

The IADB has extended lines of credit to Mexico to be used by water-polluting industries. IADB projects scheduled for 1995 include US \$300 million for irrigation and drainage and US \$600 million for a basic sanitation program. Another US \$200 million is allocated for the *Programa Nacional de Agua Potable para Zonas Rurales*, National Program for Water Supply in Rural Areas in 1996. A project to develop additional wastewater facilities for Mexico City is in the project identification stage.

Much of this money will never be spent, however, because the Mexican government is currently unable to meet the requirements for matching funds. It also lacks the administrative capacity to manage many large programs at the same time. About half of the funds allocated to Mexican environmental projects have gone unused. Therefore, innovative financing is the key to increased export sales of environmental technology by Canadian firms.

BUILD-OPERATE-TRANSFER (BOT) PROJECTS

The federal government is encouraging municipalities to "concession" municipal services such as wastewater treatment as well as solid waste collection and disposal to the private sector as a means of financing rapid improvements.

Build-operate-transfer (BOT) arrangements have been particularly popular in the area of water supply and wastewater treatment. One reason is that municipalities now have full jurisdiction over tariff collection and payments to plant operators. Water use and discharge tariffs have been widely implemented over the past two years. Water metres are now a government requirement, and the prices have risen dramatically.

In addition, "take-or-pay" contracts are now common for drinking water supply projects. Federal and state governments have been issuing guarantees against municipal default. BOT concessions have recently been granted for 12- to 15-year periods.

According to an executive of *Grupo Mexicano de Desarrollo*, as of the end of 1994, the private sector was involved in 27 water concessions worth almost US \$1.8 billion.

Obtaining funding for BOT projects in Mexico is extremely difficult, however. As one Mexican business leader recently put it, foreign suppliers should "bring their own money" when contemplating BOT packaging.