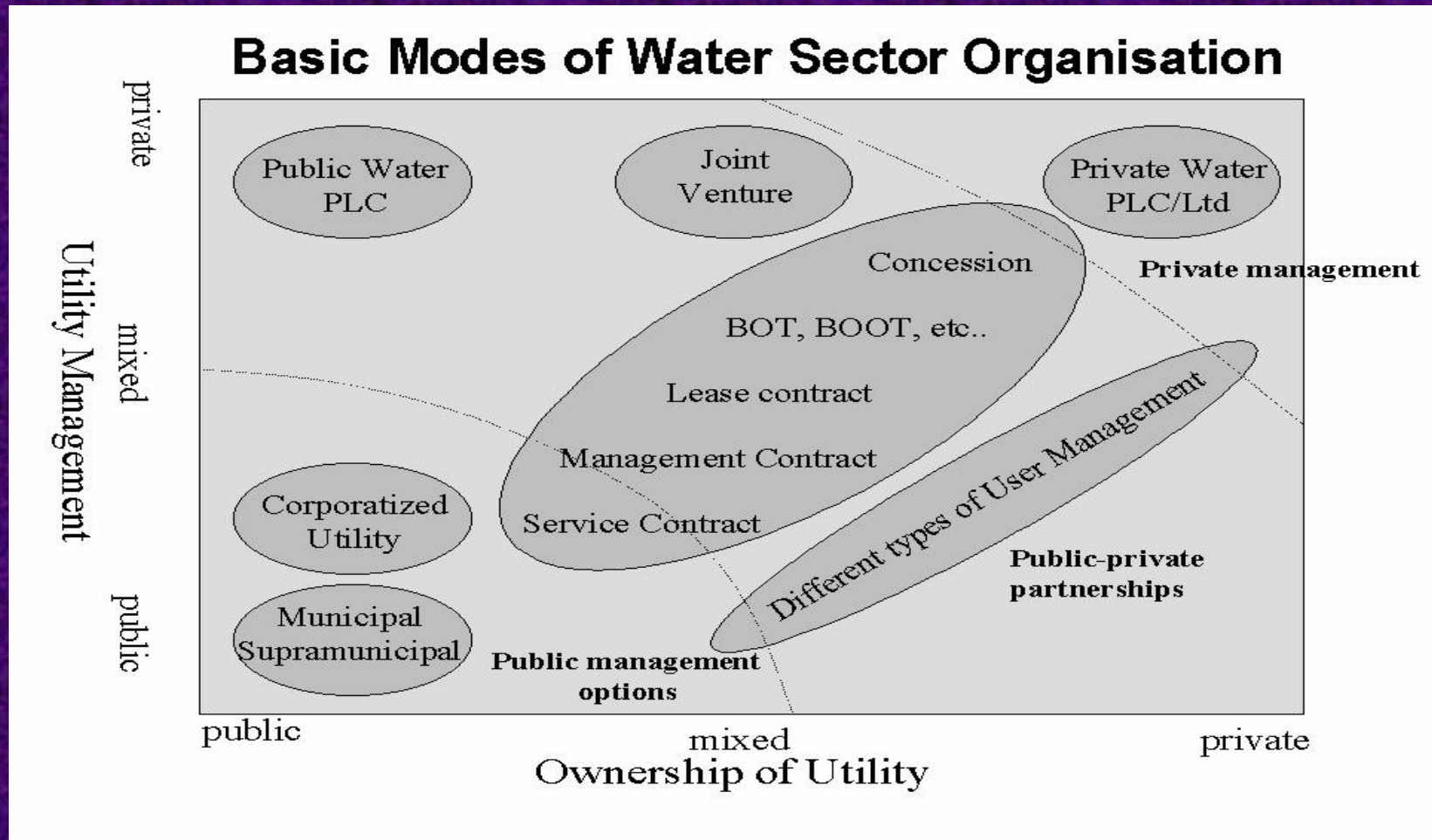
- Introduction
- PSP in the world
- The Federal District: a case study
- Challenges and opportunities
- Conclusions

Introduction: Pop. with access to water supply and sanitation in selected countries in LA

