

MONARCH SPECIAL REPORT

The Interoceanic Corridor of the Isthmus of Tehuantepec (CIIT) Announces the Bidding Process for its First Five Development Poles



July 7, 2023

CIIT Bidding Process Gets Underway

On June 20, 2023, the federal government of Mexico published calls for international public bidding/tenders to obtain a two-year concession for the use and exploitation, with the possibility of purchase, of five Development Poles in the Interoceanic Corridor of the Isthmus of Tehuantepec. One pole is in the State of Oaxaca (Salina Cruz) and the other four are in the State of Veracruz (Coatzacoalcos I & II, Texistepec, and San Juan Evangelista).

The process follows both the Development Pole declaration published in the Official Gazette of the Federation (DOF) on May 12, 2023, and the Tax Incentives package published in the DOF on June 5, 2023.

Interested parties were required to register during the week of June 26-30, 2023, following the instructions and submitting the required documents found at the following website: <https://www.gob.mx/ciit>. Accredited/approved participants will be able to take part in an information session to take place from July 26-27.

In announcing the processes for issuing concessions for the CIIT Development Poles, the government laid out a timeline for each location, which is summarized in Exhibit 1. The formal process will begin on August 25 when a data room with information on each location becomes available to interested parties. This will quickly be followed by, on staggered dates, site visits, Q&A sessions, certification of qualified bidders, submission of proposals, awarding to the preferred bidder, and, ultimately, granting of the concession,

with the first concession expected to be awarded by December 29, 2023, and the last by April 16, 2024.

Details on the process to apply for a concession on each Development Pole can be found at the following links:

- [Polo Salina Cruz](#)
- [Polo San Juan Evangelista](#)
- [Polo Texistepec](#)
- [Polo Coatzacoalcos I](#)
- [Polo Coatzacoalcos II](#)

Where Is the Biggest Opportunity?

Monarch anticipates that the Coatzacoalcos I & II Development Poles are likely to draw the most investor interest given their greater access to infrastructure and human capital resources with Salina Cruz also being well positioned for development. On the other hand, the requirement that concession winners must demonstrate their capability and commitment to developing the awarded site within two-years before they would be eligible to purchase the site creates an additional challenge to the development of any pole.

Understanding the Tax Incentives Around CIIT

The Mexican Ministry of Finance and Public Credit (SHCP) presented a package of tax incentives in the Mexican Official Gazette on June 5, 2023, to attract investment in the Interoceanic Corridor of the Isthmus of Tehuantepec. The government aims to promote investments by various industries, such as electrical and electronics, semiconductors, automotive, medical devices, pharmaceuticals, agribusiness, communications, IT, metals, manufacturing, and petrochemicals, to the Development Poles. By offering credits against income and value added taxes, along with the incentive of immediate deduction of investment costs, the federal government seeks to increase business profitability and drive investment throughout Mexico. Having said this, it is crucial for businesses to comply with the requirements and fulfill the conditions outlined by the Ministry of Finance to maintain the tax benefits provided by this decree.

The following are key provisions and requirements for businesses seeking to benefit from these tax incentives:

Income Tax Incentives

The Ministry of Finance will grant companies a tax credit against the Income Tax (ISR) equivalent to 100% of the tax due for three fiscal years. Following this period, the credit will be equivalent to 50% of the ISR, with a possibility of reaching up to 90% if specific employment criteria are met. These incentives apply to both natural and legal persons residing in Mexico or abroad, provided they have a permanent establishment in the country and pay taxes under the applicable sections of the ISR Law. Furthermore, eligible entities income must derive from productive economic activities conducted within the Development Poles of the CIIT.

Immediate Deduction of Investments

Investment in new fixed assets to carry out productive economic activities within the Development Poles are eligible for immediate deduction of 100% of the original investment amount. This deduction can be applied in the fiscal year when the assets are first used or in the subsequent year, if preferred. The duration of this deduction benefit is six fiscal years.

Conditions to Maintain Income Tax Benefits

To continue receiving the tax incentives, recipients must demonstrate progress in their investment projects and fulfill the minimum employment levels specified by the Ministry of Finance. The following requirements must also be met:

- Compliance with all tax obligations.
- Possession of a valid concession to title or ownership of land within the Development Poles.
- Presentation of a business plan, if applicable, for which the concession was granted.
- Must be domiciled for fiscal purposes in the Development Pole where productive economic activities are conducted.

VAT Benefits

Another incentive for businesses operating within the Development Poles is a tax credit equivalent to 100% of the Value Added Tax (VAT) payable on the sale of goods, provision of independent services, or temporary use or enjoyment of goods. This VAT credit applies for four years from the Decree's enforcement.

