

## JOINT VENTURES

In the future, sales strategies will change to reflect the new private sector orientation of the electricity sector. Increasingly, marketing efforts will have to be directed at the private groups that are successful bidders for electricity concessions. Where the lead bidder is a foreign company, initial approaches may have to be made outside of Mexico.

Partnerships or joint ventures with Mexican engineering companies are another way for Canadian firms to enter this market. Generally, Mexican firms have the necessary local market knowledge and political contacts but lack the technical expertise to execute complete turnkey projects. In the current economic environment, they also have a great deal of difficulty in raising capital.

## FINANCING

The *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, often borrows from the major international development banks. It also depends upon commercial bank loans as well as financing provided by suppliers. Payments for purchases made by *CFE* may take three to six months since payment must be reported and approved by the *Secretaría de Hacienda y Crédito Público (SHCP)*, Secretariat of Finance and Public Credit. Other Mexican customers usually pay for their international purchases with an irrevocable letter of credit (L/C), although many have been asking for extended terms since the devaluation. European and Japanese companies usually arrange concessionary financing. Turnkey projects are entirely financed by the winning bidder and are usually backed by international commercial lenders. Large corporations usually have accounts in foreign banks. Finally, international purchases may be paid through Mexican development banks such as *Nacional Financiera (NAFIN)*, an agency providing financing for small- and medium-sized enterprises in Mexico.