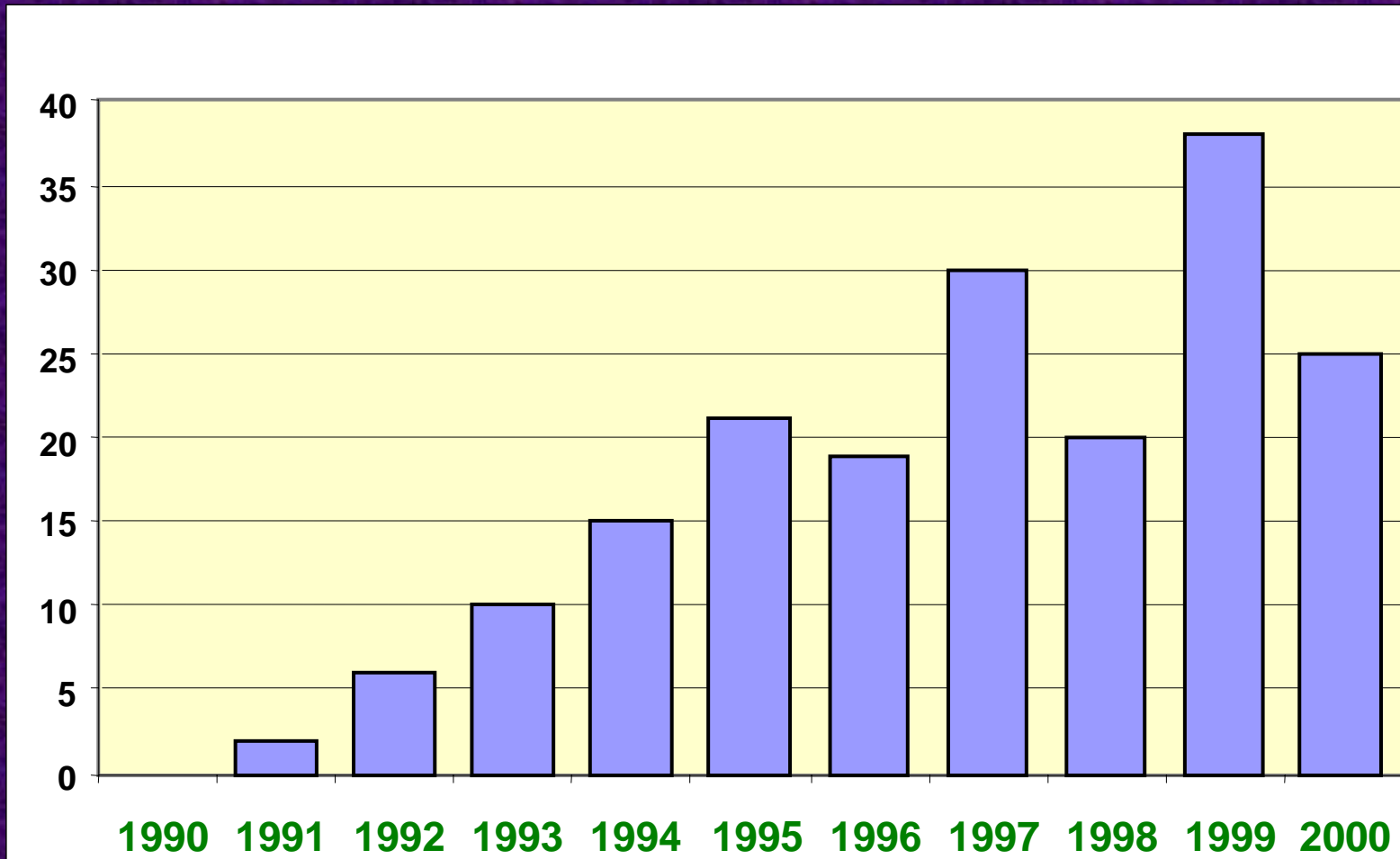
Country	Pop. with access to an improved source of water	Pop. with access to an improved source of water	Pop. with access to improved sanitation in	Pop. with access to improved sanitation in rural areas
Argentina	85	30	89	48
Bolivia	93	55	82	38
Brazil	95	54	85	40
Colombia	98	73	97	51
Chile	99	66	81	13
Ecuador	83	70	70	37
El Salvador	88	61	88	78
Honduras	97	82	94	57
Mexico	94	63	87	32
Peru	87	51	90	40
Venezuela	88	58	75	69
Avg. LA & Caribb.	93	62	87	49

Source: World Bank, *World Development Indicators 2002*.

