

The new government of President Ernesto Zedillo took office in December 1994. Within three weeks it allowed the peso to float. Subsequent efforts to stabilize the currency have called even greater attention to the prospects for further privatization and use of private capital in financing infrastructure. However, public hostility to the notion of privatizing *Petróleos Mexicanos (PEMEX)*, the state-owned oil company, has forced the government to consider infrastructure providers as the main candidates. For example, *Ferrocarriles Nacionales de México (FNM)*, the Mexican National Railway, is now being proposed as a prospect for privatization.

The increasing pace of privatization has placed a new priority on finding effective models for transferring infrastructure responsibility to the private sector. Successful infrastructure privatization programs and the increasing openness to the use of private capital require governments and investors to act as partners in a win-win joint venture endeavour. The zero-sum view, that suggests that either the government or the investor will gain at the other's expense, eventually dooms infrastructure privatization to failure. The challenge is to find ways that public interest can be protected, while still offering attractive opportunities to investors.

In the win-win model, private investors achieve rates of return commensurate with the risk by participating in a carefully structured and managed partnership program designed to accelerate the host country's economic development. This implies that the government creates a legal and regulatory framework that enables the private sector to manage and control the risks of operating infrastructure facilities. The most common vehicle is called build-operate-transfer (BOT). Mexico is increasingly open to this method of mobilizing private capital for public infrastructure.