Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 18-May-2025 | Report No: PIDDC01246

BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Operation ID	Operation Name	
Mexico	P181737	Mexico Credit Enhancement Platform for Sustainable and Resilient Transport	
Region	**Estimated Appraisal Date**	**Estimated Approval Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	06-Jun-2025	10-Jul-2025	Transport
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing (IPF)	Secretaría de Hacienda y Crédito Público - Departamento de Crédito	Secretaría de Hacienda y Crédito Público - Departamento de Crédito	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to reduce market barriers and increase access to sustainable and resilient transport infrastructure in Mexico.

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? No

Payment/Security Guarantee

Financed by IBRD	1,000.00
Total	**1,000.00**

Guarantee Information

Guarantee Type	Coverage	Enclave Operation
Project-Based Guarantee	Payment Guarantee	No

Is there an intermediate jurisdiction present in the guarantee beneficiary's structure?

No

Guarantee Beneficiary	Guarantee Fees	Guarantee Schedule
	Ongoing	30-Jun-2027

Guarantee Expiration Date
30-Jun-2039

Environmental and Social Risk Classification	Concept Review Decision
High	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Mexico, an upper-middle-income country with a diversified economy, continues to face structural challenges that constrain inclusive growth and poverty reduction.** After a sharp 8.4 percent GDP contraction in 2020 due to the COVID-19 pandemic, the economy rebounded with 6 percent growth in 2021, followed by 3.7 percent in 2022 and 3.3 percent in 2023. Labor income poverty dropped to 35.2 percent in early 2024, its lowest level since 2007. Nonetheless, multidimensional poverty remains high, especially in the southern states, where per capita GDP is 40 percent lower than elsewhere and private investment four times less. The government's 2025–2030 National Development Plan aims to reduce these disparities through an ambitious infrastructure agenda—including road, rail, port, and airport improvements—but fiscal adjustment planned for 2025 and going forward will reduce the room for public investment in these sectors. The 2025 budget aims to reduce the fiscal deficit from its 2024 outturn of 5.9 percent of GDP to around 3.0 percent of GDP, stabilizing public debt. At the same time, the government is likely to utilize innovative co-investment mechanisms with the private sector to support infrastructure development and preserve fiscal sustainability.

2. **Internationally, Mexico's strong trade integration and strategic location have positioned it as a key player in global supply chains**, with the export-to-GDP ratio rising from 16.7 percent in 1986 to 42.6 percent in 2022. In 2024, the country attracted a record US$36.9 billion in foreign direct investment (FDI), equivalent to 2.6 percent of GDP. Most of this investment (78 percent) came from reinvested earnings, with over half directed to the manufacturing sector, particularly transport equipment and technology. At the same time, the external environment is becoming more complex, including proposed tariff measures that have introduced uncertainty into Mexico's trade and growth outlook.

Sectoral and Institutional Context

3. **Infrastructure in Mexico is essential for economic development, enhancing competitiveness, and fostering national growth; however, the sector faces some challenges**. Mexico's road network requires investment, equal to nearly 3 percent of GDP, to meet current and future demands and close infrastructure gaps.[1] However, despite handling 56 percent of freight transit and 96 percent of local travel, the quality of road infrastructure has deteriorated. Expanding road capacity in northern states and improving road quality in southern states are critical priorities to support economic

[1] (CMIC, 2023)

development and manage increasing motorization and traffic demands.

4. **Rapid urbanization has led to challenges in providing essential basic services in Mexico's cities, including urban transportation, affecting competitiveness.** With 79 percent of the population residing in cities, public transport struggles with aging infrastructure and outdated systems. Increasing motorization may affect the competitiveness of cities and slow national growth rates, which are highly dependent on the efficiency of the logistics sector. Private entities typically bear both capital and operating costs; this reliance on fare-based revenues limits investments in cleaner technologies and service improvements.

5. **Mexico's geographical location makes it highly vulnerable to climate-related risks, which pose a threat to transport infrastructure.** Mexico's infrastructure and productive sectors have faced significant losses from flooding, hurricanes, and earthquakes, of which nearly 50 percent have been in the roads sector.[2] Annual damages from these events are estimated at US$715 million and disruptions to transport infrastructure have cascading effects on business productivity, leading to estimated economic losses equivalent to US$8.6 billion. The southern states are particularly vulnerable to hurricanes, floods, and landslides.[3]

6. **By capitalizing on the current depth of its national capital markets, Mexico could benefit from innovative strategies for mobilizing private capital.** In the current global context, private capital is increasingly important to complement public investment and enhance the quality of road and public transport infrastructure. Co-investment agreements offer a promising way to close infrastructure gaps through innovative, risk-sharing partnerships.

7. **Mexico is actively working to integrate sustainability and environmental criteria in its infrastructure projects. Public development banks (PDBs) have adhered to international environmental, social, and governance (ESG) standards to ensure projects meet rigorous sustainability benchmarks.** Moreover, in March 2023, the Ministry of Finance and Public Credit (SHCP) introduced a Sustainable Taxonomy, outlining specific policies for identifying, assessing, and mitigating environmental and social risks. These criteria are essential for accessing additional funding.