PSP in the world: different type of models



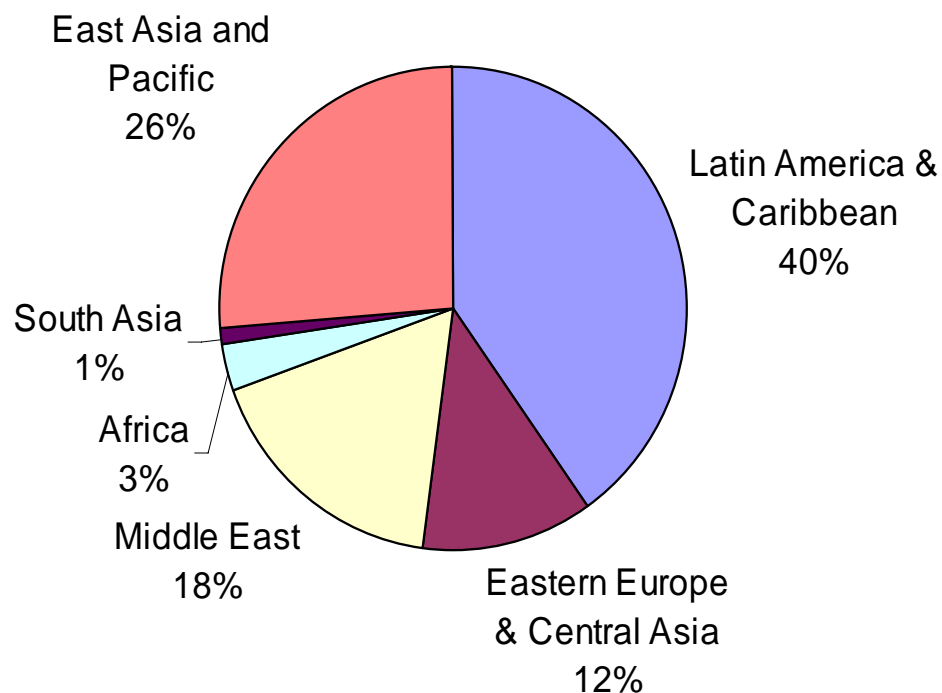
Number of projects with private participation worldwide (1990-2000)



