

Distributors play a stronger role in lower technology systems and services. Hospital waste treatment is an example of an area where a local representative will be needed, because of the large number of potential clients. Each hospital makes its own purchase decisions.

A local environmental company is usually the best candidate for a partner. The industrial market requires proactive marketing techniques, and municipal markets are increasingly moving in that direction. An established Mexican environmental firm will have the market knowledge and contacts to make this happen. A strong technical link between the two partners is essential. New technology may have to be presented to potential customers on short notice — having a fully-qualified technical person on the ground in Mexico is a big advantage.

FINANCE

In spite of the overwhelming need for environmental investment in Mexico, the more optimistic projections of market growth under the North American Free Trade Agreement (NAFTA) have not been realized, even before the devaluation of the peso in 1994. In fact, many American firms that rushed into the market over the past few years are reportedly pulling out. The most important underlying factor is the inability of Mexican governments and industries to pay for the environmental technologies they need.

Financing environmental projects undertaken by small- and medium-sized enterprises is the mandate of *Nacional Financiera (NAFIN)*, the National Development Bank. It provides loan guarantees for environmental projects, and also provides equity financing for environmental companies. *NAFIN* will provide guarantees for up to half of the amount of a loan, provided that the other half is guaranteed by corporate assets or the personal assets of the directors. These loan guarantees are designed for companies which do not qualify for regular bank loans and are available to companies incorporated in Mexico, whether or not they are foreign-owned. *NAFIN's* ability to continue providing this funding is uncertain in the current economic environment.

Financing from international lenders such as the World Bank and the Inter-American Development Bank (IADB) has been substantial, but it cannot keep pace with the demand. At the end of 1993, the World Bank had granted a line of credit of US \$1.8 billion to be used for environmental programs between 1993 and 1995.