8. **BANOBRAS and FONADIN are essential for developing a robust pipeline of projects suitable for both public and private co-financing, serving as liaisons between private banks and subnational governments.[4]** Since its creation in 2008, FONADIN, owned by SHCP and managed by BANOBRAS, has attracted significant capital for infrastructure projects. Operating independently from the national budget, FONADIN uses grants, loans, equity investments, and credit enhancements to fund projects.

9. **The proposed project, currently under preparation and to be subsequently validated by SHCP and BANOBRAS, would establish a credit enhancement platform to support the Government of Mexico's strategy to attract private investment and optimize public resources.** The World Bank would back the project with a US$1 billion IBRD guarantee to support FONADIN in providing its own guarantees to specific projects, initially in the transport sector. This would be done through the establishment of a Credit Enhancement Platform (PMC for its Spanish acronym) housed within FONADIN, thus providing the necessary credit enhancement, de-risking, and leveraging of commercial capital for Mexico at favorable terms and conditions.

Relationship to CPF

[2] (World Bank, 2024) Mexico Green and Resilient Transport
[3] (IMT, 2018) Riesgo de desastres en México: eventos hidrometeorológicos y climáticos
[4] FONADIN is a federal trust whose title is held by SHCP but operated by BANOBRAS as its fiduciary agent.

10. **The proposed Project is fully aligned with the World Bank Group's (WBG) Country Partnership Framework (CPF) for the United Mexican States (FY20-25).** The proposed project contributes to CPF Focus Area A, "Supporting more rapid, more inclusive growth", Objective 2 "Support private sector investment" – by addressing regulatory failures and promoting greater competition, the project aims to enhance productivity across sectors, particularly benefiting regions where infrastructure gaps hamper entrepreneurship and connectivity; Focus Area B "Strengthening institutions for public finance, service delivery, and economic inclusion" – by modernizing public financial management systems and strengthening institutional capacity; and Focus Area C "Enabling sustainable infrastructure and climate action", Objective 5 "Provide more inclusive and sustainable infrastructure services" – by mobilizing private finance for infrastructure development focusing on critical infrastructure gaps.

C. Proposed Development Objective(s)

The Project Development Objective (PDO) is to reduce market barriers and increase access to sustainable and resilient transport infrastructure in Mexico.

Key Results (From PCN)

D. Concept Description

11. **The proposed Project consists of a single component that supports the establishment of a Credit Enhancement Platform (Plataforma de Mejora Crediticia, PMC) within FONADIN.** IBRD's support would be structured and made effective conditional, amongst others, on the: (a) establishment of a PMC Manager within FONADIN; (b) development of a project pipeline with predefined risk profiles; (c) adoption by the PMC Manager of an environmental and social management system that adheres to the World Bank Performance Standards for Private Sector Activities (OP 4.03); and (d) approval of a Project Operations Manual detailing the institutional and governance arrangements between the different stakeholders as well as FONADIN's reporting obligations to IBRD.

12. **Implementation arrangements.** BANOBRAS would establish the "PMC Manager" under FONADIN that would be responsible for the implementation of the Project. The PMC Manager would ensure Sub-Project compliance with Bank guidelines and policies including standards for environmental, social, and governance (ESG) practices. This would also include all processes and procedures from project selection, due diligence, implementation and monitoring arrangements including reporting on project indicators related to eligible sub-projects. This would be defined in the Project's Operations Manual that would be developed in consultation with SHCP.

Legal Operational Policies

Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The Project would fully apply World Bank Performance Standards, Operational Policy 4.03 – Performance Standards for Private Sector Activities. As such, the Project would apply the World Bank Performance Standards (PSs). The Project has been categorized as "FI-1" (equivalent to "High" under the WB's Environmental and Social Framework or Category A under the previous Operational Policies). This categorization is based on information available to date regarding Project scope, which indicates that the proposed portfolio of guarantees would support infrastructure projects that could have significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented. The Project would utilize the existing environmental and social risk management system within the Apex Financial Intermediary (FI) (FONADIN/BANOBRAS), known as the System for Administration of Environmental and Social Risks (SARAS, in Spanish). The SARAS would serve as the Project's Environmental and Social Management System (ESMS), and during Project preparation would be subject to a due diligence assessment to ensure adequacy in its ability to identify, assess, manage and monitor environmental and social risks and impacts of FI subprojects in a manner consistent with the WB PS. This assessment would include eligibility criteria outlining projects or activities that would be excluded from guarantee eligibility and a mechanism to review and categorize all potential sub-projects based on their potential environmental and social (E&S) risks and impacts. Where gaps exist in the existing system vis a vis the WB PS, the SARAS would be strengthened to bridge these gaps. An Environmental and Social Action Plan (ESAP) would be developed prior to appraisal outlining any strengthening measures identified to ensure that all environmental and social risks and impacts under the project are managed in a manner consistent with the WB PS.

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APPROVAL

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