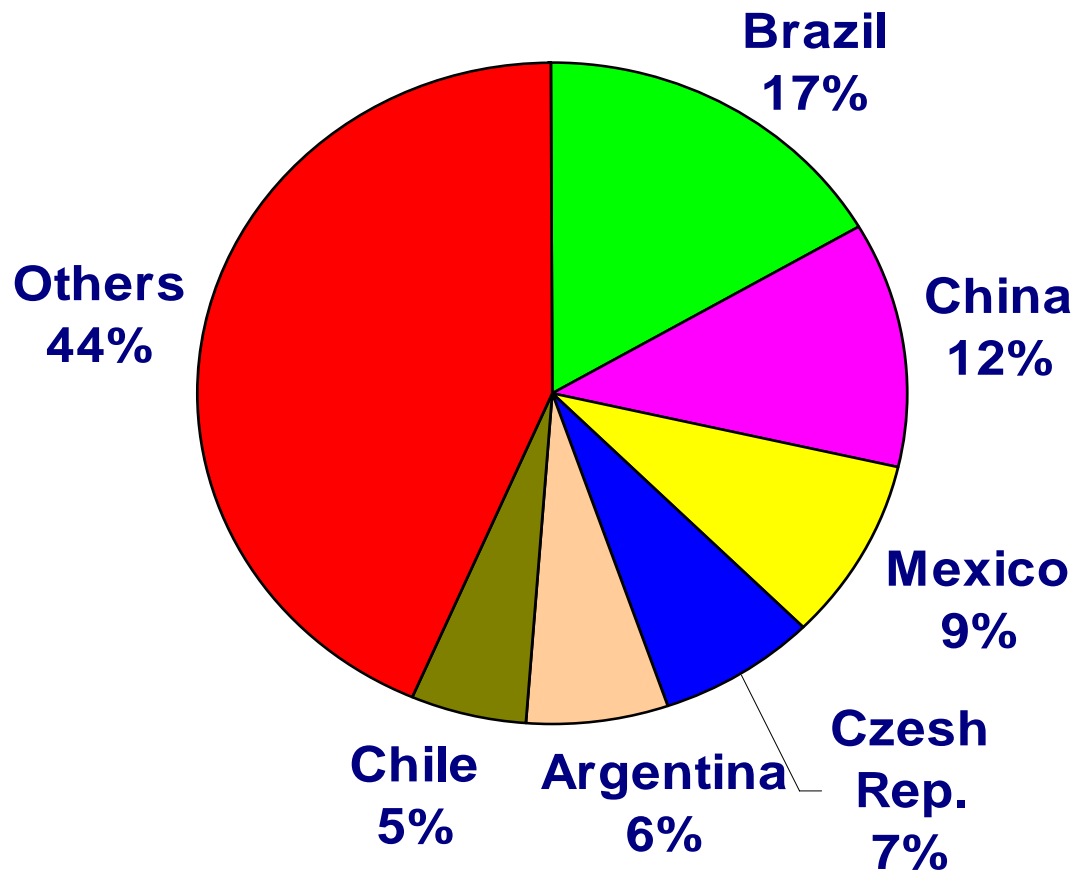
Source: OECD-World Bank 2002

Proportion of reported operating MLIC PPPs by investment by region

Proportion of reported operating MLIC PPPs by investment by Region



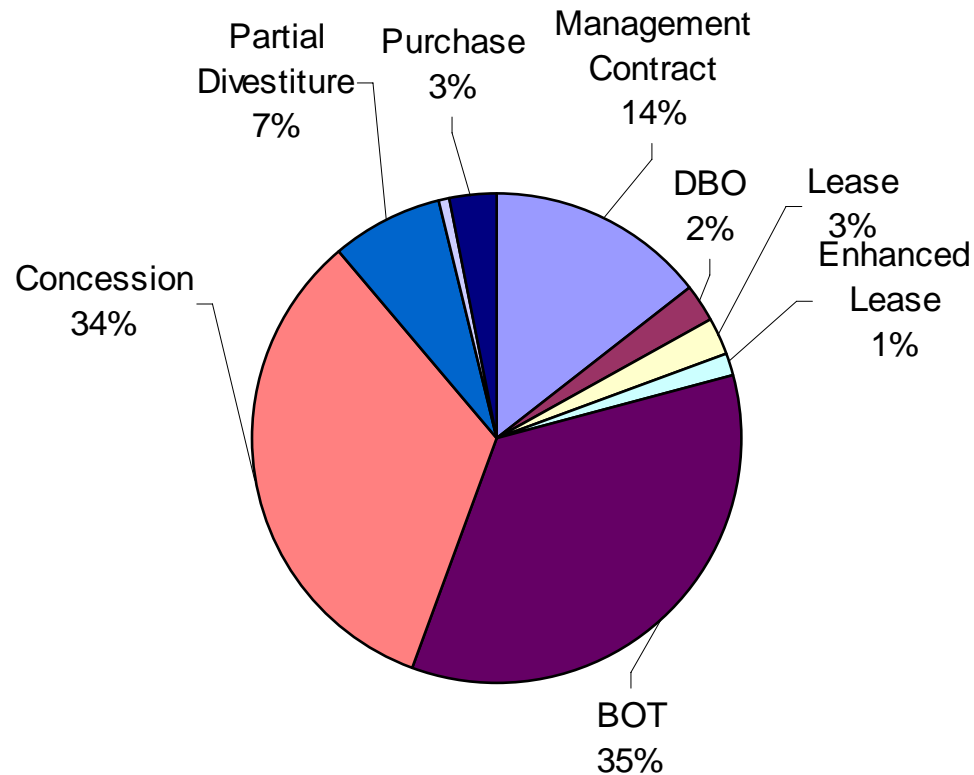
Number of projects: top 6 countries