Control and Implementation

The Tax Administration Service (SAT) will establish rules for controlling the movement of goods and operations within and between the Development Poles. The Ministry of Finance will periodically publish and update the list of taxpayers availing the benefits on its website.

Conclusion

The Interoceanic Corridor of the Isthmus of Tehuantepec is the principal investment promotion project in Mexico in the final year of the AMLO administration. It is integral to achieving the president's goal to "democratize" economic development in the southeast of Mexico, and it is expected to be a key part of AMLO's legacy. As noted herein, the government is offering various incentives to attract FDI from strategic sectors, but doing business in Mexico is rarely without unforeseen complexities. The CIIT project offers great opportunity, but businesses should be fully aware of its risks as well.

Monarch believes that our-on-the-ground experience over the last 22 years helping our clients successfully enter and expand in Mexico, along with our access to key decision makers in government, the private sector, and civil society, allows us to help parties interested in investing in the CIIT Development Poles to navigate these challenging but attractive opportunities.

* * * *

This Client Alert is a publication of Monarch Global Strategies LLC (all rights reserved) that is provided to our clients and friends of the firm as a courtesy. The Editorial Team includes Juan Casillas, Geoffrey Jones, and Luis Ricardo Rodríguez with support from the entire Monarch team.

EXHIBIT 1

ACTIVITIES PROGRAM FOR THE BIDDING PROCESS OF COATZACOALCOS 1

Stage	Date
1. Access to the CIIT Repository	August 25, 2023
2. Site Visit	August 30, 2023
3. Clarification Meeting	September 14, 2023
4. Bidder Certificate	From September 29 to October 10, 2023
5. Submission and Opening of Proposals	October 31, 2023
6. Tender Award	December 8, 2023
7. Granting of the Concession Title	From December 11 to 29, 2023

ACTIVITIES PROGRAM FOR THE BIDDING PROCESS OF COATZACOALCOS 2

Stage	Date
1. Access to the CIIT Repository	August 25, 2023
2. Site Visit	August 31, 2023
3. Clarification Meeting	September 29, 2023
4. Bidder Certificate	From October 17 to October 26, 2023
5. Submission and Opening of Proposals	November 24, 2023
6. Tender Award	January 31, 2024
7. Granting of the Concession Title	From February 1 to 29, 2024

ACTIVITIES PROGRAM FOR THE BIDDING PROCESS OF TEXISTEPEC

Stage	Date
1. Access to the CIIT Repository	August 25, 2023
2. Site Visit	September 1, 2023
3. Clarification Meeting	October 13, 2023
4. Bidder Certificate	From October 30 to November 10, 2023
5. Submission and Opening of Proposals	December 11, 2023
6. Tender Award	February 20, 2024
7. Granting of the Concession Title	From February 21 to March 19, 2024

ACTIVITIES PROGRAM FOR THE BIDDING PROCESS OF SAN JUAN EVANGELISTA

Stage	Date
1. Access to the CIIT Repository	August 25, 2023
2. Site Visit	September 4, 2023
3. Clarification Meeting	November 3, 2023
4. Bidder Certificate	From November 21 to 30, 2023
5. Submission and Opening of Proposals	January 8, 2024
6. Tender Award	March 4, 2024
7. Granting of the Concession Title	From March 5 to April 2, 2024

ACTIVITIES PROGRAM FOR THE BIDDING PROCESS OF SALINA CRUZ

Stage	Date
1. Access to the CIIT Repository	August 25, 2023
2. Site Visit	September 5, 2023
3. Clarification Meeting	November 22, 2023
4. Bidder Certificate	From December 7 to 18, 2023
5. Submission and Opening of Proposals	January 22, 2024
6. Tender Award	March 18, 2024
7. Granting of the Concession Title	From March 19 to April 16, 2024



Michael C. Camuñez

President & CEO

mcamunez@monarch-global.com

Los Angeles

James R. Jones

Chairman

jjones@monarch-global.com

Washington, D.C.

Luis Ricardo Rodríguez

Managing Partner

lrodriguez@monarch-global.com

Monterrey

Geoffrey G. Jones

CFO & SVP Development

gjones@monarch-global.com

Washington, D.C.

Pamela K. Starr

Senior Advisor

pstarr@monarch-global.com

Los Angeles

Pedro Niembro

Senior Director

pniembro@monarch-global.com

Mexico City

Juan Casillas

Senior Advisor

jasillas@monarch-global.com

Mexico City

Gerardo de la Peña

Senior Advisor

gdelapena@monarch-global.com

Mexico City

Begoña Sánchez

Director

bsanchez@monarch-global.com

Monterrey

Patricio M. Martínez

Associate

pmartinez@monarch-global.com

Monterrey

Gabriel Cavazos

Senior Advisor

gcavazos@monarch-global.com

Monterrey / Mexico City