Source: World Bank

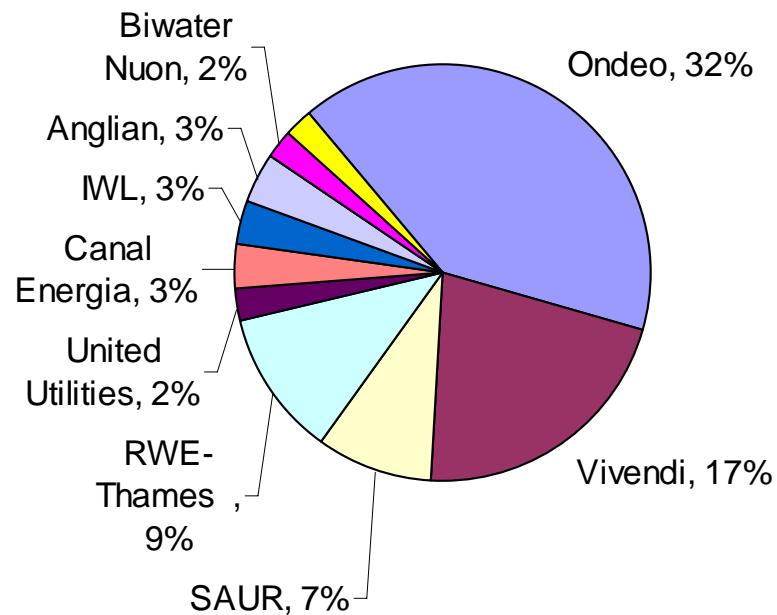
Types of contracts

LMIC Operating PPP Reported Contract Types



International Private Operators

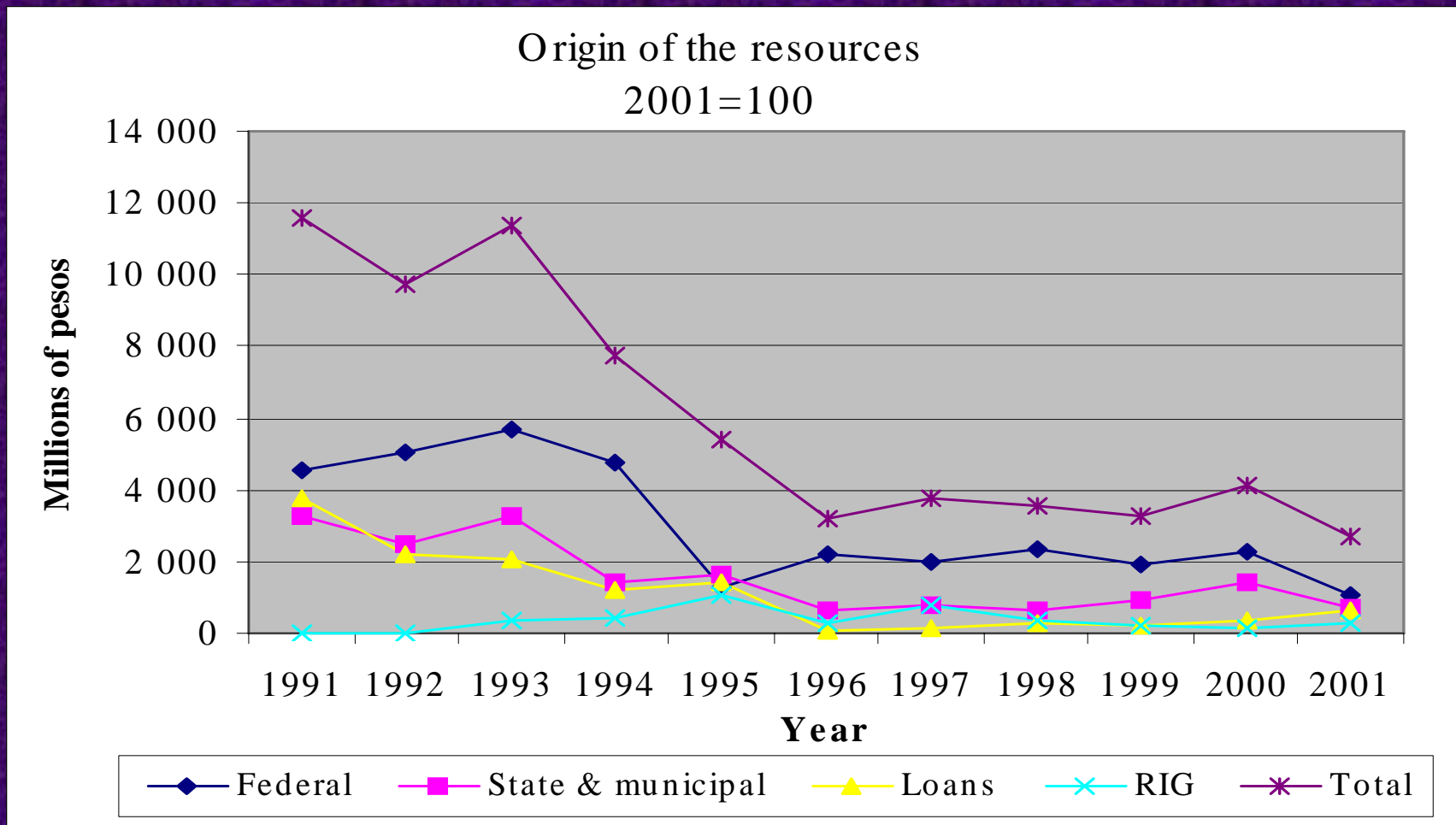
**International Private Operators
LMIC Operational Water PPPs
by reported Population served**



Population served by PPP in the world

	Capital expenditure (billion)	Pop. Served with water &/or sanitation	% total population served by PPP	% urban population served by PPP
Total reported/planned	\$202.4	690.1	11%	25%
Total operational	\$122.5	527.0	9%	19%
<i>Operational by income level</i>				
High income countries	\$84.5	252.6	26%	35%
Upper middle Income	\$20.5	135.1	27%	35%
Lower middle income	\$14.9	94.8	4%	10%
Low income countries	\$2.7	44.6	2%	6%

Public investment and financing sources for water supply, sewerage and sewerage treatment in Mexico



Source: CNA

Financing needs

- Investment needs for 2001-2025 in the order of 410,000 million pesos (around 40 billion dollars), mostly for drainage and wastewater treatment (five times more CNA's budget and the revenues generated internally by water utilities).
- These would only meet the minimal goals established and do not take into account maintenance costs.

PSP in Mexico

- Out of a total of 9 attempts, only 3 concessions were implemented. Reasons: problems in the contract design, absence of efficient mechanisms for dispute resolution, political interference and financial crisis.
- Out of the approximately 50 BOT projects for wastewater treatment plants, around 15 are in operation.

Legal framework

- No uniform legal framework at the state level.
 - Authority to give concessions (27 out of the 31 states)
 - Cut of the service for lack of payment (20 out of the 31 states)

The Federal District: a case study

Consortia involved

Zone	Delegations	Company	Consortium partners	Number of Conn's	Contract value (million pesos)
North West (Zone A)	Madero, Azcapotzalco Cuauhtémoc	Servicios de Agua Potable, S.A. de C.V.	Constructora ICA (Mexico); Vivendi (France)	350,064	969
North East (Zone B)	Carranza Iztacalco B. Juárez Coyoacán	Industrias del Agua S.A de C.V.	Peñoles (Mexico), Lyonnaise des Eaux (France)	290,000	981
South East (Zone C)	Iztapalapa Milpa Alta Tlahuac Xochimilco	Tecnología y Servicios del Agua S.A de C.V.	Peñoles (Mexico), Ondeo (France)	304,059	979
South West (Zone D)	Contreras Cuajimalpa Hidalgo Obregón Tlalpan	Agua de México S.A de C.V.	Grupo Gutsa (Mexico); United Utilities (UK)	291,990	880

Multi-stage approach

- Phase I consisted of meter installation, the creation of a customer database and network plans.
- Phase II included meter reading; meter maintenance; bill issuing and distribution; bill collection; customers' service and new connections.
- Phase III consisted of the operation, maintenance and rehabilitation of the water distribution and drainage networks.

Summary of some efficiency indicators

Indicator	Value 1995	Value 2002
Water system coverage	98%	98%
Drainage coverage	94%	94%
Employees/1000 water connections*	12	10
Employees/1000 users*	8	na
Water Produced (million cubic meter)	1,135	1,140
Percentage of users that do not pay	40%	25%
Collection efficiency	65%	79%
Metering efficiency	68%	90%

The story so far...

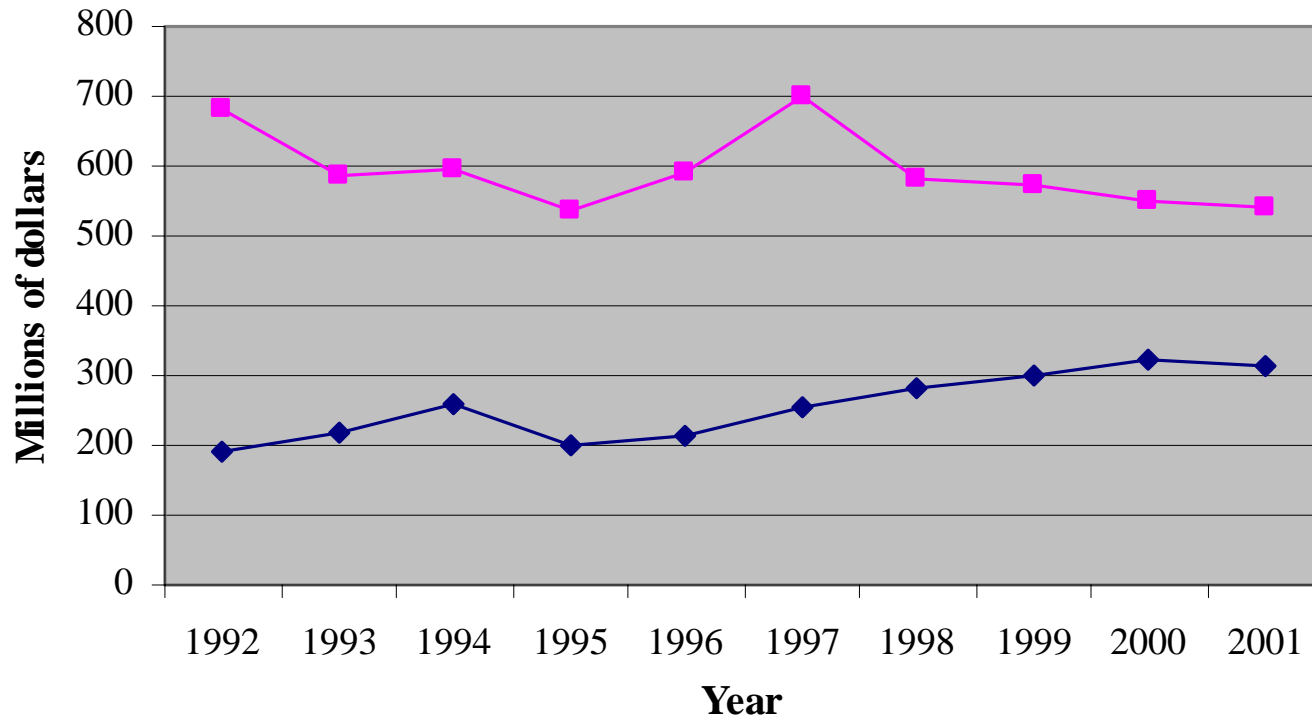
- Incomplete and inadequate coverage
- Inefficient Operation
- Inappropriate pricing and subsidy policies
- Fragmentation of resp's among institutions
- Inadequate regulatory framework

The story so far...

- Certain groups of the population believe water should be provided at low or no cost.
- The poor pay more for water.

Financial situation of water and sanitation in DF

Data in US dollars (2001=100)



—◆— Revenues

—■— Expenses

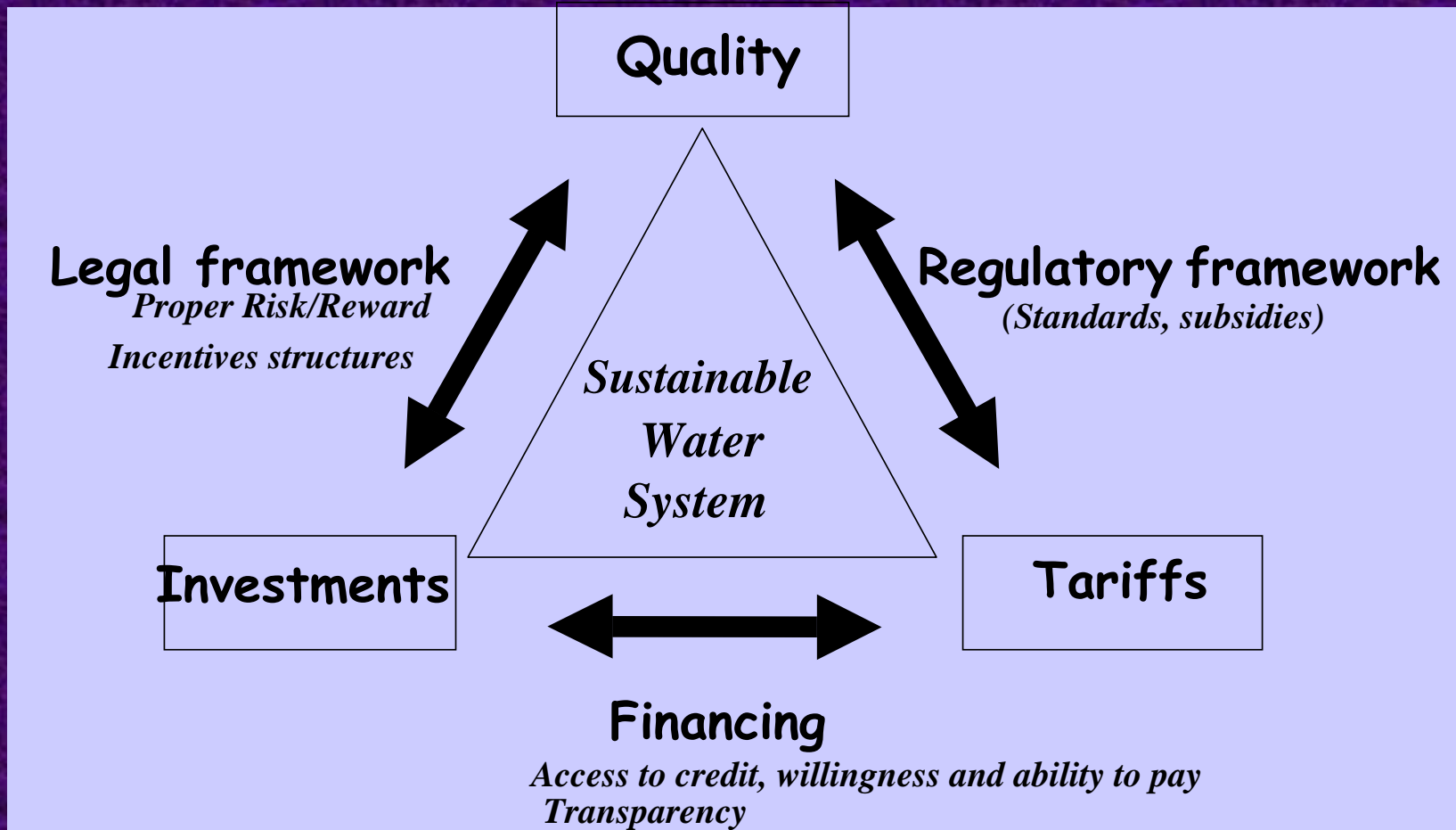
Challenges and opportunities

- Clearly define the resp's of the different actors.
- Establish and comply with the goals.
- Create mechanisms that give credibility to the commitments.
- Design new legal and financial instruments.

Challenges and opportunities

- Implement a cost recovery policy
- Reinforce accountability.
- Lack of payment culture among users
- Resistance to change

Sustainable Water System (Hass, 1999)



Conclusions

- Water sector reforms have not had the expected effect, including PSP.
- Main issues: institutional, political & social.
- Still in search for solutions.
- Long-term process.